

ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

Wednesday 21 April 2004
(Morning)

Session 2

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ENVIRONMENT AND RURAL DEVELOPMENT COMMITTEE

11th Meeting 2004, Session 2

CONVENER

*Sarah Boyack (Edinburgh Central) (Lab)

DEPUTY CONVENER

*Eleanor Scott (Highlands and Islands) (Green)

COMMITTEE MEMBERS

Roseanna Cunningham (Perth) (SNP)

*Rob Gibson (Highlands and Islands) (SNP)

*Karen Gillon (Clydesdale) (Lab)

*Alex Johnstone (North East Scotland) (Con)

*Maureen Macmillan (Highlands and Islands) (Lab)

*Mr Alasdair Morrison (Western Isles) (Lab)

*Nora Radcliffe (Gordon) (LD)

COMMITTEE SUBSTITUTES

Alex Fergusson (Galloway and Upper Nithsdale) (Con)

Janis Hughes (Glasgow Rutherglen) (Lab)

Jim Mather (Highlands and Islands) (SNP)

Jeremy Purvis (Tweeddale, Etrick and Lauderdale) (LD)

Mr Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO ATTENDED:

Susan Deacon (Edinburgh East and Musselburgh) (Lab)

THE FOLLOWING GAVE EVIDENCE:

David Dalgetty (Scottish Executive Finance and Central Services Department)

Jim Wildgoose (Scottish Executive Environment and Rural Affairs Department)

Allan Wilson (Deputy Minister for Environment and Rural Development)

CLERK TO THE COMMITTEE

Tracey Hawe

SENIOR ASSISTANT CLERK

Mark Brough

ASSISTANT CLERK

Catherine Johnstone

LOCATION

The Chamber

Scottish Parliament

Environment and Rural Development Committee

Wednesday 21 April 2004

(Morning)

[THE CONVENER opened the meeting at 10:32]

Petitions

The Convener (Sarah Boyack): I welcome committee members, witnesses, the press, members of the public and a visiting MSP colleague to the Environment and Rural Development Committee. We have received no apologies. I remind everyone to switch off their mobile phones before somebody is embarrassed.

We may have to rejig the agenda slightly, depending on when the Deputy Minister for Environment and Rural Development turns up. We programmed him for half past 11, but I suggest that if he arrives early we take the relevant agenda items early. We will see how we get on.

Waste Water Treatment (PE517 and PE645)

The Convener: The first item on the agenda is petitions. Members will remember that we agreed that we would have regular wrap-up sessions on petitions. We have three current petitions. Members have extensive background paperwork to go with the petitions, which should bring them up to speed with where we are on all of them. I will be looking for agreement on how to proceed with them.

The first petitions are PE517 and PE645, which we last discussed at our meeting on 19 November. We agreed to put them together because they both deal with the control of noxious odours from waste water treatment plants. We wrote to the Minister for Environment and Rural Development to raise a large number of issues, including the key issue of the effectiveness of the current system for regulating odour nuisance from water treatment plants. Members now have the responses.

The paper from the clerk sets out four options for further action. If members feel that the Executive's response is satisfactory, we could agree to defer further consideration of the petitions until the appeal to the House of Lords is resolved, which is likely to happen in November. Members may wish to write to the Minister for Environment and Rural Development on outstanding issues or

to invite him to the committee to give oral evidence and to explore further issues about the regulation of odour nuisance—members should note that a consultation exercise is likely to be conducted in the summer on that issue. Alternatively, we may want to appoint a reporter to delve into the issue in more depth.

Over to members. Can I have a steer on how you would like to deal with the petitions?

Maureen Macmillan (Highlands and Islands) (Lab): I do not think that I want to delve into the depths of sewage treatment works—as a reporter or in any other way. However, we must keep a close eye on what is happening. We are still waiting for the House of Lords decision, which is now due sometime in November. Once the consultation exercise has concluded, I would like to bring the minister to the committee to ask him about what is happening, what the result of the consultation was and what the Executive intends to do. It is an important issue that we should not let slip.

Nora Radcliffe (Gordon) (LD): I have one or two specific questions. Paragraph 29 of the clerk's paper states that

“the distances from the boundary of the site to residential and recreational areas”

are

“to be taken into account”.

I do not see why that should preclude the setting of a minimum distance. Local circumstances are taken into account, but I do not see why there should not be a minimum distance from a dwelling-house at which we could say it would be totally unreasonable to have such a development. We should write to the Executive, asking why it is setting its face so hard against setting a minimum distance.

In paragraph 26 of the clerk's paper, we are told that the Executive is carrying out research into the dividing line between planning and environmental controls. Will that research be used as input into the planning bill, so that we can pick up properly the difficulties in the planning system, which is partly where the controls belong? If the Executive is not planning to do that, how will it use that research to undertake some sort of action?

The Convener: Susan Deacon has been involved with PE517 for months. Do you have any views on the way forward, Susan?

Susan Deacon (Edinburgh East and Musselburgh) (Lab): Colleagues will know of my interest in the petition as the constituency member for the area that includes the Seafeld sewage works, which is the subject of petition PE517. I have read carefully the ministerial response to the

committee and I am bitterly disappointed with its contents. We have waited almost six months for a five-page response that goes into considerable detail about why lots of things cannot be done. That is a wholly unacceptable response to the views on the issue that have been put to the Parliament not just by my constituents but by a range of communities and MSPs over some years.

I want to highlight the extent to which the Executive has engaged in delaying tactics. On 6 March 2003, Ross Finnie gave me a commitment, in response to a parliamentary question, that there would be a consultation exercise on potential legislative change. On 11 September 2003, Allan Wilson said that there would be a draft voluntary code, which was due to be finalised and issued for public consultation towards the end of last year. I note that the latest ministerial response contains no commitment to consultation on legislative change, but we are told that the consultation even on the draft voluntary code is not to commence until the summer. That is wholly unacceptable and calls into question the seriousness with which ministers are treating the issue.

I am very pleased that the committee has continued to pursue the matter assiduously. As I said when we debated the issue previously, if we fail to achieve some tangible progress in the near future, people—not only in my constituency, but in communities throughout Scotland—will lose faith in the Parliament's processes for addressing what is a real issue for them. There is dread in my constituency as we approach another summer, as such problems are always worse in summer. Scottish Water's own independent research, which was commissioned following pressure from me and the local community last year, showed that people who live as far as 2 miles away from the sewage works have to close their windows and not hang out washing on a summer's day because of the smell from the sewage plant. I believe that that is unacceptable in such a built-up area. I agree entirely with Maureen Macmillan's suggestion that the minister should be called to account before the committee and required to answer these points.

The Convener: No other member has indicated that they wish to comment at this time. Maureen Macmillan has suggested that we invite the minister back to explore the matter further. Nora Radcliffe has raised some specific issues, especially the minimum distance and input into the planning bill. Susan Deacon has made the point that no commitment has been made to legislation and that a voluntary code is not yet before us.

Maureen Macmillan suggested that we invite the minister to appear before us once there has been consultation on the voluntary code. Perhaps we should invite him before the summer recess, to keep up the pressure on the matter. That would

allow us to raise the issues that Susan Deacon has placed on the agenda. As she mentioned, it is now a year since hopes were raised that a voluntary code would be issued, but the timetable has slipped again. Perhaps we should keep the matter on our agenda and not close the petition. The minister could give evidence to us before the summer recess to explore the voluntary code and distances and to get some thoughts about the research that is needed and the issues that should be explored.

Susan Deacon suggested that sewage works affect people living as far as 2 miles away. When we discussed the matter in committee, we identified 0.5km as the sort of distance that should separate waste management and treatment facilities from residential areas. It would be useful for us to consider the impact that such developments can have on local communities.

How do members feel about the approach that I have outlined? I see members nodding.

Nora Radcliffe: We are caught between two stools—planning matters and environmental matters. We need both the Minister for Communities and the Minister for Environment and Rural Development to appear before us to provide answers. I do not see how the Executive can say that this issue does not fall into the area of planning. The letter from the Minister for Environment and Rural Development states that certain things are planning matters and that under the statutory nuisance provisions of the planning process responsibility lies with local authorities. We want to square off ministers' shoulders—we are fed up with sloping shoulders.

The Convener: I see that there is 100 per cent assent in the committee to those comments. Do we agree to invite both ministers to appear before the committee, so that we can explore this issue in more detail?

Members indicated agreement.

Greyhound Racing (Regulation) (PE604)

The Convener: Petition PE604 concerns the establishment of an independent Scottish greyhound racing regulatory body. I draw to members' attention what will hopefully be good news. The Executive has written back to us indicating that it will give serious consideration to addressing the issue of the welfare of greyhounds in the forthcoming animal welfare legislation, on which there is now a consultation document. I invite members to note that the Executive is seeking views on the issue. That is a relatively successful conclusion to the petition.

Do members agree to conclude consideration of the petition?

Members indicated agreement.

European Issues

10:43

The Convener: The minister has not yet arrived, so we will consider the paper on European issues, which provides us with our regular update on those matters. The report is substantial and covers a large number of issues. However, I suspect that it does not include much that is entirely new to most members. The paper maps progress on the key issues that members have raised previously in committee. The run-up to the European elections will have a significant impact on the work of the Parliament. The paper provides a snapshot of the current position. I invite members to note what is on our European agenda.

I wish to bring members up to speed on a couple of issues. The first is the chemicals policy. I will circulate for members' interest a note of a conference that I attended on the registration, evaluation and authorisation of chemicals—REACH. The conference was organised by the Royal Society of Chemistry and was intended to bring together the environmental lobby and the business community. In some ways, it demonstrated how far apart the two camps were, although it also highlighted potential areas of agreement that could be mapped out. However, we are a long way off agreement.

Secondly, the United Kingdom white paper on the Commission's work programme is now available. This is the first time that the UK Government has produced such a paper. As a result of recommendations by the European Scrutiny Committee, the UK Government will expose the whole Commission work programme to parliamentary debate and discussion.

Scotland has its own system, which has been quite effective in flushing out issues that are being considered at a European level. Our committee is part of that process. However, I will circulate the white paper to members because we might want to explore how we can ensure that our interests are logged through that process.

Finally, I have provided extra information on the waste electrical and electronic equipment directive, on which I have asked a series of parliamentary questions. The UK is meant to transpose the WEEE directive through subordinate legislation by 13 August, but nothing is currently winging its way towards us. Our last note from the Executive said that it was in the process of consulting on the directive, but we have been given no indication of when that consultation will be concluded and when the directive will be transposed. I have put that on the agenda so that we can see what response we get from the Executive.

Now that I have given that update, do members want to follow up any issues in detail?

10:45

Rob Gibson (Highlands and Islands) (SNP): The Executive's consultation on the regional advisory councils closed on 6 February. Do we know what has come out of that consultation or what will be done about the councils? I know that, potentially, the regional advisory councils will be established by the end of the year, but have we any more details? It would be worth knowing about that target.

The Convener: We have not received any information on that, but we could ask the Executive what the results of the consultation were and how it proposes to take the issue forward.

Nora Radcliffe: I am a bit bothered about the lack of progress on the WEEE directive. Such indications as we have received suggest that the burden will be put on the retail sector, which is not where the pressure was supposed to be exerted. I want to know more about what has been done. Perhaps we could exert pressure by writing to the Executive to ask for more information. It seems to me that we are in danger of being firmly on the back foot on this one, when we need not be.

The Convener: The transposition deadline is 13 August, which is during our recess. I asked my parliamentary questions because I was concerned that, if we are in recess when the UK Parliament deals with the issue—Westminster's recess starts a month after ours—it might be difficult for us to exercise scrutiny on the issue. I am more than happy to write to the Executive on the committee's behalf to ask what the current plans are. I asked my PQs a while ago, but they have not yet received a response.

We want to enable people to respond to the directive. We do not want to require the business community or consumers to respond to the issue at the drop of a hat. It would be much better to have a good response.

Do members have any other questions? As well as keeping the committee informed, part of the purpose of this agenda item is to enable people outwith the Parliament to be aware of what is happening at a European level and how they can engage in that as key stakeholders. We have gone into a lot of depth on many issues. We will make a couple of requests to the Executive for more information. That will suffice.

I take it that everyone has read the timetable for 2004-05. We will probably need to gear ourselves up to consider some of those issues. All the thematic strategies are to be published in September, so I suspect that we will need to get

our heads round waste recycling, soil protection and the sustainable use of pesticides. Those are big issues for our committee and for the stakeholders who are interested in our work. Members will also note that the United Kingdom takes over the presidency of the European Union next summer. That will be an interesting opportunity.

As members have no further questions, I will close the item on the European issues paper.

Subordinate Legislation

Special Waste Amendment (Scotland) Regulations 2004 (SSI 2004/112)

Dairy Produce Quotas (Scotland) Amendment Regulations 2004 (SSI 2004/118)

10:48

The Convener: In the absence of the minister, we will consider two pieces of subordinate legislation, which are the Special Waste Amendment (Scotland) Regulations 2004 (SSI 2004/112) and the Dairy Produce Quotas (Scotland) Amendment Regulations 2004 (SSI 2004/118).

I have received no indications from members of any concerns about the regulations. An extract of the Subordinate Legislation Committee's comments on both sets of regulations has been circulated to members, but I think that the regulations raise no policy concerns for us.

If members have no comments or questions, are we content with the regulations and happy to make no recommendation on them to Parliament?

Members *indicated agreement.*

The Convener: Thank you.

I had intended to say this at the end of the meeting, but I will make members aware now that a business motion has been lodged that suggests that stage 3 of the Nature Conservation (Scotland) Bill will take place on Wednesday 5 May. That gives us a little time yet. I understand that the deadline for the submission of stage 3 amendments will be 4.30 pm on Thursday 29 April. Members who want to chase that issue should be aware that, because of the bank holiday weekend, the deadline is the Thursday rather than the Friday. I just want to ensure that nobody gets caught out.

There are no other issues to raise at this point, so I suspend the meeting until the minister arrives.

10:50

Meeting suspended.

11:23

On resuming—

Common Agricultural Policy Reform Inquiry

The Convener: I welcome everyone back to the meeting. This is the final evidence-taking session in our inquiry into the implementation of common agricultural policy reform in Scotland. I welcome the Deputy Minister for Environment and Rural Development, Allan Wilson, and his officials and I thank them for turning up slightly early. We got through our initial business swiftly and effectively this morning.

Before we start taking evidence, I ask members to declare any relevant interests.

Rob Gibson: I am a member of the Scottish Crofting Foundation.

Alex Johnstone (North East Scotland) (Con): I am a member of the Scottish Landowners Federation.

Mr Alasdair Morrison (Western Isles) (Lab): I am a member of the Scottish Crofting Foundation.

The Convener: I invite the minister to say a few words as an opening statement on CAP reform.

The Deputy Minister for Environment and Rural Development (Allan Wilson): When I spoke to the committee on 3 March, at the start of the inquiry into CAP reform, I explained the key decisions on its implementation in Scotland that I announced to Parliament on 12 February.

Briefly, by way of summary, the three main decisions were as follows: first, full decoupling, with the single farm payment being based on the historical approach; secondly, the use in principle of the national envelope provisions, for the beef sector only; and thirdly, the intention to move the total rate of modulation—European Union compulsory and national combined—to at least 10 per cent by the end of 2007. That decision is subject to review later this year, once the provisions on match funding are known. Obviously, further decisions are required in each of those areas.

I will update you on the substantial progress that we have made on taking the matter forward. Industry involvement continues to be a key feature of that further work—as, indeed, it was during the consultation process—which builds on the valuable input that we got from the CAP reform stakeholder group. We established that group with the aim of providing strategic input across the various strands of work that are in hand, and we have also set up a number of working groups to

examine in more detail the particular issues that arise.

The detailed European Community implementing legislation was agreed to on 31 March following two months of intensive negotiations, and the final text will be published by the end of April. Department officials were closely involved in the discussions at European level and they held informal consultations with relevant organisations on aspects that are of particular importance to us in Scotland. The implementing legislation requires some further decisions to be taken in Scotland in areas such as the operation of the national reserve and entitlement trading. Those areas are technical, but they are nonetheless important, and further discussions will take place with all relevant parties in a formal consultation exercise that is likely to be carried out shortly.

We are also pressing ahead with the construction of an information technology system for the new scheme, which will extract the relevant information from the historical reference period. That system, which is at an advanced stage, will allow us to write to farmers and crofters in June to set out basic information about their reference years and to give an estimate of their likely future payments. That will provide the first opportunity for producers to let us know whether the information that we have on the system is accurate or whether it should be changed. We will write to farmers again in the autumn to clarify that information further.

My final point on this area is that, as the committee will be aware, we are consulting on cross-compliance and the measures that farmers will need to take to adhere to the requirement to keep land in good agricultural and environmental condition. In parallel with that, departmental staff are speaking at public meetings throughout Scotland to explain the details of cross-compliance to farmers. The consultation closes on 21 May, and we aim to provide final information to farmers during the summer to enable them to make practical decisions about their land for next year.

Another area of work stems from the decision to make use of the national envelope provisions in the beef sector. We are working on the design of a scheme to meet our environmental and quality objectives and the concerns that were raised with us during the earlier consultation. Again, that is a matter of interested parties being closely involved in the follow-up work. The timescale is such that we have to inform the EC about such a scheme in August.

Lastly, we are considering the measures to be funded under the additional national modulation. We confirm that, as I said, the decision on modulation will be subject to review later this year

once the provisions on match funding are known. Part of that work involves the further development of the land management contracts model, and it is important to develop a relevant mix of measures with appropriate incentives and payment rates, together with arrangements that will permit wider access to funding. Again, all the interested parties are fully involved in the process to discuss the priorities for investment—obviously, there will be such priorities with any pot of money—and the vehicles that are best suited to deliver our objectives. Formal public consultation is also likely over the summer, to ensure that amendments to the Scottish rural development plan can be submitted to the Commission later this year to reflect those developments.

At the same time, we are developing our own thinking alongside that of other UK Administrations on the shape of the new rural development regulation post-2007. One issue that is uppermost in our minds is that of securing an increase in the allocation of funding from the Commission to reflect better the rural development needs of the UK and Scotland.

That covers all the various consultations, thinking and development work that are on-going. I have a keen eye on the progress of the committee's own inquiry, which I see being a critical contributor to the process. I am happy to answer any questions and perhaps to develop some of the issues, themes, arguments and debates in more detail.

11:30

The Convener: It is good to know that much has happened since your first announcement a couple of months ago. We have been watching what you have been doing over the past couple of months to take the agenda forward. Many issues have come up in the discussions that we have had with a range of key stakeholders from the farming community, rural business interests and consumer and environmental groups, so we have a huge number of questions. We may not put them all to you today, but we will try to focus on the key themes.

Alex Johnstone: I want at this early stage to address perspectives on the proposals. As the committee carries out its investigation, naturally a large number of people come forward with alternative ideas and with objections to some of the things that have been happening. When I talk about perspectives, I mean the fact that the proposals have been well received, and a great many organisations have spoken positively about them. Does the minister believe that the proposals have, as they have developed, been as well received as they were initially? Can he put into perspective for us how the proposals have been

received by the industry? What are the proportions of objections and positive receptions?

Allan Wilson: The short period during which I deputised for the Minister for Environment and Rural Development during his recent absence was fairly frenetic. I addressed the annual general meeting of NFU Scotland in St Andrews which, as Alex Johnstone will be aware, reflects the broad spectrum of producer interests and many others besides, such as environmental and other interests. The meeting took place shortly after we had made the announcement and I was subjected to close scrutiny on the decision-making process, the consultation process that preceded it and our intention to engage further with all interested parties in the aftermath of the decision.

I can genuinely and honestly say to you that at that gathering our decisions were very well received not only by producer interests, but across the spectrum, because I had taken the time, trouble and effort to consult more widely with environmental non-governmental organisations—Scottish Environment LINK and others—in the run-up to the decision-making process in order to ensure that the interests that they genuinely represent in terms of the wider environmental and rural development agenda were also addressed.

As with all such processes, one is required to strike a balance—actually, a balance is not required and is not a necessity, but a decision is taken based on the weight of argument and how that sways one. I believe, to this day—nothing has happened in the intermediate period to shake my belief—that we took the right decisions on the three areas that I mentioned: the extension of national modulation; full decoupling; and the beef envelope, which is the most controversial area. I have been watching the committee's deliberations in that regard with great interest. We took the decision on the beef envelope because we wanted to stabilise the market and protect the environment in the more remote and rural parts of the country. We made the right decision for the right reasons and we developed, along with interested parties, a scheme that would do that.

Alex Johnstone: Do you agree, in respect of the change in the regulations, that although it is extremely important that we concern ourselves about Government money and how it is utilised in the system, we must also remember that the more significant part of the effect of the proposal is the release of rural industry, especially the farming industry, from the constraints of the coupling that took place in the past? Do you also agree that many of the benefits that the proposal will generate relate not to how we spend Government money but to how we release businesses from coupled activity?

Allan Wilson: Absolutely—Alex Johnstone and I have discussed the matter many times over the years and I know that he has an honourable history of supporting decoupling. He understands, as do we, that full decoupling will release the power of the market to enable the producer to respond to the demands that it sets. I believe that that is a better approach to agricultural production than has historically been the case.

I accept the point that the matter is not simply about subsidy, about how modulated funds are distributed for rural development purposes or about how to secure environmental improvement; it is also about releasing the potential of the market to benefit the interests of the producers and the consumers.

Maureen Macmillan: I want to ask about the beef envelope because there seems to be some confusion about how it is going to work. Many witnesses who spoke to the committee were not clear about how long it would last, how it would work and what would replace it when it was finished. They felt that it needed to be in place for at least one three-year beef production cycle. People who raise cattle in peripheral areas stressed that the beef envelope should be targeted at peripheral areas. However, as no one has a handle on what is happening, could you clarify the situation?

Allan Wilson: I will restate the objectives, which are to enhance the quality of the suckler cow herd in Scotland and to provide an incentive for people to keep cows in fragile areas where they are of environmental benefit. The current consultation is designed to develop a scheme that achieves those objectives. Some stability was needed in the beef sector in the short term—given the constraints that it faces, such as export restrictions—but we did not want the scheme to introduce new complexities or rigidities in that process.

The scheme cannot be used as a transitional support mechanism, neither can it be targeted geographically in the sense of there being differing rates in different regions. However, it is possible to vary over time the combination of environmental and quality incentives under the existing legislation in order to take account of impacts in different regions. The implementing legislation does not specify how the funding will be distributed at the end of the scheme; that is a matter for discussion.

We are considering all the elements in our attempt to design a scheme that meets all our objectives and which takes us forwards rather than backwards. Jim Wildgoose is closely involved in that process and can supplement what I have said.

Jim Wildgoose (Scottish Executive Environment and Rural Affairs Department): I could give the committee a little bit more detail. A

working group of key interests has had two meetings already, and will almost certainly have a third meeting, to consider possible regimes and the balance between quality production and the environment. The environmental consideration relates to keeping suckler cows in the more remote areas. The question is how to devise schemes, within the rules, that meet the two objectives. As I said, we have some fairly advanced ideas in that regard, but they require further work, which is being done by the working group.

It is not, in the envelope provisions, possible to pay different rates to different areas, but it is possible to pay higher rates on, for example, a certain number of cows per business. That would give some form of targeting.

It is not possible to delay the implementation of the scheme. We cannot decide once we have introduced it to remove it. The provisions will be subject to a European Community review. If, by August, we do not decide to implement the scheme, we will lose the possibility of implementing it. Those are quite important issues in terms of decision making; we are well advanced in that regard.

Maureen Macmillan: I understand that the scheme cannot be targeted at particular areas, but there is room for flexibility in that allowance is made for specific types of farming to be supported. That means that it should be possible to make a distinction between specific types of cattle farming and to target peripheral areas by that means.

Jim Wildgoose: The interpretation that has been given in Brussels to that provision has been that it relates to distinctions between beef farming, dairy farming and sheep farming. It would be extremely difficult to control the situation if more specific definitions were used. However, I am not saying that that idea has been ruled out.

Another element is that we have defined systems that work very much within the grain of the existing arrangements, so we are not inventing or introducing new levels of bureaucracy. That is another important objective.

Allan Wilson: It will be possible to refocus direction flexibly over time if that is required to take account of factors that have been mentioned.

Maureen Macmillan: There is a concern that peripheral areas will lose cattle farming—Highlands and Islands Enterprise has predicted that that will happen. The figures that we have been given for the predicted reduction in cattle numbers in the Highlands suggest that, over the piece, all the cattle will be moved to the Black Isle or Easter Ross and the peripheral areas will lose out. We want to try to find a mechanism by which that can be prevented.

Allan Wilson: As I said, that was one of the two principal reasons why we opted for the national envelope. When Rob Gibson and I visited Assynt, I received representations from local producers who argued precisely that point. The same argument applies in parts of the northern isles, Western Isles and other more remote rural areas. The representations that were made to us were among the reasons why we opted to make use of the national envelope. The challenge now is to ensure that the scheme delivers on the objectives; that will require some development.

11:45

Nora Radcliffe: I want to take the beef national envelope argument a wee bit further. We are having to work quite hard to make it deliver the objectives that we want from it. Are we fully committed to going down that route to achieve our objectives, or has thought been given to whether there are different ways of achieving them without using the beef national envelope?

Allan Wilson: The short answer is yes. That may be a possibility, although probably not in the short term. That was, as I said to Maureen Macmillan, the thinking behind the decision to go for the national envelope. We can examine priorities for rural development regulation spending and we are doing so with the interested parties. As Nora Radcliffe will know—not least from her own evidence—there is no shortage of people out there who are vying for access to funding.

The national envelope is a measure that we took specifically to stabilise the beef market and to protect beef production in the more remote rural communities to which I have referred. That does not rule out using, as you suggest, other measures in the medium to longer term to produce the same effect.

Nora Radcliffe: Do you still see the envelope as the mechanism that will produce the objectives quickly in the short term?

Allan Wilson: Yes.

Nora Radcliffe: For how long are we committed to having the envelope? Will it be in place until 2007 if we introduce it?

Jim Wildgoose: The review clause in the legislation says that a review would happen two years after all the members of the Community had implemented the arrangements—it has to be done by 2009, but it may be earlier than that.

Nora Radcliffe: Would you like to say a little bit about whether you see trading of single farm payments happening, the effects that might have and whether any measures should be taken to put any sort of cap or control on that?

Allan Wilson: That is a good question.

As you know, tradeability is a feature of the new support system; the agreement does not allow entitlements to be tied to the land. Some people, including myself in a different context, have expressed concern about leakage of entitlements out of areas and about competition from entitlements coming into areas. I know that Mr Finnie examined the implications of all that before his time off. All those issues have been closely examined and we will soon consult on whether to use ring fencing as a means of addressing some of the concerns, or to use the siphon provisions here in Scotland. We will consult on the issue very shortly.

Nora Radcliffe: I will ask a quick question about modulation. Would it be your intention to go for the maximum modulation that we can, if we were going to get match funding for it?

Allan Wilson: It was perhaps the other way about in that we went for the 10 per cent modulation but added a caveat that that was dependent on our securing the match funding that went with it. Those matters are currently being discussed with the Treasury.

Nora Radcliffe: Would you allocate differently the modulated funds and the match-funding element that you get through the process? Would it be fair to apply the modulated element of the funds more directly to agriculture and to apply the match funding element more widely?

Allan Wilson: The short answer is no. I would examine the totality.

Nora Radcliffe: You would treat the money as one pot.

Allan Wilson: Yes.

The Convener: That is Nora Radcliffe's last question—she got in three topics.

Rob Gibson: I return to the beef national envelope. I am interested to hear what has been said about the potential to provide appropriate levels of support directed at the first 10 animals, for example, as a means of supporting smaller producers. Given that the turbulence of changing the system will most affect them, can you say a little more about your thoughts on that issue?

Jim Wildgoose: We have been considering a range of possibilities. Although we are not able to have separate payment rates for different areas, the kind of targeting to which the member refers is available. I cannot provide the committee with figures today, but we are considering actively arrangements such as those that have been described. We must be careful when we set limits because we might find that there are people on either side of the limit in different places, which

creates its own form of distortion. We are considering carefully how that problem may best be handled. We are considering a range of different limits to make best use of the £18 million. The issue has been considered at two meetings of the working group and it is almost certain that a third meeting will take place soon to consider further issues. The kind of scheme that Rob Gibson suggested will be discussed at that meeting. As I have said, there are pros and cons associated with such a scheme, but it provides a form of targeting.

Rob Gibson: Does the minister want to comment on the fact that providing environmental benefit—public good—is not incompatible with using quality incentives in the beef national envelope? If the envelope is intended to address the most crucial aspect of the changes in agriculture, it is necessary above all to focus on people in fragile areas.

Allan Wilson: I made that point in response to a question from Maureen Macmillan. Although it is not possible to have rates that vary between regions, it is possible over time to vary the combination of environmental and quality incentives, in particular. Under the terms of the legislation, we are entitled to do that. Such an approach will give us the wherewithal to take account of regional variation by changing incentives, as the member suggests. I do not believe that environmental and quality incentives are necessarily incompatible, but flexibility is important because it gives us scope to address regional and environmental issues. We want to do that—the point of setting up the beef national envelope was to protect such interests.

The Convener: How can you vary the scheme over time to change the balance between environmental and quality incentives?

Jim Wildgoose: The basic Council regulation stipulates that there are two objectives that can be combined. Each year, it would be possible to say that we wanted the balance between environmental and quality production to be changed. For example, after three years we might decide to pay on the first Y rather than the first X cattle. Essentially, that kind of change is possible under the legislation, provided that our objectives meet either a quality or environmental objective.

Allan Wilson: The environmental objective would be to maintain the presence of grazing cattle in remote areas.

The Convener: I cut in on Rob Gibson's question because I wanted to capture that point. Does Rob Gibson want to continue?

Rob Gibson: That was an important point. I want to tease out how the Executive envisages things developing. Clearly, the problem with the

beef special premium scheme was that it caused difficulty for the producers. How does the Executive intend to capture the benefit of what is basically a transitional measure for the producers rather than for the fatteners?

Allan Wilson: We cannot use the envelope as a transitional support method, but we can take account of the environmental objective that we seek to achieve. We have the flexibility to adjust the balance between the stated objectives to provide for that. There is more than one way to skin the proverbial cat.

The Convener: Let us not go there.

Allan Wilson: Is that not a politically correct term?

The Convener: Certainly not. We will deal with animal welfare later this session.

Eleanor Scott has a number of questions.

Eleanor Scott (Highlands and Islands) (Green): Some witnesses who gave evidence to our committee were quite keen that pillar 2 moneys be used beyond the farm gate to provide infrastructure to allow value to be added to farm produce. Some people have suggested that the moneys should go even further beyond the farm gate and that they should be spent on community projects. I appreciate that we do not know how much pillar 2 money will be available because we do not know the extent to which modulation will be match funded or the amount of EU rural development moneys that we will receive after 2007. However, what are the Executive's priorities for the use of pillar 2 money both immediately and in the future?

Allan Wilson: Obviously, we set out our longer-term priorities in a number of publications, which range from "A Forward Strategy for Scottish Agriculture" to the change documentation and so on.

I hold to the need for a balanced approach that maximises the potential benefit for wider environmental improvement and wider rural development beyond the farm gate. The importance of the wider contribution that agriculture makes to the economy of many of our rural and remoter communities should not be underestimated. I do not underestimate the importance of having a vibrant and profitable agricultural sector, but one reason why we took the decision to extend modulated funding was to ensure that the additional resources that accrue could be used to further our wider rural development agenda. That is certainly part of the process.

Eleanor Scott: In the early stages, will most of the pillar 2 money be used to fund land management contracts or will it be possible for

other rural development measures to make bids for that money?

Allan Wilson: As I said, our long-term vision has been set out in "A Forward Strategy for Scottish Agriculture", "Custodians of Change" and "Rural Scotland: A New Approach". We want to see a prosperous farming industry that plays a major role in sustainable rural development. In the light of the forthcoming review of the rural development regulation, we need to give consideration to other sources of support for rural development to ensure that we have an integrated approach that helps to achieve those objectives.

When the existing rural development regulation is replaced in 2007, the new regulation may well have a wider range of measures available, which we will want to discuss in due course. The land management contract model, which is in the early stages of development, based on the pilot, is an important contribution towards that. I read with interest the representations that the committee received from NFU Scotland and others about the introduction of that model and the opportunities that it creates. We want to ensure that there is integration of existing rural development policy; there will be a regional element to land management contracts, and we are in wide discussions with industry interests and beyond on those matters. There will be a full consultation on this year's changes to the Scottish rural development plan and the further changes in 2006 when we know the rural development regulation in detail.

We are anxious to ensure that our wider rural development objectives are secured. Having a prosperous, sustainable, profitable agricultural sector is central, but that is not our only objective; wider environmental and rural development measures are also objectives.

12:00

The Convener: That is an interesting answer. The idea that there might be a regional prospectus when you pursue the rural development angle came up in one or two of the submissions that we received. It is interesting to hear that you will consult on that issue. Will you say a bit more about that?

Jim Wildgoose: We seem to have endless working groups, but we have a working group to consider some of those issues and plan out further work—indeed, the group meets tomorrow. A lot of work was done on the land management contract model until a year or 18 months ago, but it had to await the outcome of the CAP reform before it could be taken forward. The work that we have in hand will be based on that model and it will identify various measures that might be introduced at an

early date next year. It will not be possible to introduce the full thing from next year; there will have to be a stepped approach.

We will consult widely on the extensive measures. As the minister said, we do not know the detail of the new rural development regulation in 2007, but it looks as though it will give wider possibilities. There are provisions in the current rural development plan to allow support outside agriculture—they are quite limited, but they are there. It may well be that wider things can be done under the new regulation, but all those matters are being discussed with interest at working level to see how best to develop that modelling.

The Convener: I am glad to hear that. One of the representations that we received talked a lot about the development of local co-operative organisations, particularly between small, specialised farmers, to ensure that they have the capacity not just to produce food but to market it, to make the most of the high-quality niche market that they are in and to work with each other locally. That could come about through the work on the rural development plan.

On the wider issue, or the big picture, a lot of people talked in their representations about their worries about how the move to the new system will be managed. We explored the timescale with quite a few witnesses. Is it two years? Is it three years? Should farmers be engaging in the agenda now? How will you manage the process? It came across to us that many representatives are not sure whether they are expected to continue doing what they do at the moment, albeit that the money will come through differently, or whether they will be expected to reach different or higher environmental standards. They are not sure whether, in exchange for that, they will get the same amount of money that they get now or whether there will be more money to bid for.

That is a policy issue, which is set out clearly in "Custodians of Change" and the "Organic Action Plan". However, some people were not clear whether you would expect them to do more and exactly what the Executive's policy objectives are. Would you like to come back on that issue?

Allan Wilson: We are actively engaged in developing co-operatives. Match funding has the potential to increase significantly the money that is raised through modulation. Undoubtedly, some would argue—with some justification—that the primary beneficiaries are the farmers, but there is scope for measures that have wider applications; for example, you referred to smaller co-operatives. We intend to develop those ideas and the scope for wider application over the piece.

I literally lie awake at night worrying about how all this is going to be administered.

The Convener: I am glad that you are doing that on our behalf.

Allan Wilson: I know. I suffer for the nation.

It is a concern. As I said, we hope to get a letter out in June to crofters and farmers, and in the autumn to keep them informed on how we have calculated their historic entitlement and how we intend to pay it. All that is required to be in place by 1 January 2005, so cross-compliance and the basis for the historic payment and the payment of the historic entitlement will all take place then. Officials face a significant task between now and then, not least because of the provision for appeals. We should not underestimate that task, which is substantial.

I can understand people being unclear. We are doing what we can to make them clear about their entitlement—within the constraints that we are placed under in terms of developing the regulations and applying them—through a consultative process that seeks to be as inclusive as we can make it. I am conscious of the point that the convener makes, and which others have made to her. The task is mammoth, but officials tell me that they are on top of the job. I have no reason to disbelieve that.

The Convener: That is very reassuring.

I have a final question on how the information will be disseminated. The issue of training was raised, particularly by one of our academic witnesses. There is an issue about what is required under cross-compliance and what new matters will need to be addressed. There is also the issue of responding to business. You and Alex Johnstone agreed earlier about being freed from the current system, but there is also the issue of how the new system works. What opportunities will the farming community have? Who will take the lead on training, and how will it be delivered?

Allan Wilson: You have just done for Alex Johnstone's political career by saying that.

The Convener: I thought that I would get it on the record again.

Jim Wildgoose: There are a number of issues. With the single farm payment and the whole business of getting the right figures for people, we will have to deal directly with individual producers. That will happen through letters and through the area office network, to resolve national reserve issues and straightforward entitlement problems.

The cross-compliance provisions are out to consultation at the moment; that consultation does not finish until 21 May, after which we will reach decisions on the position. We will have to have dissemination arrangements; it will be done mainly through correspondence, but we might also have some meetings. We are thinking about the best way to handle the dissemination.

On further measures for modulation funding, for example, and perhaps other agri-environment measures and other measures, there will have to be an arrangement to communicate with producers on the details. Such communication will be partly paper based, but there might well be meetings, and the internet might also be used.

In terms of the support, we have had a pilot project running on advice to farmers. The results of that study are being analysed and, by all accounts, it has gone well. The plan is that it will be rolled out in June. We are aware that there is a need for training and are addressing that issue.

Allan Wilson: We expect to make an online process available. We want there to be a greater uptake by farmers of the Environment and Rural Affairs Department's services online, as that can be more effective for producers. It helps us as well.

Rob Gibson: I asked earlier about the communication between SEERAD and individual farmers. It is obvious that previous systems suffered from communication problems. It would be good if you could give us a worked-through example or two of how communication between SEERAD and farmers will work in practice in the system that will be introduced. That would help us to evaluate the system.

Allan Wilson: Any system is subject to system failure. It should be possible to provide you with a worked-thorough example of how the system would work in relation to an individual farmer or crofter.

The Convener: It would be useful if you could think that through and get back to us.

Thank you for answering our questions. We could have asked many more but, given that we have only limited time, I would like to move on to deal with the budget.

Budget Process 2005-06

12:12

The Convener: The committee agreed to focus on the reform of the common agricultural policy, because that is the big issue of the year. The budget process is running to a tight timescale and we have to report to the Finance Committee by 18 May. The purpose of talking to the minister today is to allow us to use our next meeting to think about what we want to put in our draft report.

I invite the minister to make some introductory remarks.

Allan Wilson: I know that the committee understands that we will not be able to present final proposals for the 2005-06 budget until we have completed our consideration of future spending priorities as part of the 2004 spending review. That makes the situation difficult for all the committees. Spending totals for 2005-06 were agreed in the 2002 review and, over the next few months, we will consider the 2004 review period for the three years beginning from 2005-06.

As you know, hard choices about priorities and the resources that are available to us will have to be made as part of that process. We cannot, *ipso facto*, discount the possibility of changes to the 2005-06 plans that are before us.

I understand that the committee is interested in knowing whether the CAP reform package has any implications for the 2005-06 budget. The provision for CAP market support, which is shown in the report as totalling £348 million for 2005-06, will change. The draft budget that we will present in the autumn will set out in as much detail as we can provide at that stage what we think will be the new spending total for 2005-06 and how that will be distributed across the new CAP measures. As ever, the value will be subject to sterling/euro exchange rates, which fluctuate. We will set out in the draft budget our assessment at that time of the estimated sterling value of 2005-06 payments under the new measures.

Whatever the sterling value of payments at that time, those payments will be funded by the United Kingdom Exchequer outside the block arrangements. The area in which we have some discretion in spending is on the rural development programme measures that we have just discussed, which are funded by modulation of CAP market support payments and domestic funds—the so-called match funding. The spending plans for 2005-06 include an extra £23 million of resources that were allocated by the UK Treasury, outside the block, in the 2002 spending review. That was on top of an earlier allocation of some £13 million, which was made in the 2000 review.

The total of £36 million assumed that there was a possibility of compulsory EU modulation on top of UK modulation rates, giving a combined rate of 10 per cent. We now know that there will be EU modulation of 3 per cent, 4 per cent and 5 per cent in the three years beginning next year—2005-06.

12:15

As I announced in my statement on CAP reform on 12 February, our intention is to move towards a combined modulation rate of at least 10 per cent by the end of 2007. I also stated that we would clarify our position at the conclusion of the 2004 spending review. Whatever decision we take on the issue in the spending review will have potentially significant implications for future rates of modulation and the future range and scale of rural development measures that we have just discussed. Spending plans for 2005-06 are linked to the current Scottish rural development programme. In considering those issues in the spending review, we are looking beyond that period to the requirements for the next programme period, which starts in 2007.

The committee will understand that until September, when we can announce the outcome of the overall spending review, we are not in a position to set before it detailed proposals. I understand that that does not help the committee's deliberations, but my comments put the situation in context.

The Convener: As you say, because of the spending review it is difficult for us to explore what you are about to do, although we will try. We have scope to try to explore what you have done.

The starting point for us is that when we produced our report at stage 2 of the budget process for 2004-05, we found it quite difficult to work through the different levels of unrelated priorities, objectives and targets. We found them confusing as they did not always relate to each other. We sometimes found it difficult to track whether you had allocated funds to schemes that would deliver on objectives that you had set out. We were particularly keen to see how cross-cutting objectives were going to be tracked.

We made the same criticisms that previous committees had made about difficulties that are caused by presentational issues when we try to take the budget to pieces, work out what is happening and track it from year to year. It has become particularly difficult to do that this year because the formats have changed again, not only because of this summer's spending review.

There are issues that it would be worth our while exploring. Cross-cutting objectives were set out in "Building a Better Scotland". However, they do not appear to be tracked through to individual budget

heads so it is difficult to see how they come through under the environment and rural development budget headings.

There are the new high-level themes, but it is difficult to see them coming through under the spending plans for environment and rural development. It is particularly difficult when we try to track that spending through to the targets—the key things that state what your priorities are and how you are spending the money—because we can see no measurable outcomes under the targets. It is difficult to work out the significance of the target that is set and what the context is.

One example of that is that the last time we explored the budget we tracked through the issue of climate change. Your colleague, Ross Finnie, said that that had to be in his section because, if it was not, there was a danger of it falling through the cracks. The objective has now disappeared, but there is no target and there is no target in anyone else's portfolio. Where has it gone? Has it disappeared from the budget programmes?

Those are my introductory remarks; I know that colleagues have questions to ask on different topics. Can I have some initial thoughts? Perhaps we could keep the climate change issue on the agenda. Can we see where that target has gone for starters?

Allan Wilson: David Dalgetty will be happy to provide additional information.

The Convener: The minister may devolve that question.

David Dalgetty (Scottish Executive Finance and Central Services Department): The points that the committee made during its consideration of the 2003-04 budget were taken on board.

One structural problem that we face is that the targets that are listed in the annual evaluation report were set in the previous spending review. There is a sense in which the time for considering how we can incorporate the committee's views more clearly is when we set out the forward targets at the end of the current spending review. I certainly hope that the 2005-06 budget that we will present later this year, which will form the subsequent stages of the budget process once spending review 2004 has been completed, will not only include any revised targets that emerge from the spending review but take on board the committee's points about the integration of the targets and the way in which they are structured.

Allan Wilson: That question is definitely one for me to answer.

We have considered that issue in the context of the forthcoming spending review and historically. The target-setting exercise in the previous spending review was not as effective as we would

have wished because it did not properly integrate targets either across portfolios—as the convener mentioned—or even across the agencies and non-departmental public bodies that report to departments. Getting that exercise right for the forthcoming spending review is a priority for us. I suspect that that will involve greater focus on the target-setting process.

David Dalgetty: I will try to answer the specific question about the climate change targets, which I think were mentioned on the previous occasion as well. Part of the problem is that the budget document, which must cover a vast range of activity, shows a limited number of objectives. Below the level that is shown in the AER, there will be any number of far more detailed targets and objectives. I can confirm that we still have targets on climate change, but they do not appear in the AER largely because we spend relatively little programme money on the issue of climate change.

The Convener: I understand. Not all priorities necessarily require huge amounts of money, given that things may be done by other people. Our perspective is that we have been unable to track those targets through the process. Let us leave that issue on the record.

Colleagues have a list of questions that they want to ask, but I will try to take the questions in general topic areas, the first of which is water. I understand that the potential decrease in spending under our portfolio could be due to what is happening with the water budget. Maureen Macmillan has some detailed questions on that.

Maureen Macmillan: I want to follow up on Ross Finnie's answers to us when we discussed the 2004-05 draft budget. I am quite concerned about the targets for water. Target 1 is:

"Improve public water supplies".

Target 2 is:

"Reduce the number of sewage treatment works not in compliance".

There seems to be no budget line for the provision of new infrastructure for new developments. That is a particular concern of mine because of its implications for new rural housing.

Mr Finnie said that the matter would be discussed with Scottish Water in autumn 2003 and that a target would be set by the water industry commissioner for Scotland, Scottish Water and the Executive. Mr Finnie thought that Scottish Water, along with the Government, would consider the totality of what was required and how best it might be provided. I had assumed that we would then have some kind of budget line for that, but there does not seem to be any.

Allan Wilson: As you know, Scottish Water's capital spending is the subject of a special inquiry

by the Finance Committee; the report is due to be published later this week.

We readily admit that Scottish Water's capital investment programme has been subject to serious delay. However, that has happened at least in part at the instigation of the water industry commissioner, or certainly in compliance with his advice. The total cost of the capital programme was significantly reduced by virtue of the creation of Scottish Water Solutions, which is a joint venture partner in providing that capital investment and does so more effectively, more efficiently and at less cost to the charge payer. That process is under way, and we have always said that we should judge Scottish Water's ability to deliver on its capital programme during the period from 2002 to 2006. That means that there will be periodical fluctuations in whatever budgetary line the company calls on to draw down its borrowing requirement. That will be reflected in the departmental budget, but it will depend on the progress of the capital programme.

David Dalgetty: We are in the middle of Scottish Water's investment period, and the mechanism that has been established with Scottish Water Solutions means that we will not move forward until we consider the next quality and standards period, which falls after 2006. The minister took the point on board and he shares the committee's concern about the development pressures in a number of areas. He, too, is concerned that we should examine whether there are ways in which more of those problems could be addressed, within the aggregate of resources that is available to Scottish Water. However, I would not expect the budget for 2005-06, which reflects priorities that were set in 2002, to reflect any of those considerations. Ministers will take the matter on board as they consider the future provision for Scottish Water in the context of this year's spending review.

Allan Wilson: Q and S II and, prospectively, Q and S III will address the issues that you raise on development constraints and the proportion of capital that ought to be allocated for new entrants into the regime. Scottish Water issued a report today, I think, that demonstrates a welcome and marked increase in its capital programme. We continue to monitor and review Scottish Water—indeed, I met it last night—to ensure that it is maximising capital investment within the constraints of capacity in the civil engineering industry. We expect that investment programme to be completed during the review period, which runs to the end of 2006.

Maureen Macmillan: I hear what the minister says, but I am disappointed that the provision was not written in from the start. When the then Transport and the Environment Committee

considered the Water Industry (Scotland) Bill, the point was made that we would need funding specifically for rural housing development. That was agreed to, but proper provision was not made for it, so I look forward to something being written into the budget in 2006.

The second target is about sewage treatment works. It looks as though a considerable number of sewage treatment works will not be in compliance with consents even at the end of the period. The target in the AER is to reduce that number

“to less than 45 by 2006.”

That is still quite a lot. Communities are affected by odour; the committee dealt with a petition on that point earlier today. I am not satisfied with that target, and I wonder whether you will comment on it.

Allan Wilson: Part of the discussion that we had with Scottish Water last night was on progress with meeting targets, one of which is stipulated here. There is continued dialogue between SEPA and Scottish Water on the exact compliance rate, which is subject to some debate between the parties. We want to minimise all the concerns arising out of sewage treatment works. The target is designed to do that and we will work with our colleagues in local government to achieve that.

David Dalgetty: That target was set two years ago in the spending review of 2002. All other things being equal, I expect that a lower target will be announced at the conclusion of this year's spending review in September. Progress has been made during the past two years, but the possibility of further progress is not closed off.

12:30

Allan Wilson: Although I did not mention this in my response to the convener, we will want to integrate the target-setting regime between Scottish Water and SEPA to take account of that process.

The Convener: That is something that we will want to consider in more detail afterwards.

On natural heritage, I do not necessarily want a response just now, but could you supply in writing a bit more information about the national parks allocations? The target is an 8 per cent spending increase to £8 million in 2005-06. Can we have a couple of paragraphs of background on that? What kind of objectives will that increase meet?

I would also like a little bit of information on walkers. We raised the issue of the target on access to the countryside. I see in the report that that will be coming out in “SNH Facts and Figures 2003/2004”. I do not think that we have seen that

yet, so I would be interested in seeing a brief note from your officials about how the target relates to the new access code in the Land Reform (Scotland) Act 2003.

I do not want to get into a big discussion about it today so if you could come back to the committee on those points, I would appreciate it.

Rob Gibson: On the way in which money is parked, there is an unexplained rise in the costs of the rural stewardship scheme from £13 million in 2004-05 to £30 million. Is that parking of unallocated Treasury commitments, as discussed last autumn? Previously, we criticised the targets as being difficult to measure and hard to relate to specific outcomes.

Allan Wilson: That is the modulated match funding to which I referred in my preamble.

Rob Gibson: Okay. Thank you for that.

Target 9, on the less favoured area support scheme—LFASS—payments, is intent on encouraging

“more sustainable agricultural activity on 13,500 farm businesses in Scotland’s remote hills”.

Minor modifications have been made to the revised scheme for 2004 and that is a small step in the right direction, but the scheme still seems to be weighted in favour of producers on better ground who are able to stock at higher densities. In the budget process, is it possible for us to know where the money is being distributed? If someone is in receipt of an enterprise grant, that will be published in the local papers, but if they are to receive an LFASS payment, that will not be published.

Allan Wilson: The exact number of claimants in any year will depend on several factors, including farm mergers. Without prejudicing the outcome of the spending review, I can see that there is an argument for reconsidering how we measure the effectiveness of less favoured area spending and what targets we set for it. It is a very important measure to encourage production in economically fragile hills and uplands and I do not doubt the contribution that it makes to the businesses to which you refer. We want to maximise that beneficial outcome, so we will consider the effectiveness of what we are doing and the targets that we have.

Rob Gibson: Will you tell us about that in detail in due course?

Allan Wilson: Yes.

David Dalgetty: If I understood the question correctly, it was whether we will publish the names of individuals who receive LFA payments and how much each LFA payment recipient receives.

The Convener: The transparency issue was raised.

Allan Wilson: I did not take that from the question.

Rob Gibson: It was part of my question. I am interested in outcomes, but also in transparency.

Allan Wilson: Sorry, I did not pick that up from what you said.

The Convener: The issue comes partly from the evidence that we received from Oxfam a few weeks ago, during which the general issue of access to information was raised.

Allan Wilson: I understand the issue, although I did not think that Rob Gibson raised it. The issue might have arisen previously. To answer the question, we cannot publish that information because we have concerns about how the courts might view that development.

The Convener: I have a quick follow-up question on rural development. The budget documents reveal significant changes in some schemes. The countryside premium scheme will increase significantly, by 277 per cent, although the end figure for the increase will be only £7.3 million. However, other schemes such as the environmentally sensitive area scheme, the organic aid scheme, the rural stewardship scheme and the agricultural business development scheme will be significantly reduced. I presume that the changes are wrapped up in discussions about modulation and future funding, but do you want to put the background on the record?

David Dalgetty: We have dealt with the 2004-05 budget. I do not like the term “parking of public expenditure provision”, but that is one way of describing the situation. We made it perfectly transparent in the previous spending review announcement that we were deliberately parking the ring-fenced additional match funding money that we received from the UK Treasury in SR 2002 in the rural stewardship scheme line. We wanted that money to be shown in the budget, but we said that that did not mean that it would be spent in that way. The decisions on the use and distribution of that money are subject to events that are yet to happen. As members heard earlier, we hope that by the autumn we will be clearer on a number of those issues.

That uncertainty affects spending proposals for the environmentally sensitive areas scheme, the rural stewardship scheme, the countryside premium scheme and other schemes in the group of agri-environment measures that are covered by the rural development programme. When we present the 2005-06 budget in the autumn, I expect that we will give a far truer picture of the provision that is sought for those measures and

one that is consistent with the rural development plans.

The changes in the agricultural business development scheme reflect the fact that there has been underspending of the standing provision that was made for the measure. There is no significance in the increase; we are simply restating the original provision.

The Convener: What about the organic aid scheme? I have it at the back of my mind that the minister recently made positive announcements about spending more money on that. I was surprised to see that it is to be reduced by 69 per cent.

David Dalgetty: The scheme is not being reduced by that amount. That is the original 2002 spending review figure.

The Convener: That is why we are confused.

David Dalgetty: The next draft budget will contain a proposal for next year's budget that is entirely consistent with ministers' statements on increases in organic aid.

The Convener: I am sure that that is clear, in a way.

Eleanor Scott: I have a general question about the targets, some of which are slightly odd because they are not quantified. We reckon that seven out of the 17 targets are not quantified. Although it is said that we are on course to achieve them, it is difficult to measure progress. The targets are more like objectives. Is there anywhere where the targets are more firmly quantified, which would allow us genuinely to measure progress?

The Convener: That cuts to the heart of questions that we have asked before, when we could not see targets working their way through.

Allan Wilson: I take the point, which I talked about in response to the convener's preamble. Targets need to be integrated across portfolios and throughout Government departments, NDPBs and agencies to ensure a uniform approach. Different targets appear at different levels in different organisations. For instance, any organisation for which I am responsible—whether SNH, SEPA or whomever—must have uniformity and integration of Executive targets with departmental, agency and NDPB targets. The aim of the current review is to integrate all that and to have a greater focus on output, outcomes and delivery. We want to improve that process ourselves.

Eleanor Scott: Can we expect expenditure-linked targets to be attached to budgets in the future?

David Dalgetty: Having dealt with such matters for about 17 years, I understand the problem well.

Many targets in large parts of the budget are relatively specific. Specific and measurable targets are provided on water, waste and other matters. In other parts of the budget, it is difficult to arrive at individual, single, precise, measurable and relevant targets that provide a proper measure. We work at that all the time and we try to improve on that. I would not like the committee to think that we brush off its views. We take them seriously.

Is the point not just about the targets but about the ways in which we reported the extent of progress on targets? Was the committee saying that it might appreciate a little more detail, rather than just the words "under way" or "on-going", about exactly how far we have gone?

Eleanor Scott: That was the point. It is difficult for us to know whether progress has been made when a number is not attached.

David Dalgetty: I will take that on board.

The Convener: The committee has just undertaken an inquiry into the national waste strategy, so we probably have a reasonable handle on how waste programme targets will be met, and we track that through your announcements. People almost need to have conducted an inquiry to have a feel for the relative success of implementation. Obviously, we cannot do that for the entire budget. The situation is not transparent from the document.

Allan Wilson: That is precisely the point that I was getting at. Waste provides a classic example of a series of targets on recycling rates, non-biodegradable waste, the reduction of landfill and other matters that are listed separately and do not appear in the list of budgetary targets. When it is said that a target is on course or slipping, more information should be made available about what that means. However, the greater challenge is to integrate all the targets in the partnership agreement, which contains myriad targets and objectives, to produce an easily read document annually that reports to parliamentarians and committees on progress. Arguably, the budget is not the best place to do that.

The Convener: You have described the holy grail. We look forward to your returning to deliver that.

Allan Wilson: That is not my job.

The Convener: Exactly. We have managed to go into much depth, so I think that we will wind up the discussion—the committee signals overwhelming assent to that. Could the clerks talk to the minister's officials about one or two objectives that have disappeared? A reference was made to other objectives that still exist but are not in the report. I do not want to go into that now, but is it possible to have a discussion, so that

when we write our budget report, we can see where targets have gone? We have examples in writing that we will pass on to you.

Allan Wilson: Please feel free to write to us with any outstanding questions that we have not had the time or opportunity to respond to. My colleagues will answer them as best they can.

The Convener: That is excellent.

Do members agree to consider our CAP reform inquiry report and our draft 2005-06 budget report in private at subsequent meetings?

Members *indicated agreement.*

The Convener: I thank the minister and his officials for quite a lengthy session.

Meeting closed at 12:45.

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