



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

RURAL AFFAIRS AND ENVIRONMENT COMMITTEE

Wednesday 24 November 2010

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CONTENTS

	Col.
DRAFT BUDGET SCRUTINY 2011-12	3397
SUBORDINATE LEGISLATION	3423
Scallops (Luce Bay) (Prohibition of Fishing) Order 2010 (SSI 2010/375).....	3423
Fishing Boats (EU Electronic Reporting) (Scotland) Scheme 2010 (SSI 2010/374).....	3431

RURAL AFFAIRS AND ENVIRONMENT COMMITTEE

26th Meeting 2010, Session 3

CONVENER

*Maureen Watt (North East Scotland) (SNP)

DEPUTY CONVENER

*John Scott (Ayr) (Con)

COMMITTEE MEMBERS

Aileen Campbell (South of Scotland) (SNP)

*Karen Gillon (Clydesdale) (Lab)

*Liam McArthur (Orkney) (LD)

*Elaine Murray (Dumfries) (Lab)

*Peter Peacock (Highlands and Islands) (Lab)

*Bill Wilson (West of Scotland) (SNP)

COMMITTEE SUBSTITUTES

Rhona Brankin (Midlothian) (Lab)

Jim Hume (South of Scotland) (LD)

Jamie McGrigor (Highlands and Islands) (Con)

*Sandra White (Glasgow) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

Professor Richard Aspinall (Macaulay Land Use Research Institute)

Lloyd Austin (Scottish Environment LINK)

John Ford (Scottish Environment Protection Agency)

Ian Jardine (Scottish Natural Heritage)

Richard Lochhead (Cabinet Secretary for Rural Affairs and the Environment)

Jim McLaren (National Farmers Union Scotland)

Alasdair Morgan (South of Scotland) (SNP)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

Committee Room 5

Scottish Parliament

Rural Affairs and Environment Committee

Wednesday 24 November 2010

[The Convener *opened the meeting in private at 09:30*]

11:03

Meeting continued in public.

Draft Budget Scrutiny 2011-12

The Convener (Maureen Watt): Good morning. Welcome to the public part of the committee's 26th meeting of the year. I remind everyone to turn off their mobile phones and BlackBerrys, as they impact on the broadcasting system. Aileen Campbell is not in attendance; Sandra White is here as a substitute.

The first public item is evidence on the Scottish Government's draft budget 2011-12, which was published last week. We must report to the Finance Committee on the draft budget before the end of the year, as it concerns matters within our remit. We are joined at the table by our adviser, Jan Polley, whom I thank for coming. We will hear from a panel who represent a cross-section of interests from the rural affairs and agriculture sector. I welcome Jim McLaren, president of the National Farmers Union Scotland; John Ford, director of finance and corporate services for the Scottish Environment Protection Agency; Lloyd Austin, head of conservation policy for Scottish Environment LINK; Professor Richard Aspinall, chief executive of Macaulay Land Use Research Institute; and Ian Jardine, chief executive of Scottish Natural Heritage. We are grateful to them all for agreeing to come here at relatively short notice. I thank those who have been able within that time to provide us with written evidence.

We do not have much time today because of other pressing commitments, so we will go straight to questions.

Bill Wilson (West of Scotland) (SNP): I will combine a couple of questions. The question is directed mainly at SNH, SEPA and Macaulay Land Use Research Institute, but that is not to say that others should not give an opinion. What level of resource and capital efficiencies are required for 2011? How likely are you to achieve those targets? Are you doing anything on shared services to help deliver them?

Ian Jardine (Scottish Natural Heritage): You ask about efficiencies, but two things will be

necessary in SNH's budget next year: efficiencies and cuts. Part of my job is to maximise efficiency, so that we minimise cuts.

SNH has managed to deliver its efficiency targets to date. We expect to deliver more through efficiencies over the next year. At the moment, I cannot give you an absolute target on which I am willing to stake my reputation, but we will need to produce a figure. That will be done by looking at many of our corporate functions, reviewing the way in which we do things to try to reduce administrative costs and handling times, and reviewing our property to see whether we can drive efficiencies out of that.

The process will include looking at sharing property, as part of the shared services agenda. We are looking both at bilateral shared services opportunities, by developing the arrangements that we have with the Crofters Commission and the national parks, and across the public sector at potential shared efficiencies in training, in property management and, with the Scottish Government, in financial and human resources transactions. All that work is live at the moment. I can go into more detail if the committee would like me to.

John Ford (Scottish Environment Protection Agency): Since 2009, SEPA has had in place a major change agenda to review how the organisation delivers its services. A key component of that is looking at how we deliver our regulatory functions. We are in the process of reviewing that. The intention is to deliver our outcomes and objectives with a lower cost base by focusing on a more risk-based approach to regulation and ensuring that our associated scrutiny is in line with that.

In the past, we have delivered our efficiency savings; on a number of occasions we have exceeded the targets that the Scottish Government set for us. At the moment, we believe that we will be able to live within the budget of £39.4 million that has been allocated to us. We will achieve that partly through our transformational change programme, which will change the way in which we do things and ensure that we need fewer staff to do them. A voluntary severance programme has been launched in the past few weeks to reduce our staffing levels.

We are also looking at the non-staff side of our expenditure. That includes looking at sharing services in terms of buildings and their associated running costs, and sharing other services where we can. We already have a number of shared facilities management services in place with other organisations and we are discussing with some of them how we might take that further. Information technology services is another big area in which we are looking to see how we can reduce our costs while maintaining the quality of service.

Bill Wilson: Before the next witness answers the question, will you clarify something for me? You mentioned a more risk-based approach to regulation. Will you clarify what that is and how it will reduce costs?

John Ford: We want to focus on where the potential for major environmental harm will come from. That is the nub of it. Where there is less risk of environmental harm we might be able to lighten the regulation that has hitherto taken place. For example, we will look at increasing the number of registrations and simple licences rather than requiring companies to make applications. We will look to regulate those with what will, in effect, be a lighter but proportionate touch, and we will focus resources on the areas that have the greatest potential to harm the environment. By taking that approach we can do the work with a lower level of resources but still achieve our environmental objectives.

Professor Richard Aspinall (Macaulay Land Use Research Institute): As a research institute that is similar to the Scottish Crop Research Institute, Moredun Research Institute, the Scottish Agricultural College and the Rowett institute of nutrition and health, we are in a slightly different position from SEPA and SNH. For the past few years we have been increasing our income from sources other than Scottish Government rural and environment research and analysis directorate funding. We have done that quite successfully. We have managed to increase income at a faster rate than the increase in costs, and that has led to increased productivity while maintaining the amount of funding that goes to research.

I am sure the committee is aware that, since 2008, we have been discussing the creation of a new institute in Scotland by putting together the Macaulay Land Use Research Institute and the Scottish Crop Research Institute to create what will be called James Hutton institute. That name was announced a couple of weeks ago. The new institute will be much larger, and its primary intent is to project Scottish science more effectively and make it more competitive internationally, bringing in a wider range of sources of income. It also involves a look at the structure of the organisation to see what we can do in putting the two organisations into one. There will be a few, but not many, savings in terms of staff. Mostly, it should just be much more effective. That is a concrete and positive response to the economic situation.

Bill Wilson: My impression of the Macaulay is that it is more of an applied institution, so my follow-up question might not be fair. There is some concern that, as institutions emphasise the applied side more and more heavily and get the money in there, the potential for more speculative research might be lost. Is that a concern at the Macaulay?

Professor Aspinall: No. We have scientists who are concerned to balance applied and fundamental science, so in so far as we are able to apply to organisations that support fundamental science, we will take care of that. Except in specific circumstances, the institutes are not able to compete for funding from the Natural Environment Research Council or the Biotechnology and Biological Sciences Research Council, which are the two big research councils for food security and living with environmental change—those are their main programmes. RERAD has managed to get us a capacity to bid, and we are now bidding to the research councils for funding in food security and environmental change. Much of that is fundamental science.

Bill Wilson: You said that you are not able to compete. Is that in a set of rules?

Professor Aspinall: RERAD supplied some funds to those programmes as a match. For every £1 that it put in, we can get £2 back. They share the cost, if you see what I mean. They buy us into those programmes and into the ability to compete. We have to be competitive. In other competitions, we are still not able to bid in our own right, but we have dealt with that by going in as collaborators and working with universities and other partners who can bid. In those cases, we become a subcontractor. That is not ideal, but it solves the problem that you raise, which is how to get funding for fundamental research.

Bill Wilson: What would be your ideal?

11:15

Professor Aspinall: As the amount of money we get from other sources increases, we will have more capacity to focus on the overall balance of funding. RERAD's funding is not by any means solely for the applied side; we also use it to generate fundamental work, including many of our publications. Indeed, we think that it serves a double duty in allowing us both to solve applied problems and to develop advanced science generically. To give you a specific number, I think that we would like 25 to 30 per cent for fundamental science with the rest happily balanced under the institute's mission orientation with regard to applied science.

Lloyd Austin (Scottish Environment LINK): As I do not have the responsibility that other witnesses have—of implementing these budgets—my comments will simply be observations from the perspective of non-governmental organisations that are keen to see the delivery of environmental and rural affairs outcomes.

I observe that the environment and rural affairs budget, particularly when it is net of the European Union contribution, is very small compared with

that in many other portfolios—indeed, budgets for aspects such as agri-environment have historically been very low compared with those in other parts of the United Kingdom and Europe—so in considering efficiencies within that context we must be careful not to throw the baby out with the bathwater. We are happy for efficiencies to be made through the sharing of administrative services and so on, because such measures release resources to deliver core functions and outcomes, but in making these efficiencies—or cuts, depending on how they are applied—we must not pare away certain key statutory functions such as implementing the regulation that was mentioned or meeting international commitments to biodiversity, climate change targets and so forth.

Other efficiencies can be found in so-called win-wins, where two or more policy outcomes are secured with the same resource. Funding for environmental protection or improvement might also deliver social and economic outcomes with, for example, well targeted agri-environment measures improving biodiversity, water quality or access to the countryside as well as supporting farm incomes and employment or investment in green infrastructure, including the creation and maintenance of natural habitats and opportunities for access, enhancing health outcomes and community development. Indeed, Glasgow University research published in *The Lancet* has shown that access to green space can reduce health inequalities. If we join up our thinking and apply resources strategically, we have the opportunity to achieve win-wins and make better use of those resources.

Jim McLaren (National Farmers Union Scotland): Like Mr Austin, I have the luxury of not being charged with delivering any cuts to services on the back of this reduced funding. Nevertheless, I want to make two points. First, there should ideally be no dilution of outcomes in our research institutions. As Richard Aspinall said, we might be able to make some efficiencies and cost savings with the new institute, but research is vital to the future of Scotland's rural sector. We have thrived as a result of that work and must protect as many of these outcomes as we possibly can. Secondly—this point does not really apply to SNH—I recognise that agriculture makes a modest contribution to SEPA's income, but farmers still see it as a large amount of money.

My plea is that we continue along the route that Scotland's environment and rural services has started on, look to generate more efficiencies and seek other ways to fulfil our European Union regulatory burdens and demands without passing more costs on to the industry, whether the agriculture industry or other industries that pay charges to SEPA. We need to find more

efficiencies and smarter ways of doing things. We need to avoid duplication and go even further down that road. It is no holds barred for considering opportunities within the sector to achieve that.

Liam McArthur (Orkney) (LD): As Jim McLaren raised the issue of fees and charges, perhaps it would be helpful for the committee to get a sense of what consideration has been given to the pressure on SEPA to increase the fees it charges. Will increases be tapered in? In which areas will they be most keenly felt? Can the witnesses give the committee any indication of the likely implication of increases? That is probably a question for Mr Ford.

John Ford: This year, we restricted our charge increase to 1 per cent. We have gone on record as saying that, next year, there will be no increase in charges at all. That is to enable charge payers to get the benefit of the efficiency savings that we envisage ourselves making in that year.

Liam McArthur: That is welcome, but only if it does not result in even steeper increases in subsequent years. Do you have a view about what will happen two or three years hence? I know that the budget is only for 12 months, but have you any impression at this stage about what is likely to ensue as a result of the decisions to try to bear down on the fee increases over the past year or so?

John Ford: We expect the transformational change programme, in which we are taking costs out of the organisation, to impact on charges as well. It is likely that there will be gainers and losers. We aim to allocate the appropriate and proportionate level of resource to areas where the greatest environmental risk is. That will effectively restructure our current charging schemes. I could not possibly say what the outcome of that will be, as we are working our way through our major change programme.

Liam McArthur: Are you saying that there will be more punitive punishments for serial offenders but rewards for those whose track record on compliance is more positive?

John Ford: I am not sure that I would use the word "punitive", but there will be a scale of charges and we would like to provide incentives for companies to deliver better for the environment.

Liam McArthur: Mr Jardine described the trade-off between efficiencies and cuts, but you are not saying that SEPA will look to the scale of fees to enable it to dampen down the cuts that it may need to make.

John Ford: No, that will not be the case.

The Convener: Does anybody else want to say anything on that?

Jim McLaren: There is still a lot of scope to reduce the burden of charges, particularly on things such as water extraction. There are ways of doing it much more cheaply. On farms, we are familiar with inspection regimes. Mainly through quality assurance, the whole farm business can be audited, checked and quality assured for something like £150 a year. Records, environmental obligations and everything we do on the farm can be checked for that level of cost, but one licence to extract water from one point would cost in excess of £600 a year subsistence charge. There must be far smarter ways of doing that.

The Convener: Do you want to come back on that Mr Ford?

John Ford: I do not disagree with what Jim McLaren says. The whole basis of a better regulation programme is to look for smarter and more effective and efficient ways of delivering services; to work with industry to see how that might be done; to look for where we may be able to find collaborative approaches with others, as we have done through the SEARS programme; and to see where we can extend those approaches.

John Scott (Ayr) (Con): Would that extend to the disposal of sheep dip licences? I declare an interest as a sheep farmer.

John Ford: I am afraid that I could not go into that level of detail at this point.

The Convener: The point is noted.

As there are no more questions about fees and charges, we will turn to efficiencies. Mr Ford mentioned the introduction of an early severance scheme in his organisation in the past couple of months. Are the other organisations already using early severance schemes? Are there any indications that those schemes are meeting efficiency targets? Do your organisations expect to continue to offer early severance schemes? Obviously, you must ensure that key expertise is retained. How does that tie in with flexible working? Are staff more willing to be more flexible in their work?

John Ford: The initial indications are that the uptake of the SEPA VS scheme will be sufficient to deliver the level of savings that we are looking for, commensurate with delivering our environmental objectives. The scheme is in place, and it looks like it will be successful.

SEPA has always had the full range of flexible working arrangements, from part-time working to job sharing to reduced hours and eight-day fortnights. Such arrangements have been and still are available for staff to take advantage of. We are

more than happy to meet any member of staff or any group of staff that comes forward and says, "Rather than someone leaving a post, we would all be prepared to work reduced hours," and to discuss that approach.

Ian Jardine: SNH has run a voluntary early severance scheme that has been successful enough for us to do what we need to do next year. It is likely that we will lose 44 posts in the organisation under the scheme. That will save us around £1.5 million a year.

It is gratifying that we have not been inundated by requests from staff desperate to leave the organisation; it would be a strange chief executive who complained that his staff seemed to quite like working in his organisation. Many of our staff are very committed, which means that they are also quite open to discussing ways of working flexibly.

We will need to be more imaginative across the public sector; we will need to consider options such as homeworking to reduce office costs. We will need to keep all sorts of flexible working options open. In December we will have a series of meetings with staff, basically to discuss that matter with them and to get their ideas. However, to date, I have been extremely gratified by the realism and flexibility of staff. They realise what the situation is and they want to do what they can to help.

Professor Aspinall: Flexible working schemes have been widely used for a while in the Macaulay Land Use Research Institute. We manage staff changes by turnover. We are constantly replanning and developing strategies for areas of work that we wish to concentrate on, and we can accommodate that through staff leaving for new posts in other places. Continual restructuring is not a problem for us because of our staff turnover, but we retain critical mass and corporate memory. We are quite happy with that.

11:30

The Convener: On the skills mix, are there opportunities in your organisations, with some training provided, for people to switch? If people want to leave, can you—rather than recruit somebody else—switch a current staff member with a little bit of retraining?

John Ford: Yes. We have a redeployment and retraining process in place for members of staff. SEPA has had a system for a long time in which we move staff within operations and science and between those two major groups in the organisation. That will continue.

Ian Jardine: I can confirm that SNH does that, too, but I should also say that we did not approve all the applications in the voluntary early

severance scheme. There were applications from individuals who had skills that we felt we could not easily replace. That was taken into account in the scheme.

John Scott: I ask Professor Aspinall to elaborate on the concept of corporate memory. I am a great believer that it is important not to allow that to be lost. Will you expand on the dangers of corporate memory loss, the need to prevent it and ways of preventing it from happening?

Professor Aspinall: Thank you for the question. I agree with you: corporate memory is important for all organisations, but with research it is particularly important for understanding the provenance, use and utility of data sets and for understanding the contributions of science in programmes in the past, in order to avoid reinventing and redoing the same programmes. SAC calls it “re-search”—finding things that have been done before and using them effectively because they become contemporary and relevant again. Science moves on by developing new things and having new ideas, but many of the basic data and the experiments that have been carried out in the past are informative.

It has therefore been important to us that we retain people in the organisation who have the memory and who understand and remember the projects that have happened in the past and how they are relevant to the questions that are asked now, so that we can build on the work rather than start from nowhere.

The research environment attracts people who stay. I returned to the Macaulay institute in 2006, having been away for nearly a decade. I asked the staff to put up a hand if they had been there when I left, and they were surprised by how many had been—at least two thirds had been there for at least that decade. There is a long history of retention.

On retraining, scientists of course work on their skill set, which evolves over time. We offer retraining to scientists as well as to administrative staff. They tend to apply the expertise to a new question or area of investigation, which often leads to insights and broadens their ability to deal effectively with what are now interdisciplinary and broad questions.

We aim to keep corporate memory, and that happens. We also mix staff up so that they learn from one another. People have roles that they continue over time, but we ensure that, if someone is leaving, we retain the experience, expertise and knowledge that they have developed.

John Scott: Do other witnesses agree that corporate memory is important for corporate governance structures, both across all the regulatory bodies and in general?

The Convener: There is a general nod of agreement to that from the witnesses.

Lloyd Austin: John Scott’s point about corporate memory reflects one of our observations. We have no responsibility for the statutory sector staffing arrangements, but in our discussions with the Government and agencies we have encouraged what I would call a strategic approach and a long-term perspective that takes into account the corporate memory and the need to ensure that core functions and statutory responsibilities are fulfilled. If we take a short-term, “How can we make the cuts as quickly as possible?” approach, because of where volunteers for early severance come from and for other reasons, we can inadvertently cause a loss of expertise in key areas, a loss of corporate memory and so on.

I am delighted to hear Ian Jardine reflecting that SNH appears to be taking that approach by not approving some applications and by thinking about where staff can be lost, where they should be protected and so on. It is important to take such a strategic and long-term perspective in order to maintain functions. The same would be true in thinking about the structure of all public sector organisations. It needs to be done slowly and carefully, and an eye needs to be kept on the organisation’s core functions and outcomes.

Liam McArthur: Following up on Lloyd Austin’s comment about needing to take a strategic and long-term approach, and not taking immediate decisions, you will be aware that some of the political heat about the current budget is being generated because it is for 12 months rather than for three years. It might be easier for Lloyd Austin and Jim McLaren to say, but do any of the witnesses have any observations about the inherent risks in looking at a 12-month timeframe rather than one of three years or longer?

Lloyd Austin: I will comment briefly, then let Jim McLaren in. It is swings and roundabouts, to some extent. I am sure that the gentlemen here today would be delighted to have more of a long-term indication in order to plan their management. On the other hand, everyone knows that there will be an event in May next year, so it would be a foolish chief executive who made commitments beyond then.

Jim McLaren: I do not have a lot to say about the one-year budget. Who knows what is down the track? The suggestion is that more pain is to come—that is pretty obvious—and the question is about how quickly it comes.

I have a comment on staffing. NFUS has no say or particular involvement, but I have a twofold observation. First, the unavoidable danger with voluntary early severance schemes is that it is

hard to get the right people to leave. If an organisation has a strategic vision or plan for focusing its efforts, and the people who are required for that decide that they want to leave, it is difficult to manage that. I do not envy anyone who is facing the challenge of delivering through that method, although I appreciate why it might have to be done in that way.

Secondly, on the veterinary surveillance budget and how it affects SAC—it is not represented here today but I know that it has made a submission—the budget figure suggests that the veterinary surveillance budget has increased from £4.8 million to £5.2 million. That masks some changes that have happened to the budget. For example, pension liabilities and suchlike have been moved across into that figure. The fact seems to be that there has been a real cut of £0.5 million in SAC's ability to carry out veterinary surveillance work, which is really unfortunate. That might well have to happen ultimately, but in the meantime, John Kinnaird is carrying out a review of the veterinary surveillance operation. I am not sure of the date when it will report, but it has not reported yet, if I can put it that way.

In the meantime, the SAC is faced with the challenge of deciding where to make cuts against a budget drop that it has already been informed about before the outcome of the review is known. That is unfortunate. Again, the question is: where does the SAC go? What staff does it make redundant? Where does it make cost savings in the absence of the results of the work that is being done to inform that decision and with the cuts that are coming down the track? Those are just observations, convener. The situation is a challenge for the SAC.

The Convener: Before we move on, I have some questions on voluntary or early severance. Might you have to introduce a compulsory scheme in the future? Given that under voluntary or early severance you might lose people who have key skills, do you see your budget for consultants going up? Your organisation might be given a specific task, but it might not have anyone in-house who can deal with it, so you might need to take on a temporary consultant. There has been criticism from some quarters about the budgets for consultants in some public sector organisations. However, the real reason for using a consultant is possibly that you want someone to come in for a specific task.

Ian Jardine: I am happy to answer that. There are two issues here. Obviously, the issue of compulsory redundancies is an extremely sensitive one for staff. You will have seen the statements that were made along with the budget about pay policy, which make it fairly clear that the Government is anxious to avoid compulsory

redundancies in the public sector. We are all asked to see how we can do that. I take that as an indication that we should speak to the unions on the basis of our being willing, as an employer, to offer a no compulsory redundancies agreement for the year. However, we might need some help regarding the flexibility that we will need in order to do that. The intention and the strong steer that I have had is that we are expected to get to a position in which we do not, for this budget period, need to move to compulsory redundancies. In terms of staff morale and keeping people motivated, it is important that we succeed in doing that.

I am sorry, but I have forgotten the second half of the question.

The Convener: It was about consultants.

Ian Jardine: I do not envisage the budget for consultants going up. For some time, we have been trying to ensure that we use consultants only when necessary. The unknown is that we sometimes need appropriate specialist advice; in such cases it is cost effective to employ consultants. For example, we used specialist tax consultants to get VAT rebates, which was a good use of money because it paid for itself. However, I can see that in fields such as human resources and finance one sometimes needs very specialist and very specific advice. We will continue to need advice on those occasions.

A further point relates to other points that were made earlier, which is that across the public sector we must get better at using the skills that we have. If Scottish Natural Heritage does not have an expert in a particular area of employment law, perhaps SEPA or the Scottish Government does. We need to get better at sharing such resources.

Peter Peacock (Highlands and Islands) (Lab): I will pick up on a couple of points about the one-year budget, which Ian Jardine touched on in passing and which Liam McArthur touched on earlier. I will do so in relation to SNH and SEPA in particular. Are you, in practice, budgeting for one year or have you got an eye on years 2 and 3 in a slightly less formal sense than you may have had in the past, when you had actual visibility and figures? Are you nonetheless looking at a three-year horizon, given some of the decisions that you might have to take?

John Ford: The short answer is yes. As you quite rightly say, we have a budget for one year, but we are scenario planning for the following three years so that we can clearly get a handle on what potentially needs to be done.

Ian Jardine: Just to confirm, we have a one-year budget but strong hints about direction of travel as well, which we obviously have to plan for.

Peter Peacock: Moving on from that—

The Convener: I am sorry—Professor Aspinall has something to add.

Professor Aspinall: It is perhaps worth noting that the research institutes are slightly different in this context because the funding from the budget is a proportion of our total income, not all of it. In addition, the research programme is planned for five years, albeit that the budget is for one year. So, our planning ties into corporate memory and succession planning that is designed to look over five years and beyond, with the new institute coming. We also do a range of other things beyond the work that is commissioned by RERAD. It is important that we hold that capacity in the institute. So, the one-year budget is not a problem in the research institutes, because we know what is coming up and we plan for that.

11:45

Peter Peacock: That is helpful. I will move on to some of the detail with regard to SNH and SEPA, although other panel members may want to comment, too.

To what extent might you have to stop activity that you are currently doing or have been doing for a long time? Will you try to reduce current levels of activity? I guess that SEPA, in moving to a more risk-based approach, has given some indication of that.

SNH employs a lot of staff directly, but also has a lot of grant-aid programmes. Will they, rather than the core staffing element, take a bigger proportion of the budget reductions that are required? What will the balance be?

SNH said that it will would make savings of £1.4 million a year from the voluntary severance scheme, but that the total required savings are closer to £7 million, which leaves a big balance to be found. You also said that the voluntary severance scheme would be helpful in this budget, which implied that you might have to move to compulsory severance in the next budget.

Can you talk about the grant-aid programmes first, and whether you will need to stop any particular activity?

Ian Jardine: I am happy to do that, but I will enter a large caveat at this stage. At the moment I have my budget from the budget statement, but in running the organisation I need the other side of the equation, which is the grant-in-aid letter that tells us what the Government's priorities are. I also need to have a conversation with my board on 7 December about priorities. Exactly what we will do next year will depend on the steers that Government gives us on priorities, and the views that arise from the board discussion. To date we

have been scoping out some options for the board and suggesting things that we could do.

We have identified areas that we think should be protected next year, if at all possible. Those will not come as a surprise: the marine work is in that category, as is the work that we do that has—as Lloyd Austin mentioned—socio-economic or health benefits. The support for the Scotland rural development programme and the staff time that goes into that also fall in that category. We will not necessarily be able to preserve those areas 100 per cent, but we are suggesting that they need to be protected first.

The budget means that we will not be doing some things that we currently do, and we need to present the board with a list of options. We are trying to protect the grants budget in the way that the board has asked us to. We have overheads, which include staffing and property, and we have what we call project funds, which is the money that we give to other people through grants and for research. The board has asked us to ensure that we apply the same levels of reduction to both areas, so we are not increasing overheads as a proportion of overall spending. That is the budget that we will set out to give the board.

It will be difficult to do that in year 1, because—as you suggest—it is difficult to make the reduction in overheads large enough in that time. In addition to the voluntary severance scheme, we have a recruitment freeze, and a number of temporary and short-term contracts that we can stop before the end of the financial year. The figure that I gave—I think that it is actually £1.5 million—is not the total amount that we will save from our costs.

We are trying to balance the budget in that way; it is proving to be difficult, but that is what the board has asked us to do.

Peter Peacock: That is helpful. Is SEPA thinking of stopping any activities? You have been given comparatively new responsibilities in flooding, for example. How will those be affected by the current budget?

John Ford: We believe that there will be enough funding in the budget that has been allocated to allow us to deliver in our core areas of climate change, river basin management planning, zero waste, biodiversity and flooding, among other things such as providing policy support to the Scottish Government. Flooding was mentioned, in particular. In the past, funding for flooding was provided on an incremental basis, but from next year it will be built into our baseline budget. Therefore, there will be more certainty about the level of funding in the future, which will allow us to have a better long-term view of the investments that we need to make and the investment funding

that is available to deliver our objectives. We welcome that certainty.

Peter Peacock: On another dimension of the budget, Ian Jardine and John Ford talked about overheads. SEPA and SNH both run decentralised organisations, which have many area offices. Can you reassure me that no centralising tendency will emerge from the budget pressures? It is understandable that people might think that that will happen. I think that I am correct in saying that SEPA and SNH will start sharing offices in Dingwall, in my area. Will the pattern be more one of sharing accommodation than one of drawing back to a central point?

The sector that Lloyd Austin represents is currently the recipient of grant from SNH, and Jim McLaren's sector might have an interest in the contributions that SNH makes in relation to the Scotland rural development programme. What will be the impact on NGOs of a lessening of grant support, particularly in relation to employment?

John Ford: SEPA is committed to maintaining its current geographical distribution of staff, but within that we are looking for opportunities to reduce our cost base. One way of doing that is by sharing accommodation. We have done that in Aberdeen and we are considering doing so in Dingwall, as you said. We are looking for other opportunities with SNH and public bodies across the spectrum, to enable us to reduce the overhead costs of providing our service.

Ian Jardine: SNH is in a similar position. Centralising is not necessarily a geographical issue. For example, we are looking at efficiencies in relation to activities that are done by a lot of people throughout the organisation. We are considering whether it would be more efficient for a relatively small number of people in a central team to undertake such activities, but we are keen to stress that "central" does not imply anything about location and that the small group of people could be in Lerwick, Newton Stewart or wherever. We are very much aware of that.

Like SEPA, we are under pressure to consider property, which means that maintaining all our existing properties will be difficult—probably impossible. However, there are ways of maintaining the geographical distribution. To date, sharing with SEPA has probably been the easiest and most common route for us to take, but like John Ford, we need to consider other options, including sharing with local authorities in some locations, so that we can maintain the geographical spread. We also need to consider options such as homeworking if we are to try to take out property costs while maintaining the location of staff.

Lloyd Austin: I was pleased that Peter Peacock mentioned grants to NGOs and I agree that all aspects of support from the public sector, through SRDP or direct grants, are important to land managers in general and to anyone on the ground who delivers outcomes. Land managers and NGOs deliver those outcomes through Government outputs, such as grant schemes and various systems of advice and regulation. That is an important point.

NGOs—and, I am sure, many land managers—deliver those outcomes at very high value for money. We often have lower overheads than the public sector has, and we are able to draw in other funding, whether it is from membership, lottery money or European schemes of different types.

The outcome per unit of public sector money can be much higher for funding that comes through third parties, be they NGOs or private sector land managers. As we consider where priorities lie in strategically determining where to protect and where to cut, I would argue that we should consider schemes and funding streams that bring a multiplier effect through their delivery by third parties.

Both NGOs and land managers employ people to carry out work, but the types of work that deliver win-wins, which I referred to earlier, are those that deliver wider socioeconomic benefits, including the benefits of employment. We recently publicised the economic benefits of the kite trail in Elaine Murray's area. Employment in bed and breakfasts and in the wider rural economy has been significantly boosted by that species-focused project, which was supported by SNH. We have to consider value for money not just in the NGO itself, but in the wider economy.

Jim McLaren: When we think of grants, the SRDP springs to mind first. It has been fraught with difficulties and has attracted criticism, but the fundamental point is that the scheme has paid tens and even hundreds of millions of pounds into the rural economy over its duration, which we must never forget. There is still a significant amount of money attached to it in the budget. We must use it as efficiently as we possibly can—we must get the biggest bang for our buck from that spend.

Drawing down European money is also crucial. We must not, by cutting the wrong parts of budgets, miss the opportunity to draw down match funding from Europe. I hope that such funding has been largely protected, given how the budget has been drafted, so that as much money as possible can be drawn down to match funds.

Peter Peacock touched on flooding. We need to be smarter in how we handle it. I am under no illusion about rainfall and weather patterns having

changed, with more extreme events taking place, but I am convinced that flooding issues are partly to do with river and watercourse management. We now have in place structures whereby land managers do not routinely maintain watercourse banks or clear out river bottoms or watercourses, because of an administrative regime that makes that difficult or costly to do. This is a criticism not of SEPA, but of the regulatory process: the cost of applying to do those things is often more than the cost of doing the actual work. We must radically rethink all our river and watercourse management structures, the associated costs and how they impact on the flooding that is now happening. People have been doing those jobs for generations, but now they have stopped.

Sandra White (Glasgow) (SNP): I wanted to raise one issue that has now been partly answered. Ian Jardine mentioned 44 jobs being lost at SNH, and went on to speak about a recruitment freeze and the use of short-term contracts. Where are those 44 jobs being lost?

Pulling together different activities is an eminently sensible idea. I am not sure what Peter Peacock does in the Highlands, but I know that some MPs and MSPs save money by sharing offices. Perhaps John Ford could answer this question. You spoke about moving to a new building and you have assets to sell. Is there a date for that move? What is the likelihood of being able to sell your assets as you move to the new building?

Ian Jardine: The figure of 44 relates only to the voluntary early severance scheme that we offered to staff. The actual number of posts by which SNH will reduce between now and next year will be higher than that, because of the recruitment freeze and temporary posts coming to an end. I cannot give you a precise figure for that at the moment, but I will be able to provide a precise number nearer the end of the financial year.

12:00

John Ford: Most of SEPA's buildings are leased, so we try to match up moves to shared accommodation or other accommodation when lease breaks occur. In the majority of cases, we do not have buildings to sell. Going forward, if we are to sell buildings, that will be difficult in the current commercial market.

Sandra White: Sorry; I had understood that SEPA had assets to sell. You are saying that that is not the case—that you have mostly leased buildings.

John Ford: We have mostly leased buildings.

Ian Jardine: When SNH sells a building, the money goes to the Scottish Government—we do

not retain the receipt. I presume that it is the same for SEPA.

The Convener: Do you have anything to add, Lloyd?

Lloyd Austin: Yes. I will make a couple of comments on the SRDP, following on from what Jim McLaren said. I fully agree about its importance to the rural economy and the importance of drawing down European money. We note that the budget for the SRDP as a whole has been reduced by £50 million for next year compared with this year, of which £27 million is Scottish Government spend. Favourable exchange rates have benefited the Government in recent years, so the national spend since the start of the programme has been lower than predicted. We do not think that there will be a loss of EU funding over the duration of the programme, as the co-financing rate in the latter part of the programme will be increased.

We are concerned that the funding for agri-environment programmes has been cut by £10 million for next year. Agri-environment programmes deliver the win-wins that I have talked about before. Well-targeted agri-environment programmes can deliver real biodiversity gains, gains in access to the countryside and so forth. At the same time, because land managers are being paid to manage the land to deliver those gains, they support land management businesses and the rural economy. By contrast, the less favoured areas budget has been preserved and protected despite the cabinet secretary's assurance, when he increased that budget a year or so ago, that the increase would not impact on other areas. We are concerned about the balance of emphasis across the programme and are looking for areas in which we can get more win-wins, either through those targeted schemes or by increasing the efficacy of the more general schemes in delivering the wider public goods.

John Scott: We have come to the questions about the SRDP late in the day—you have already volunteered answers, which is brilliant. Thank you very much for them. Where are the main problems likely to arise because of the cuts in SRDP funding? Can you suggest any alternatives? Lloyd Austin has just outlined how he thinks that LFA spending should have been cut and spending in other areas augmented, but others may have different views on that. Should the Government be doing anything to help the most affected areas? I am hugely concerned about the withdrawal of match funding, which is the worst-affected area of the budget. We had just got to that point in the discussion.

Lloyd Austin: For clarity, I did not say that the LFA funding should necessarily be cut. I said that

either it could be cut or its efficacy could be increased so that it delivered more public benefit than it does already. Those are two alternatives.

Jim McLaren: Given the way in which the LFA support scheme has worked in the past, I would be astonished if there was not some slack in it. The figure in the budget is £65.5 million. I think that there will be an underspend in that, but that is perhaps a slightly different matter.

The figure for agri-environment programmes is not alone in showing a reduction of £10 million, as the figure for business development is also being cut by £10 million. I also understand that some of the agri-environment cut is a play on numbers, as some schemes have legacy aspects to them that have ended, which will drop out of that figure. So, it is not entirely a £10 million reduction—some of it was going to go anyway. We must keep things in perspective.

As John Scott said, it is important that we draw down the maximum match funding from Europe.

I am conscious of the time, so my only comment on the SRDP is that I urge the Government to give people long-term signals, whatever it does. Let us not have a situation in which people find in the midst of their applications for schemes that the goalposts have shifted, that a cap has been introduced or that something else has changed. If money is available for only one round a year, in a month that is picked, we should be told now. We can say, "The SRDP will have one round a year—these are the parameters and the rules. If you want to go for it, that's the date." Let us have long-term planning and not jumping from one thing to the next.

John Scott: I appreciate that you do not necessarily want to criticise the Government, but is that a criticism of it for having a one-year budget rather than a longer-term budget?

Jim McLaren: It is an issue with a one-year budget. I assume that the parameters allow the Government to set out now what will happen in 2011 with the SRDP and whether that will involve three rounds or one round. Let us find out exactly what the plans are. Let us see up front any changes to the rules—such as capping, which has been mentioned, or new priorities for young entrants or whomever the Government wants to target its more limited pot of money on—before people spend money on applying for something that they will be unable to access.

John Scott: I seek comments on the increase of £7 million for administration costs and compliance improvements. It seems bizarre that compliance and administration costs in the rest of the Government are to reduce by 9 per cent, yet those costs in agriculture are to increase by £7

million. What are the views on that—is the issue red tape?

Jim McLaren: I can only guess that that increase is associated with complying with EU auditors' demands for scrutiny and scrupulous administration of the budgets. I am concerned that Scotland will end up with a penalty anyway, because of EU auditors'—

John Scott: The suggestion to us is that the increase is because

"a new Geographic Information System ... has to be put in place across Scotland to minimise the threat of future disallowance and this means additional expenditure on IT".

Jim McLaren: Is that connected with the new mapping system?

John Scott: Yes—I imagine so.

Lloyd Austin: I am sure that that is part of the cost, but I wonder from looking at the relevant table whether money has been reallocated, because the current budget contains nothing for compliance costs. I am sure that it is not the case that no monitoring or enforcement is taking place—I would be disappointed if that was the case. Some resource might have moved.

On the SRDP, I add that targeted agri-environment schemes work. It is useful to look around at other parts of Europe. Despite the pressures on its budget, the Department for Environment, Food and Rural Affairs has in its recent spending review moved more resource into the higher-level scheme in England, which is akin to our rural priorities scheme. That scheme delivers environmental benefits on the ground while supporting the farmers and crofters who do the work.

John Scott: Does anyone want to put on the record their continuing dismay at the low level of SRDP funding that Scotland enjoys, in the context of Europe?

Lloyd Austin: Absolutely. I referred to that when I said that the rural affairs and environment budget is low in general. That derives partly from the historical low budget for pillar 2 payments in Scotland, which comes from decisions of many past Governments.

The Convener: Those arguments are well rehearsed. We need to move on.

Liam McArthur: We have talked a lot about research funding and a bit about finding efficiencies through sharing offices. The capital allocations for SEPA and Macaulay are decreasing at a time when they are undergoing significant changes—Macaulay has merged with the SCRI and SEPA has consolidated at least some staff in a single central Scotland location. Against the backdrop of that reduced capital

expenditure, it would be useful for the committee to understand whether those processes can progress unaffected. If they will be affected, what are the effects likely to be?

John Ford: The capital allocation that we have got in the budget is the same baseline capital allocation that SEPA has had in the past. The only adjustment to that has been the removal by Government—by which I mean the UK Government as well—of the cost of the capital element of that, which was a kind of technical adjustment. Basically, the baseline capital allocation is much the same as it was in the past, and it will not affect our planned capital programme going forward.

Professor Aspinall: The way in which capital budgets are arranged changed a couple of years ago. We have done a reasonable short-term job of covering some of the capital expenditure out of surpluses over the past few years. However, if we do not find a way to support capital investment across the institutes, in four or five years' time significant problems will develop with the institutes' capacity, in terms of having well-found laboratories with the equipment that is needed to conduct the basic analysis that supports the science.

Ian Jardine: Scottish Natural Heritage's capital is down, but we can live with that over the next year without serious consequences arising. We must scrutinise issues such as property, hence the property review, and information systems investments. The difficulty with small capital budgets is that there are lumpy things within them that cause problems.

John Scott: What is your view of the approach that has been taken to research funding? We are told that the main research providers have been protected. However, how does that reconcile with the fact that there has been 15 per cent top-slicing? There appears to be at least an ambivalent use of the word "protected".

Professor Aspinall: Are you talking about the top-slicing that affects the centres of expertise and strategic partnerships?

John Scott: Yes.

Professor Aspinall: We have had some assurances from the chief science advisers at RERAD that we can hope to get access to that same level of funding through the competitive mechanism that surrounds the centres of expertise and strategic partnerships. We have been working on the basis that we will have flattened level funding for the year, through the mechanisms that are in the budget. Although the situation is competitive and opens up new areas of work that we have bid for in a different way, with university partners, we hope and expect that we will manage to achieve flat funding, which is what I take

"protected" to mean. We have had, in effect, flat funding since 2005, so we are pleased to see that in there. We will see what will happen with the detail, however.

John Scott: So the research community is content, by and large, that it can get by.

Professor Aspinall: I think that, under the circumstances, we have actually done rather well. I do not think that there can be any complaints.

We know that there are new ways of doing things and that the RERAD programme has different elements, some of which are new, and we will respond to those and work with them. We are flexible and capable of working in a variety of ways. We would like to be effective as well as efficient in the way in which we go about matters. We recognise that RERAD would like us to work through the strategic partnerships and the centres of expertise, and we know that we are capable of that.

Elaine Murray (Dumfries) (Lab): LINK's submission says:

"LINK and its members will not shy away from assisting in the identification of nonessential or marginal expenditure."

This could be an opportunity for you—and the NFUS—to suggest what we should not be doing.

12:15

Lloyd Austin: We will not shy away from doing that. We have talked about efficiencies in areas such as administration and service sharing, and we are keen for further work to be done on the SEARS agenda, which Jim McLaren mentioned. There are opportunities there.

I also referred to the value for money that the third sector and the private sector can provide in comparison with the public sector and its overheads. That is an area that could be looked at, as is the potential duplication in the communications and public relations work that some of the public sector does, not in explaining Government policy, but in self-promotion, which other partners might be more able to do. Those are a few ideas.

The most important thing, as has been said, is to have a strategic approach and to focus on what I would argue are the key outcomes, rather than what the submission calls the "non-key" outcomes. The key outcomes relate to international commitments on biodiversity, site designation, water quality, flooding and the marine environment, and the Government's commitments on climate change and access. We would argue that those are key outcomes, on the delivery of which strategic budget management must ensure that resources are focused.

Jim McLaren: A lot of what has to happen is about complying with our EU obligations. It is about finding smarter, more efficient ways of doing that. Some of the conversations about how Scotland can fulfil its EU obligations more efficiently and whether that needs to be done in a particular way or whether other methods can be used probably need to take place in Brussels. Again, avoiding duplication comes into it. At a farm level, that will involve talking about farm inspections and finding ways of helping with compliance with the obligations that the Scottish Environment Protection Agency has through things that are already happening on farms.

Another issue to throw into the mix relates to animal health and welfare, and the challenge that we face in getting a sensible, devolved budget for that to sit alongside the policy. We all need to focus on tidying up that rather messy part of the devolution settlement, if possible, and ensuring that we persuade colleagues in Westminster and at the Department for Environment, Food and Rural Affairs, in particular, to deliver to Scotland a sensible portion of that budget. There are enormous opportunities for efficiencies and better spending, given Scotland's already excellent record on animal health. We do not capture those benefits at present because any money that we do not spend in Scotland simply stays in Westminster.

Elaine Murray: Would I be right in saying that you are both arguing that the Government could achieve the required efficiencies by doing things smarter and better, avoiding duplication and so on, rather than by saying that there are certain things that Government no longer does?

Jim McLaren: I am sure that there is scope for doing things more effectively and more efficiently. At the moment, we do not capture any efficiencies that we make on animal health because the money comes only when it requires to be drawn down. Let us grab with both hands a sensible sum and look at clever, smarter Scottish solutions.

John Scott: Will that be one of the Calman proposals that goes forward? Do you have any advance knowledge of that?

Jim McLaren: I do not know whether it is advance knowledge, but Calman said loudly and clearly that devolution of the animal health budget had to happen. DEFRA seems to be struggling to identify how much money that should be. No formula for how much that should be has been produced. Sixty-five per cent of the entire UK animal health and welfare budget goes on tuberculosis in England and Wales. TB is not an issue in Scotland. Fortunately—touch wood—we are officially TB free as far as Europe is concerned, so our animal health cost base is much lower. Because of the small nature of our

industry, we can make some huge savings there. We have a chance to grab a sensible budget. Ideally, it would be based on livestock units—the UK budget could be split up on a pro rata basis. Scotland would get a great deal from that and we could make some real savings.

Lloyd Austin: I agree with Elaine Murray's last point. Some savings can be made from efficiencies and securing value for money in non-key areas, but work in all the key areas costs money and, to be done well, must be funded well. When we look ahead, we must be careful not to eat into the resources that are needed to do core work such as implementing the Marine (Scotland) Act 2010 and the Climate Change (Scotland) Act 2009 and meeting international commitments to biodiversity. If we do not resource that at all, not much wood will be left once we have taken off the bark, given that the net EU contribution to the rural affairs and environment budget is very small. Efficiencies and savings can be made, but there is a limit to which we can make them without eating into the core work that Parliament has asked the bodies whose representatives are sitting on either side of me to deliver. We need to be careful with the rural affairs and environment budget.

The Convener: The final question is from Sandra White.

Sandra White: What do you think the longer-term shape of the rural part of the public sector should be, following the work of the Christie commission? What should merge—we have already spoken about that—what should be protected and, perhaps controversially, what should disappear?

The Convener: You may not want to respond to that question until you have given evidence to the Christie commission. Perhaps you have not thought about the issue.

Ian Jardine: To state the blindingly obvious, it is difficult for public sector bodies to say here what we think should happen to us. It is even more difficult for us to say what we think should happen to other people. This is unfinished business. There is scope for us to look hard at the way in which things are done between different bodies, to see whether they are done as efficiently as possible.

Having been involved in various mergers over the years, I think that you should embark on wholesale structural change only if you know what savings you will get out of it, because it is expensive and distracts you from doing other things. SEARS has been mentioned. That was the right step, and we can go further on those lines. The future lies in being more focused on exactly what things we will deliver and who will deliver them, to ensure that we do not duplicate work and that efficient co-operation between public bodies is

maximised. Should decisions be taken in the future to change and merge bodies, we will do our best to deliver that.

Professor Aspinall: I have spent the past three years with Professor Peter Gregory from the SCRI talking about the shape of a new institute and what that would do to Scotland's research landscape in agriculture and environment. Without giving you a definitive answer, I suggest that a new, large institute that aims to project Scottish science and capability not just in Scotland but internationally offers real potential.

Part of the goal of science is to promote economic growth and the health and wellbeing of the human population. Scotland has a fabulous environment, 80 per cent of which is managed, in one way or another, by agriculture. We have aspirations for forestry, to do with climate change, and have a land use strategy. Peter Gregory and I have tried to describe not just the science of such an institute but how it would work with other organisations. We should look to give it a chance to do that—a fair wind, as the chairmen of both boards say.

We have talked about RERAD's research strategy for the next five years being strongly focused on policy, but we recognise that all the research institutes—including Moredun—aim to work not only on policy but with SNH, SEPA, the NFUS and land managers, and to work more to join the land and marine sectors. There is hope that science in Scotland will provide an evidence base that will enable us to develop smarter relationships with policy customers and policy makers to make that happen.

Sandra White: That sounds exciting.

Lloyd Austin: It must be observed that the structure of governance in the rural affairs and environment area, as well as the areas with which it is interrelated, is an accident of history. There are the organisations that are represented here and those that are within Government, such as Marine Scotland, Historic Scotland and other non-departmental public bodies. As Ian Jardine said, the SEARS process, which has enabled all those bodies to work together closely, has been good.

At the moment, we have no views about specific changes that we would promote or oppose. Rather, we think that any process or review needs to be well thought out, to take place in a way that focuses on outcomes and to take into account the costs to which Ian Jardine referred—the interim costs of any change. We do not promote or oppose any specific measures. However, if changes were proposed, we would want there to be a long-term strategic analysis that involved all stakeholders, including the third sector, land

managers and others. We will make submissions to the Christie commission along those lines.

To carry through such thinking, we must think carefully about the structures of Government, the importance of different aspects of regulatory functions and policy implementation functions, and the value of independent advice. One body—the Sustainable Development Commission Scotland, which has done valuable work over the past few years—is up in the air at the moment. The London part of the body has lost its funding, so the Scottish, Welsh and Northern Irish parts are waiting to hear what will happen to them. We do not promote the commission's retention as a separate body with the same name, but we are keen for its function to be retained. We have no strong view on whether that function is moved to Audit Scotland or to somewhere else, but the commission's important function of monitoring and scrutinising Government implementation and reporting to bodies such as the Parliament is important and should be retained.

Jim McLaren: I have a high-level comment to finish. We need to protect our ability to compete and the ability of our world-leading scientific community to continue its research and to keep Scotland on the front foot in that respect. As has been said, what needs to disappear is duplication of effort and unnecessary, burdensome and unaffordable levels of regulation. Ninety-four per cent of Scotland's land is rural, which makes the Rural Affairs and Environment Committee the most important committee in the Parliament—all power to your elbow.

The Convener: Thank you for that comment. I thank you all for your contributions and remind you to submit any further evidence that you have in writing to the clerks as soon as possible, preferably by the end of the week.

I suspend the meeting for a few minutes to allow a changeover of witnesses.

12:28

Meeting suspended.

12:32

On resuming—

Subordinate Legislation

Scallops (Luce Bay) (Prohibition of Fishing) Order 2010 (SSI 2010/375)

The Convener: We have before us a motion to annul a negative instrument. Before debating the motion, we will take evidence on the order. I welcome to the committee Richard Lochhead MSP, the Cabinet Secretary for Rural Affairs and the Environment; David Brew, head of sea fisheries; and Eamon Murphy, policy manager for fisheries reform, marine environment and the sea fisheries council in the Scottish Government.

Agenda item 3 enables members to ask questions about the content of the order before we move to a formal debate on it. Officials can contribute under this item, but cannot participate in the debate. I invite the minister to make a brief opening statement.

The Cabinet Secretary for Rural Affairs and the Environment (Richard Lochhead): Good afternoon—I notice that it is nearly lunchtime. I will take a few minutes to explain the rationale behind the Scallops (Luce Bay) (Prohibition of Fishing) Order 2010 and invite members to endorse the approach that the Scottish Government is taking to reconcile a number of conflicting interests in relation to a complex matter.

Luce bay in the south-west of Scotland is an area of European importance and has been designated as a special area of conservation under the European Community habitats directive. It is a large, shallow inlet and bay and contains sandbanks, mudflats and reefs that support a wide variety of plants and animals. Special areas of conservation represent the best examples of their particular habitats and are, therefore, given a high level of protection under the directive.

The directive requires us to take appropriate conservation measures to maintain Luce bay's habitats and species and to avoid damaging activities that could significantly disturb those species or cause the habitats to deteriorate. That said, sites such as Luce bay are not no-go areas. Various activities, including fishing, can continue, provided that their nature and level are not inconsistent with the protection of the habitats. On that basis, creeling and scallop dredging have continued to take place in Luce bay since the site was designated. There have been no recent reports of intensive dredging or large numbers of vessels fishing in the bay.

The situation changed radically and unexpectedly in the last week of October, when

the Isle of Man Government introduced a byelaw that excluded at least 14 over-300 horsepower Scottish scallop vessels from Manx waters from 1 November. The Isle of Man's action was taken with the approval of the United Kingdom Government but against the clearly expressed wishes of the Scottish ministers. In 2009, the excluded vessels landed scallops from Isle of Man waters worth £750,000 from fishing that was concentrated in the month of November.

Luce bay would normally be opened to scallop fishing at the same time as Isle of Man waters. The landings from the area are worth about £200,000 over the season, which usually lasts from November to February. However, the new Isle of Man byelaw raised fundamental concerns about the potential for all UK scallop vessels excluded from Isle of Man waters to divert their fishing effort to Luce bay. That would have meant vessels capable of catching £750,000-worth of scallops in the space of a few weeks swamping the smaller Luce bay fishery with excessive fishing activity.

Special areas of conservation will form a key component of Scotland's ecologically coherent network of marine protected areas. The Isle of Man byelaw posed a real and present danger that displaced vessels could cause actual damage to the site and fatally undermine our approach. Were that risk to materialise, we might find ourselves in breach of European law and subject to infraction proceedings by the European Commission. In the circumstances, I judged that the possibility that displaced fishing effort by those who would not normally fish Luce bay might cause damage to the environmental features of Luce bay and to the local scallop stocks was too great a risk to run. The decision was made, therefore, to close the site to scallop dredging on an emergency basis to avoid immediate possible damage. Our intention in extending the closure until 28 February was designed to give sufficient time to consult on and put in place statutory fisheries management measures to ensure better protection of the habitat and species, and compliance with European law.

Balancing the interests of different fishermen and ensuring that short-term advantage does not cause longer term detriment is a hugely complex issue where inshore waters and scallop dredging are concerned. I regret that the decision that I felt obliged to take at short notice in response to the actions of the Isle of Man was unwelcome to those who have traditionally dredged for scallops in Luce bay.

Since I took the precautionary step of extending the Luce bay fishing ban, my officials have had an opportunity to undertake discussions with local fishermen as well as with the associations representing nomadic scallop fishermen in

Scotland and throughout the UK. In the light of those discussions, and once the peak Manx fishing season is past, I believe that it may be possible to find an agreed way of permitting fishing in Luce bay without an unacceptable risk of environmental and conservation detriment. I therefore propose to lift the ban on scallop dredging at an earlier stage than originally envisaged in the order before the committee today. In the course of the next fortnight, my officials will seek to agree with the relevant stakeholders statutory zoning proposals that will permit fishing to resume in sea areas where there is least risk to the integrity of the protected habitats.

If further discussions prove inconclusive, I am minded to revoke the order no later than 8 December on the basis that the risk of displaced fishing effort will have significantly diminished by early December. However, I would do so on the clear understanding that continued self-restraint on the part of scallopers will succeed in restricting fishing effort to historic levels. If that expectation were borne out in practice, there would be no further need in the short term to call a halt to scalloping in Luce bay, and those who have traditionally used its sheltered waters in the winter months could continue their traditional fishing patterns.

Finally, I should explain to the committee that whatever course we adopt for the current winter scalloping season, it is clear that we shall need to undertake as soon as possible a full public consultation on long-term statutory fisheries management measures for Luce bay.

Alasdair Morgan (South of Scotland) (SNP):

It is a little difficult to phrase what I want to say as a question. First, I hope that the cabinet secretary recognises the economic importance of local scallop fishing to the economy of the south-west of Scotland. There is anecdotal evidence of a significant drop-off in revenues to local shops and harbours. A large number of fish processing operations also depend on the scallops that are brought in.

Secondly, I hope that the cabinet secretary will pay attention to the weather argument. The local fishermen who use Luce bay do not use it by choice. In fact, they are exempt from the Isle of Man byelaw and are still allowed to fish there. Normally, in good weather, they go to the Isle of Man. It is only when bad weather and prevailing winds prevent them from doing so that they like to use Luce bay and, of course, the weather is especially bad during the exemption period from November to February. That argument was brought home to me because I happened to be in the Isle of Man this weekend on other parliamentary business and, of course, the hulk of

the Solway Harvester is still moored in the harbour at Douglas. That is a reminder of why fishermen from the local area want to use Luce bay if the weather is bad.

I also hope that the cabinet secretary realises that the period leading up to Christmas is the most important one, both because of the weather and because scallop prices are higher. He promised a resolution by 8 December, and it is vital that he sticks to that so that, if the weather turns out to be bad, the local fishermen have the opportunity of going into Luce bay during that period.

John Scott: Minister, what happens between now and 8 December? Can the local fishermen access Luce bay from today if they want to?

Richard Lochhead: Do you want me to respond to both questions, convener?

The Convener: Yes, please.

Richard Lochhead: On Alasdair Morgan's points, I realise that the issue is important for scallop fishermen in the south west and the Luce bay area. We felt that we faced an urgent decision. We consulted fishing organisations. Perhaps we could have done better and spoken to more of the local fishermen directly, but it is always difficult in such circumstances to know who represents the wider sectors.

We felt that we had a case for taking an emergency step because, had there been significant displacement from Isle of Man waters once the fisheries reopened on 1 November, significant damage could have been done to not only the marine features but the stocks in Luce bay. The local fishermen would, of course, not have thanked me for that. I was trying to strike a balance in an emergency.

The Luce bay scallop fishery is worth about £200,000 a year to the local scallop fishermen who use those waters. I recognise that, although that is not a major fish in the context of Scotland's scallop fishery, it is an important fishery on the doorstep for the local fishermen.

On John Scott's point, we have been in discussions with all interests over the past couple of weeks since we put the emergency order in place. We have spoken to local fishermen—my officials visited the area and had a meeting with them. We have not only spoken to the local fishermen, who perhaps felt that they were not consulted enough when the original decision was taken, but maintained contact with the wider fishing organisations, such as the Scallop Association.

We have—we hope—reached agreement that there will be no fishing in Luce bay between now and 8 December. The order will stay in place, but I give a commitment today to revoke it on 8

December in the hope that, by that time, we will have agreed statutory zoning to identify the areas that should be avoided—those where the marine features are most likely to be harmed. We are now working on that with the local fishermen, and the industry has helpfully offered to introduce a voluntary zoning if we do not have the instrument ready to put the statutory zoning in place for 8 December.

Obviously, I cannot speak for every fisherman in Luce bay, but I think that they are relatively content with the order being in place until 8 December.

John Scott: Is there no way that the industry, given the fishery's importance to local fishermen and their relatively small number, could bring the statutory zoning into place voluntarily before 8 December? We are talking about livelihoods.

Richard Lochhead: We are talking about livelihoods. We do not want to give too much of an impression that the area is being intensively fished. To be fair and to keep it in perspective, I am not trying to demean Luce bay's economic importance to those who are involved but, although it is important, they spend only some of their time fishing there.

The prospect of the fishery being closed well into next year understandably exercised a lot of people, so 8 December offers much comfort to those who felt that they would be excluded throughout the winter season. There will be ample opportunity for them to have their catches beyond that date, which also provides us with comfort that the potential for big displacement in the meantime might not be realised.

12:45

Bill Wilson: Cabinet secretary, Alasdair Morgan's points were quite convincing, but I would like a little bit of reassurance. You are confident that the marine priority features in this special area of conservation are secure. I take it that some monitoring will be done to ensure that, if there are unforeseen developments such as more boats moving in, those priority features will be properly safeguarded.

Richard Lochhead: Scallop management is quite complex in Scottish waters, and in the Isle of Man and UK waters. There is a domino effect, in that when a byelaw is made in one area, it has a knock-on effect, potentially in Luce bay in this case, and elsewhere. There has been a seasonal closure in Luce bay since 2002 for stock conservation purposes.

The designation in 2005 of Luce bay as a special area of conservation could have led to extra protection for marine features earlier than

today, but because the seasonal closure was already in place for stock conservation purposes, that reduced the amount of intensive fishing activity in the area. A by-product of the seasonal closure was some protection for marine features.

We now have to have a proper review to see where we go from here. Local fishermen and my officials will sit down with maps to discuss where the best fishing areas are and how we can zone Luce bay to avoid damaging the marine features.

Liam McArthur: I welcome the cabinet secretary's comments. The order might have been an overreaction, but I appreciate the circumstances in which it was made and, obviously, further work is being done that has allowed the cabinet secretary to make his comments.

It is also evident that the order is a response to the Isle of Man scallop fishing byelaw. I was interested to note the papers that were circulated to the committee. One was a letter from you, cabinet secretary, to the convener, and attached to it was an explanatory note that was prepared by officials. I was a little alarmed by some of the language in that note because it was drafted by officials as opposed to the minister, who clearly has the scope to operate in a more political environment. A couple of statements leap out of it:

"Defra has chosen to support Isle of Man interests over those of the UK".

I am interested to hear the justification for that and whether you believe that officials should be putting a statement like that into the public domain. The note also says that

"The proposals are also clearly discriminatory".

Again, I would appreciate hearing your justification for that statement, and for the assertion that

"in 2008 and 2009 the right of veto was successfully deployed by Scotland".

As I understand it, no such veto was deployed, but you might want to comment on that.

I certainly share your disappointment at the introduction of the byelaw, but I think that the tone and nature of the document that was prepared by officials, not least in the run up to some pretty difficult and important EU negotiations on sea fisheries, suggests that the relationship between your officials in Scotland and their DEFRA counterparts is not sufficiently positive and constructive, and that those negotiations will be made even more difficult.

Richard Lochhead: It is worth going over the background to the Isle of Man byelaws. Since 1991, there has been a fisheries agreement on scallop management across the whole UK. For the past three years, the Isle of Man has wanted to put

in place byelaws in its own waters that would affect queenies—queen scallops—and king scallops, and we have been in negotiation with the Isle of Man. Because of the constitutional arrangements, the UK Ministry of Justice has to give the green light to Isle of Man byelaws, which are seen as international negotiations, and the Ministry of Justice down south takes its advice from DEFRA.

We managed to reach agreement on, for instance, queen scallops, and new arrangements were put in place that were agreed between all the Administrations. However, there was no agreement on many of the issues relating to king scallops, which led to where we are today. Previously, all Administrations in the UK had to agree to any new measures. For two of the three years for which the Isle of Man has been trying to get the byelaw in place, we were listened to and were able to maintain the fisheries agreement that has been in place since 1991. This time around, DEFRA felt that it wanted to support the Isle of Man in going ahead with the byelaw irrespective of the Scottish Government's views. DEFRA felt that the issue had been going on for three years and it wanted to support the Isle of Man for the reasons that the Isle of Man was giving it.

My contention is that we all want to protect scallops in the Isle of Man's waters and in the waters around our coasts, but we have yet to receive any scientific evidence that the measures that are being put in place—which, in effect, exclude only Scottish vessels—are the right thing to do for conservation. The vessels that remain able to fish in the Isle of Man's waters will be able to fish as much as they want. Without scientific evidence, we are not sure how that will reduce overall fishing pressure.

Liam McArthur: I share many of your misgivings about the byelaw and, along with the industry, have made representations to the UK Government. However, I find distinctly unsettling the tone of the document that has been prepared by your officials. I appreciate the fact that this is a line that you can and will deploy, but I find it unacceptable for officials to make statements such as

“the right of veto was successfully deployed”.

It was not. Through negotiations, the matter was agreed and the Isle of Man backed down.

The proposal is clearly discriminatory. You can argue about whether there is a scientific basis for the exclusion, but the significant presence of Scottish vessels in those waters means that it will inevitably—however it is sliced—affect Scottish vessels more. The suggestion that DEFRA has chosen to support Isle of Man interests over those of the UK is, frankly, ludicrous. That may have

been an unfortunate use of language, but it is not out of keeping with the rest of this briefing note. That is where my misgivings lie. It is a highly politicised note from your officials. If it had been in the letter from you to the convener, I could have either accepted it or taken issue with it. What I find deeply unsettling is the fact that that tone is being taken by officials at a point at which the relationship between Marine Scotland officials and DEFRA officials will be put under pressure going into the negotiations next month.

Richard Lochhead: I will reflect on the member's point. It is a matter of debate whether the explanatory note accurately reflects the situation or whether it uses inappropriate language.

Elaine Murray: You referred to a lack of consultation with the local people at the time when the order was being drafted. I am slightly surprised at that. The minutes of the Solway Firth partnership meeting with Marine Scotland that took place last week, which was also attended by some of the skippers and harbour masters, state:

“Marine Scotland had made a commitment in October 2009 to working with the fishing industry to develop a sustainable fishing agreement to ensure sensitive habitats at Luce Bay were avoided.”

That was over a year ago. I am surprised that, a year later, nobody knew who to consult.

Richard Lochhead: As I said in my opening remarks, given the diverse nature of many of the fisheries around Scotland's coasts, we sometimes get it wrong and do not consult as many people as we should, or the right people.

Elaine Murray: But a commitment was made, over a year ago, to consult those particular communities and fishermen. I understand that it can be difficult to know who to talk to in an emergency situation, but there was already an agreement that conversation with those people would take place. That commitment was made over a year ago.

Richard Lochhead: As I am sure that the committee is aware, some of the issues take a long time to get off the ground and progress. We are where we are, and we have to make sure that that happens.

John Scott: I am concerned about the long-term position of the Isle of Man and the lack of scientific evidence to back up the imposition of the byelaw. I appreciate that this might be speculation, but what do you envisage happening next year and the year after? Will we face a similar situation next year?

Richard Lochhead: That is a good question. Over the past few years, the Welsh have put in place new regulations in Cardigan bay and

Northern Ireland has introduced new measures. Today, we are discussing new measures in Scotland and what might happen in one part of Scotland. So there is obviously a strong case for a review of how we manage the scallop fishery in our waters. It is diverse and, as I said, there are always domino effects when one country puts measures in place. Within the fisheries limits, all countries can fish in each other's waters.

We have to do two things. First, we are having on-going bilateral discussions with the Isle of Man Administration to find out whether there is a better alternative to the Isle of Man approach that would not discriminate against Scottish vessels, as in our view the current situation does. Secondly, the fisheries agreement that has been in place since 1991 has in effect been disregarded. We must negotiate with the rest of the United Kingdom on what will replace that. That will be an opportunity to consider the wider UK situation. Within Luce bay, I have given a commitment to have a short-term arrangement on zoning to allow the fishery to reopen. However, as I said, we will obviously need a wider review of management measures in Luce bay.

The Convener: We move to the formal debate on the motion to annul the Scallops (Luce Bay) (Prohibition of Fishing) Order 2010 (SSI 2010/375). I remind everyone that officials cannot participate in the debate. I invite Alasdair Morgan to say whether he wants to move his motion.

Alasdair Morgan: On the basis of the commitment by the cabinet secretary to revoke the order by 8 December, I will not move the motion.

The Convener: As no other members wish to speak, do we agree to make no recommendation on the order?

Members indicated agreement.

Fishing Boats (EU Electronic Reporting) (Scotland) Scheme 2010 (SSI 2010/374)

12:57

The Convener: We will take evidence on the made affirmative instrument. Along with the cabinet secretary, I welcome Allan Gibb, head of sea fisheries compliance and licensing with the Scottish Government. I ask the cabinet secretary to make a brief opening statement.

Richard Lochhead: I will be delighted, having looked at my watch and heard everyone's stomachs rumbling, to keep my comments briefer than I expected. The scheme allows Marine Scotland to provide grant assistance to skippers towards the cost of installing electronic log book software. The new legal requirement is set out in the Sea Fishing (EU Recording and Reporting

Requirements) (Scotland) Order 2010 and came into force on 31 October 2010. The instrument that we are considering allows the Scottish Government to contribute financially towards the cost of electronic log books, up to a maximum of £2,000 and involving EU money and domestic resources. The log books will mean less bureaucracy on board vessels and will allow real-time transfer of information between vessels and the shore on catches and so on. It is a compliance measure, but the introduction of electronic means brings extra benefits. We are delighted to have the opportunity to help with financial support to ensure that that goes ahead.

Liam McArthur: I welcome the scheme. The supporting paperwork suggests that the response to the consultation was pretty low. One hopes that that was not because of a low level of awareness or a likely low take-up of the funding. Can you offer reassurances in that regard?

Richard Lochhead: There is a phased introduction of the order on electronic log books. The first tranche involves larger vessels. Some larger vessels already have electronic log books and I can assure the committee that the others are well aware that they have to have them installed and of the timetable. I am confident that the boats that are affected are well aware of the issue.

The Convener: I invite the cabinet secretary to move motion S3M-7397.

Motion moved,

That the Rural Affairs and Environment Committee recommends that the Fishing Boats (EU Electronic Reporting) (Scotland) Scheme 2010 (SSI 2010/374) be approved.—[*Richard Lochhead.*]

Motion agreed to.

The Convener: That concludes the public part of the meeting. I thank everyone for attending.

13:00

Meeting continued in private until 13:59.

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