

RURAL DEVELOPMENT COMMITTEE

Tuesday 19 June 2001
(*Afternoon*)

Session 1

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RURAL DEVELOPMENT COMMITTEE

16th Meeting 2001, Session 1

CONVENER

*Alex Johnstone (North-East Scotland) (Con)

DEPUTY CONVENER

*Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP)

COMMITTEE MEMBERS

*Mrs Margaret Ewing (Moray) (SNP)

*Alex Fergusson (South of Scotland) (Con)

*Rhoda Grant (Highlands and Islands) (Lab)

*Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab)

*Richard Lochhead (North-East Scotland) (SNP)

George Lyon (Argyll and Bute) (LD)

*Dr Elaine Murray (Dumfries) (Lab)

*Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD)

*Elaine Smith (Coatbridge and Chryston) (Lab)

*attended

WITNESSES

Ross Finnie (Minister for Environment and Rural Development)

Karen Jackson (Scottish Executive Environment and Rural Affairs Department)

CLERK TO THE COMMITTEE

Richard Davies

SENIOR ASSISTANT CLERK

Tracey Hawe

ASSISTANT CLERK

Jake Thomas

Neil Stewart

LOCATION

The Hub

Scottish Parliament

Rural Development Committee

Tuesday 19 June 2001

(Afternoon)

[THE CONVENER *opened the meeting at 14:03*]

The Convener (Alex Johnstone): Good afternoon, ladies and gentlemen. It is my pleasure to welcome you to the Hub. It is a while since we met here and I hope all members remembered where to find it.

I have not received apologies from a couple of members who have yet to arrive, but we will start the meeting. I have received apologies from George Lyon, who is en route and who hopes to arrive by 4 o'clock. If precedence if anything to go by, we will still be here.

We have four items on our agenda. As we have already agreed to take items 3 and 4 in private, we will move into private session after we have dealt with item 2.

Subordinate Legislation

The Convener: Item 1 is subordinate legislation. We welcome Ross Finnie, the Minister for Environment and Rural Development, who is here to move motion S1M-2001—I think that is the right number—on the Farm Business Development (Scotland) Scheme 2001. The minister is accompanied by Paul Cackette and Karen Jackson.

The Farm Business Development (Scotland) Scheme 2001 is an affirmative instrument. That means that the scheme cannot be made unless the Parliament, by resolution, approves the draft. Our role, as lead committee, is to decide whether to recommend that the instrument be approved. The affirmative procedure is rather unusual, in that the instrument cannot remain in force beyond a stated period unless the Parliament, by resolution, approves it.

Before the minister moves the motion, I invite him to give a brief explanation of the scheme and, if required, to invite officials to answer technical questions. I will then ask the minister to move the motion.

The Minister for Environment and Rural Development (Ross Finnie): Thank you, convener. Most members will have read through the scheme, which is not too complex. It is modelled on the successful rural diversification programme that operated in some parts of Scotland until the end of 1999. It will operate in a much wider area and will be open to farmers and their immediate families in all of Scotland outwith the Highlands and Islands special transitional area.

The scheme will operate under the legal framework of the rural development regulation. It is important to stress that the scheme was developed in partnership with local authorities, the enterprise bodies, environmental organisations and representatives of farming and landowning bodies. The partnership successfully drew the scheme together and we hope that that will continue in the operation of the scheme.

Under the scheme, applications will be considered by project assessment committees made up of representatives of a wide range of interests, similar to those that I just described but including the Scottish Tourist Board and Scottish Natural Heritage. We hope that farming and landowning interests will also be involved in the committees. It will be for the committees to make recommendations to Scottish ministers on the approval of applications.

I will now address the detail of the scheme. First, it is for farmers who wish to diversify within agriculture. They will be able to apply for grants to

assist them with projects. For example, a farmer who is interested in developing facilities for alternative agriculture production would be able to apply under the scheme. There might also be alternative opportunities for different forms of stocking.

It is important to note that, secondly, the scheme will support farmers who want to develop alternative sources of income outwith agriculture. As the committee will note, part II of the schedule to the instrument lists a wide range of eligible measures. Farmers will be encouraged to make maximum use of those opportunities. For example, the scheme could contribute to the development of local housing for rent, through applications to convert buildings for housing.

We hope that the scheme will make a wider contribution to a sustainable rural economy. The projects that are eligible for grant do not need to take place on the farm—applications can be submitted for small businesses to serve the local community, perhaps in areas such as hairdressing, secretarial services and machinery repairs.

The scheme will be competitive and discretionary. To be eligible for assistance, the applicant must have been in farming for two years and the work that is proposed should be of a capital nature. The maximum grant per business will be £25,000, or £30,000 if three or more businesses come together in collaboration. For diversification projects within agriculture, the maximum grant is 50 per cent, subject to the upper limit, for projects that are in less favoured areas and up to 40 per cent in other areas. For other types of diversification projects, grant assistance of up to 50 per cent will be available. If training needs are identified, successful applicants could have up to 50 per cent of their costs met, in addition to any other grant that they receive.

We expect the scheme to provide grants of around £52 million between now and 2006. That sum will be matched by a similar amount of private investment.

I hope that the committee agrees that the scheme should, and will, make a significant contribution to rural economies outwith the Highlands and Islands special transitional area. I ask the committee to accept the scheme as proposed.

The Convener: Thank you. We now have an opportunity to put questions to the minister or his officials.

Dr Elaine Murray (Dumfries) (Lab): I welcome the scheme, which will be of great benefit to areas outwith the Highlands and Islands, such as Dumfries and Galloway, where diversification may well be under consideration. How much funding is

available for the scheme?

Ross Finnie: The sum of £52 million pounds is available between now and 2006.

Dr Murray: Did you say that there could also be alternative, or additional, sources of funding?

Ross Finnie: It is always possible to lever in private capital—that is possible under any scheme. It will be interesting to see whether other financiers recognise the opportunity presented by a fixed amount of money from a Government source. We want to encourage people to lever in money—that is where the enterprise companies have experience—and to develop the way in which such schemes are managed.

Dr Murray: I know that the enterprise bodies in Dumfries and Galloway are examining various diversification schemes and assistance for people who were hit by foot-and-mouth disease. Could there be additional sums of money through this scheme?

Ross Finnie: I advise people to be careful, because the regulation states that people must declare in their application whether they have sought assistance from other bodies. The provisions of the scheme are quite clear: if someone has been turned down by another body, they can apply under the scheme. We expect farmers to match some of the capital, but the scheme offers the opportunity to extend the amount invested.

Fergus Ewing (Inverness East, Nairn and Lochaber) (SNP): The farm business development scheme is similar to the agricultural business development scheme, which we considered some time ago. Are there any differences between this scheme and the ABDS?

Ross Finnie: Yes. A fundamental difference is that the farm business development scheme is funded wholly by the Scottish Executive. It does not have access to European funding because of the areas that are eligible and the way in which the scheme is structured. Given the sums of money that are available, another difference is that the range of assistance in the Lowlands scheme—if I may use that as shorthand for the farm business development scheme—is more directed towards diversification within the farm or in outside-farm businesses. That was covered in the consultation process with the bodies that I mentioned in my introduction. As the committee is aware, having approved the previous regulation, the ABDS permits restructuring of the farm itself. That was widely discussed during the consultation process, when we tried to focus on making maximum use of the available resource.

Fergus Ewing: Will the minister provide us with a report on how applications have proceeded

under the ABDS—the total take-up and the value of the grants allocated to date? I have received reports, which may be anecdotal, that there is a problem with the assistance that is provided for applicants under the ABDS, as it is much lower than it could be. In other words, a higher level of grant assistance could have been provided to the first tranche of applications than has been. Will the minister comment on that and give us a report on the application statistics so far?

Ross Finnie: I am not aware of such problems. The proper response would be for me to ask my officials to check the veracity of those anecdotal reports by providing statistics or a response to the committee on take-up and, more important, the amount of grant awarded.

The Convener: The questions seem to have strayed from the issue in hand. Does Fergus Ewing want to raise another point?

Fergus Ewing: Yes. The ABDS is similar, so in some ways it can be considered as a benchmark for the farm business development scheme. Does the minister agree that many of the farmers and crofters who most need assistance are the least likely to be able to match grant funding, because they are least likely to have capital deposits that they can use to part-fund a diversification project? What steps is the Executive taking to help farmers who are unlikely to be able to avail themselves of the benefits of the scheme?

14:15

Ross Finnie: I do not want to get into a theological argument about drawing certain distinctions. A grant is offered of up to £25,000 or, in collaborative ventures, up to £30,000 and the object is to increase the income flow. Some people may be excluded, but I would not say that people will not have access to other forms of capital, provided that they can demonstrate an improvement in their income flow. We have limited resources, which we are trying to optimise. There is the revised crofting scheme and the processing and marketing grants scheme. We are trying, as far as we can with the rural development regulation, to make as much money as possible available to as many people as possible to enhance their businesses.

Richard Lochhead (North-East Scotland) (SNP): I recently visited Perth machinery ring. The people who run it tried to start a business promoting farming tourism. They gave the example of a coachload of German foresters who came to Scotland, went for lunch at a farmhouse and were shown around some farms and farmland in the area. That is a good way of bringing in income, but the people from the machinery ring got no support from any of the available sources of income. Would the scheme cover that sort of

activity—farmers hosting tourist visits—which leads to alternative income? Does the scheme help farming families? Can it be used to help farming businesses to diversify?

Ross Finnie: The only stipulation is that persons must have been in agriculture for the two years up to the date on which they make the application. We will leave the specifics, because I am not aware whether the members of the ring are farmers, but the example is interesting. If the members of the ring are farmers, they could take advantage of the scheme's provisions in relation to three or more persons who form a collaborative venture and they would be entitled to a slightly higher rate of grant. The nature of the activity that Richard Lochhead described—diversification to produce an income stream that is outwith farming—falls within the ambit of the scheme.

Richard Lochhead: Would a business qualify that wanted to help farmers to diversify or do only farmers qualify?

Ross Finnie: It would have to be a collaborative venture among farmers. I appreciate that that is not quite the answer, but with a little imagination there are ways in which people could take advantage of the provisions.

Richard Lochhead: Will extra resources be put into schemes in the light of foot-and-mouth disease?

Ross Finnie: Schemes are being promoted and funded under the rural development plan and the moneys attached to the rural development regulation. What we do on foot-and-mouth disease is a separate matter. We are not currently contemplating increasing the funding to the farm business development scheme or any of the other schemes that have been funded under the rural development regulation.

Elaine Smith (Coatbridge and Chryston) (Lab): You say that the funding could be used to convert redundant buildings into housing for rent. Are you referring to people applying for grant and letting holiday homes or to people becoming private landlords? Would there be any time limits on selling the houses?

Ross Finnie: There is no restriction on converting buildings for holiday let or permanent let, provided that the other criteria are met. I cannot answer the final part of the question, so I may have to come back to you on that.

Elaine Smith: I would be grateful if you could do that. I am interested in how the scheme would apply thereafter, specifically whether and how people would be prevented from selling the houses.

Ross Finnie: Karen Jackson might be able to assist on that.

Karen Jackson (Scottish Executive Environment and Rural Affairs Department):

We would expect the houses to be available for rent for at least seven years and we would expect the returns to be sent in for seven years. After the seven-year period, the person concerned would be free to do what they wanted with the property.

Elaine Smith: That is quite specific.

Cathy Jamieson (Carrick, Cumnock and Doon Valley) (Lab):

My understanding is that the aim is to ensure that the people who live and work in rural areas benefit from the scheme. What protections are in place to ensure that the scheme is genuinely targeted and that there is accountability, so that a lot of people who already have a large interest in the land and a lot of money do not benefit from the scheme at the expense of smaller businesses, individual farming families and smaller communities?

Ross Finnie: We have tried to ensure as far as possible that the people on the project assessment committees represent a wide group of interests and are not a cosy group. Those committees will assess the projects and do the sift. We have been careful to ensure that there is wide representation on the PACs, because they will provide the assurance that Cathy Jamieson wants. Karen Jackson will expand on that.

Karen Jackson: The project assessment committees will draw together a wide range of partners. We will rely on their local knowledge in considering the projects that are proposed. We will ensure that additionality is taken into account when the projects are assessed.

Mr Mike Rumbles (West Aberdeenshire and Kincardine) (LD): This looks to be a very good scheme. I represent many areas that cannot get European assistance, so from my perspective, the scheme will be welcome.

My question follows on from what Cathy Jamieson said. The scheme is to run for up to seven years. What plans do you have to evaluate its effectiveness?

Ross Finnie: One of several lessons that we have learned, I suppose rather painfully, as a result of another scheme—the name of which I will not mention in the company of certain members who are present—is that we must monitor not only the general financial inputs and outputs; it is of considerable interest to me to know how effective the schemes are. There will end up being the scheme in the Highlands and Islands, the Lowlands scheme, the crofting scheme and the processing and marketing grants scheme. As we have explained to the committee each time we have come before it, we are clear about what we hope to achieve. My undertaking is that we will review and monitor the scheme to see the outputs.

It is all very well to put money in, but the important issue is the outputs.

The Convener: If there are no further questions, I ask the minister formally to move the motion in his name.

Ross Finnie: I will move the motion, the number of which the convener was unclear about.

The Convener: It is S1M-2001.

Ross Finnie: I was hesitant about moving the motion then discovering that I had moved something completely different, which might have got me into even bigger trouble. I am happy to move motion S1M-2001.

I move,

That the Rural Development Committee recommends that the Farm Business Development (Scotland) Scheme 2001 be approved.

The Convener: As no one wants to speak against the motion, I will put the question.

The question is, that motion S1M-2001 be agreed to.

Motion agreed to.

The Convener: Item 2 is another piece of subordinate legislation, the Plant Protection Products Amendment (No 2) (Scotland) Regulations 2001 (SSI 2001/202), which will be dealt with under the negative procedure. The Subordinate Legislation Committee has considered the regulations and made no comments. Are members content to make no recommendation in our report to the Parliament on the instrument?

Members indicated agreement.

The Convener: That brings us to item 3 on the agenda, which we have agreed to take in private.

14:25

Meeting continued in private until 16:53.

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