



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Rural Economy and Connectivity Committee

**Wednesday 17 February 2021**

**Session 5**



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Pàrlamaid na h-Alba

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**RURAL ECONOMY AND CONNECTIVITY COMMITTEE**  
**6<sup>th</sup> Meeting 2021, Session 5**

**CONVENER**

\*Edward Mountain (Highlands and Islands) (Con)

**DEPUTY CONVENER**

\*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

**COMMITTEE MEMBERS**

\*Peter Chapman (North East Scotland) (Con)  
\*John Finnie (Highlands and Islands) (Green)  
\*Jamie Halcro Johnston (Highlands and Islands) (Con)  
\*Emma Harper (South Scotland) (SNP)  
\*Richard Lyle (Uddingston and Bellshill) (SNP)  
\*Angus MacDonald (Falkirk East) (SNP)  
Mike Rumbles (North East Scotland) (LD)  
\*Colin Smyth (South Scotland) (Lab)  
\*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Shiree Donnelly (Scottish Government)  
Fergus Ewing (Cabinet Secretary for Rural Economy and Tourism)  
Michael Matheson (Cabinet Secretary for Transport, Infrastructure and Connectivity)  
Robbie McGhee (Scottish Government)  
James Muldoon (Scottish Government)

**CLERK TO THE COMMITTEE**

Steve Farrell

**LOCATION**

Virtual Meeting



# Scottish Parliament

No member has indicated disagreement, so we are agreed.

## Rural Economy and Connectivity Committee

*Wednesday 17 February 2021*

*[The Convener opened the meeting at 08:45]*

## European Union (Withdrawal) Act 2018

### Rural Development (Miscellaneous Amendment) (Scotland) Regulations 2021 (SSI 2021/33)

**The Convener (Edward Mountain):** Good morning, everyone, and welcome to the Rural Economy and Connectivity Committee's sixth meeting in 2021. I ask everyone to ensure that their mobile phones are on silent. The meeting will be conducted in virtual format throughout. We have received apologies from Mike Rumbles.

We begin with declarations of interest from members in relation to various items on the agenda. With regard to items 6 and 7, I refer members to my entry in the members' register of interests, in that I am a member of a farming partnership in Moray and I have an interest in a wild salmon fishery.

**Stewart Stevenson (Banffshire and Buchan Coast) (SNP):** With regard to item 5, I declare my presidency of the Scottish Association for Public Transport and my vice-presidency of Railfuture UK. I also have a registered agricultural holding, from which I derive no income.

**Peter Chapman (North East Scotland) (Con):** With regard to item 6, on agricultural issues, I declare an interest in a farming partnership in north-east Scotland.

**Richard Lyle (Uddingston and Bellshill) (SNP):** With regard to item 3, on low-emission zones, I declare that I am the convener of the cross-party group on the Scottish Showmen's Guild.

**Jamie Halcro Johnston (Highlands and Islands) (Con):** With regard to item 6, I am a partner in a farming partnership in Orkney and a member of a number of agricultural bodies.

**The Convener:** Item 1 is the sift of a Brexit-related Scottish statutory instrument in relation to the European Union (Withdrawal) Act 2018. The Scottish Government has allocated the negative parliamentary procedure to the instrument. Does the committee agree that it is content with that?

## Subordinate Legislation

### Rural Development (Miscellaneous Amendment) (Scotland) Regulations 2021 (SSI 2021/33)

#### Low Emission Zones (Scotland) Regulations 2021 (SSI 2021/26)

08:48

**The Convener:** Item 2 is consideration of two negative instruments. No motions to annul have been received in relation to the instruments.

There are no comments from members. I propose that the committee makes no recommendations in relation to the instruments. Are we agreed?

No member has indicated disagreement, so we are agreed.

#### Low Emission Zones (Emission Standards, Exemptions and Penalty Charges) (Scotland) Regulations 2021 [Draft]

#### National Bus Travel Concession Scheme for Young Persons (Scotland) Order 2021 [Draft]

**The Convener:** Item 3 is consideration of two affirmative instruments, on which the committee will take evidence. The motions on approval of the instruments will be considered at items 4 and 5 respectively.

I welcome the Cabinet Secretary for Transport, Infrastructure and Connectivity, Michael Matheson. We also have with us, from the Scottish Government, Stephen Thomson, who is head of the environmental and sustainability branch; Anne Cairns, who is a solicitor; Tom Davy, who is head of business strategy and concessions policy; Debbie Walker, who is operations and business manager; and Rosalind Wood, who is a solicitor.

The cabinet secretary will make a brief opening statement on the two affirmative SSIs. We are tight for time, so I remind everyone that brevity is good.

**The Cabinet Secretary for Transport, Infrastructure and Connectivity (Michael Matheson):** The Scottish Government has committed to introduce low-emission zones in Scotland's four biggest cities between February 2022 and May 2022. The progression of the Low Emission Zones (Emission Standards, Exemptions and Penalty Charges) (Scotland) Regulations 2021 is a key milestone in their delivery. The

Transport (Scotland) Act 2019 will enable local authorities to introduce such zones, and the regulations will help to deliver low-emission zones in a nationally consistent manner by outlining standardised emission standards, exemptions, penalty charge rates and enforcement activities that must be applied to all Scottish low-emission zones. They also set out a route for appeal against a low-emission zone penalty, via the First-tier Tribunal for Scotland. Separate regulations will be developed during 2021 and 2022 to establish the low-emission zone appeals procedure in more detail.

The National Bus Travel Concession Scheme for Young Persons (Scotland) Order 2021 will enable us to deliver our commitment to create a statutory national concessionary travel scheme for young persons who are under 19, as stated in the programme for government. Providing free bus travel for under-19s will strengthen our response to the climate emergency and support our green recovery by encouraging sustainable travel habits in young people. The order also makes changes to the existing concession scheme for older and disabled persons, by making provision for companion cards for eligible disabled children under five; extending current reimbursement terms into 2021-22; and making minor changes to the definition and operation of the scheme.

I commend both instruments to the committee, and I am happy to answer questions.

**The Convener:** The first question is from Richard Lyle.

**Richard Lyle:** What I have to say is more of a compliment than a question. I thank the cabinet secretary on behalf of showmen and showpeople, who, in normal times, would set up fairs in areas that will become low-emission zones. As a result of Covid-19, they have not worked since last March, but that is by the by. The exemption in regulation 3 for showmen's goods vehicles and showmen's vehicles are a major win for them, and I thank the cabinet secretary for acceding to my request in that regard.

**The Convener:** I am not sure that that was a question, Mr Lyle.

On exemptions in low-emission zones, what is the situation with recovery vehicles? Do they all have to be low-emission vehicles? If so, could we have a situation in which a recovery vehicle could not recover a broken-down vehicle and take it back to an area outwith a low-emission zone?

**Michael Matheson:** The low-emission zone exemptions are for police vehicles, ambulance and emergency vehicles, Scottish Fire and Rescue Service vehicles, National Crime Agency vehicles, military vehicles, vehicles for disabled persons, vehicles of historical interest and showmen's

vehicles. There is no specific exemption for recovery vehicles for the purpose of recovering a vehicle from a low-emission zone.

**The Convener:** That is my understanding. My concern is that that might leave many people unable to get their cars recovered, other than by specific contractors. Might it be worth considering the matter further, given that a broken-down car blocking the road would be a serious issue?

**Michael Matheson:** I understand your point, but I am not sure that that will be necessary. We should keep in mind that the emissions standards have been set out in such a way that they apply to vehicles that will probably have been made in the past 10 years. I expect that most recovery vehicles would fall in that category, so I would be surprised if the zones became a major issue for recovery companies. In my experience, most recovery vehicles are fairly new, given the way in which they are required to operate.

**The Convener:** You must come up to the Highlands, where—I think—they are not all that new, but I will leave the matter there.

Are there any other questions from members—on the bus travel concessionary scheme, for example?

There is silence, which is most unlike the committee. We will move on.

Item 4 is formal consideration of motion S5M-23926, in the name of the cabinet secretary.

*Motion moved,*

That the Rural Economy and Connectivity Committee recommends that the Low Emission Zones (Emission Standards, Exemptions and Penalty Charges) (Scotland) Regulations 2021 [draft] be approved.—[*Michael Matheson.*]

*Motion agreed to.*

**The Convener:** Item 5 is formal consideration of motion S5M-23952, also in the name of the cabinet secretary.

*Motion moved,*

That the Rural Economy and Connectivity Committee recommends that the National Bus Travel Concession Scheme for Young Persons (Scotland) Order 2021 [draft] be approved.—[*Michael Matheson.*]

*Motion agreed to.*

## Budget Scrutiny 2021-22

08:57

**The Convener:** Item 6 is an evidence session on the Scottish Government's draft budget for 2021-22, and the implications of Covid-19 for the budget as it relates to the rural economy and connectivity.

We will take evidence first from the Cabinet Secretary for Transport, Infrastructure and Connectivity. We will have a short suspension afterwards, and then take evidence from the Cabinet Secretary for Rural Economy and Tourism.

I welcome once again the cabinet secretary, Michael Matheson, along with Lee Shedden, who is director of finance at Transport Scotland, and Robbie McGhee, who is head of the digital connectivity division of the Scottish Government.

I invite the cabinet secretary to make a three-minute opening statement.

**Michael Matheson:** Thank you, convener.

My portfolio contributes to all the national outcomes that make up the national performance framework and leads on strategic infrastructure planning through the recently published document "A National Mission with Local Impact: Infrastructure Investment Plan for Scotland 2021-22 to 2025-26", as reflected in the second strategic transport projects review, with key themes of sustainable transport and economic growth and recovery.

We will continue to contribute to increasing social and economic opportunities and inclusive growth through connected communities, while progressing towards our net zero ambitions. We will invest almost £3.2 billion in transport, including £1.6 billion to support our rail and bus services as vital enablers of economic growth and recovery.

As part of our £2 billion low carbon fund, we will, over the next five years, invest £120 million in zero-emission buses and £500 million in bus priority schemes. We will also continue to support our plan to decarbonise rail passenger services by 2035. We remain committed to road connectivity, and we will invest £470 million to maintain the trunk road network in addition to completing schemes such as the dualling of the A9 between Perth and Inverness. Nonetheless, we will take bold action to reduce car usage and vehicle emissions.

We will continue to support our essential ferry services and the road equivalent tariff for access to our island and peninsula communities, and provide additional support for public transport,

following on from the measures that we implemented from March 2020.

09:00

The new emerging energy technologies fund of £180 million will support the development of hydrogen in Scotland to reduce emissions, alongside our ambitious innovation and energy transition programmes.

We are committed to working with all our cities and regions to realise the benefits of the city and region deals, with £210 million committed for delivery of the final deals in 2021-22. We are extending the future proofing of digital infrastructure across rural Scotland, through our £600 million investment in the reaching 100 per cent—R100—broadband programme to deliver full-fibre networks. We will also invest £30 million in delivering the national islands plan over the next five years, to support island economies and communities.

The transport, infrastructure and connectivity portfolio budget provides additional funding of £578 million to contribute to the national performance outcomes, which reflects the post-pandemic challenges that we face in supporting a sustainable and green recovery.

I am happy to respond to questions from committee members.

**The Convener:** Thank you, cabinet secretary. There are a lot of questions to get through.

**Colin Smyth (South Scotland) (Lab):** Good morning. I have a question on the rail services budget for 2021-22, which is 33 per cent higher than it was in 2019-20. That is an increase of £325.9 million, which is more than the Government invests in support for buses and concessionary travel. Can you clarify specifically what that increase is for?

**Michael Matheson:** Good morning. The main elements that contribute to the increase over the two years relate to a share of the revenue shortfall against the projections, which we are, under the terms of the franchise, required to provide to the train operators. The gap in revenue that has been created during the course of the pandemic is, largely, why that increase in funding is required. One of the main reasons why we chose not to rebase the ScotRail franchise was that we saw that as being much costlier, going forward. The principal reason is the fall-off in revenue.

**Colin Smyth:** To be clear, are you saying that that the £325 million is for continuing emergency measures agreements for the remainder of this financial year?

**Michael Matheson:** The principal purpose behind the increase in funding is to meet the shortfall in revenue, which the EMAs have been doing since March last year.

**Colin Smyth:** You obviously have a clear commitment to end the current Abellio ScotRail franchise in March 2022, which means that a new model will come into play on 1 April 2022. The franchise will end in this financial year, so what provision is there within the budget for development of what will come after that franchise ends?

**Michael Matheson:** Planning on that is already taking place within Transport Scotland, and is being met within our normal Transport Scotland budget. No additional funding is required for us to take forward a planning arrangement; we are looking at the issues around what we will put in place following the end of the existing franchise.

**Colin Smyth:** Just to be absolutely clear, am I right that under no circumstances will you extend the current Abellio franchise beyond March 2022?

**Michael Matheson:** No, we will not. We have already made it clear that the franchise will come to an end next year.

**Colin Smyth:** You mentioned the work of Transport Scotland. What is the 20 per cent increase in its administration budget for?

**Michael Matheson:** The principal reason for that increase is that Transport Scotland has, for a number of years, been operating with a structural deficit and, in previous years, used a range of savings to help meet that shortfall. However, those were non-recurring savings that were identified in previous financial years. The 20 per cent increase in Transport Scotland's budget reflects the closing off of the structural deficit with which it was operating. That is the principal reason for the increase, but the increase is also to deal with additional work that Transport Scotland is taking forward around STPR2 and the national transport strategy.

**Richard Lyle:** We are now one year into Covid-19, which has affected our way of life. Many sectors have been affected, not least transport, which needs paying customers in order to survive. How long might the Scottish Government continue to provide coronavirus-related financial support to bus, light rail operators and rail operators? How much might that support amount to, and what impact might that expenditure have on future transport investment plans?

**Michael Matheson:** We are committed to maintaining financial support for the public transport network, given the financial challenges that it has faced during the pandemic. It is difficult to say at this precise moment exactly how long

that will be required, because a big part of it depends on progress in our management of the pandemic and what recovery looks like.

So far, we have provided just short of £700 million of additional funding to support the transport network. As we move out of the pandemic, it might be that use of the transport network does not go back to pre-pandemic levels, which will have implications for how services are provided and for their funding. There is considerable uncertainty about that.

We have commissioned research on issues that could impact on transport recovery after the pandemic. We hope that that research will be completed in the weeks ahead. However, there is still uncertainty, so it is difficult—[*Inaudible.*]

—the best that we can, given the financial constraints in which we operate.

**Richard Lyle:** I am sorry—you dipped out for a wee while there and I did not catch some of the last bit of what you said. I am sure that I will see it in the *Official Report*.

Given the level of uncertainty regarding future transport trends, demand and behaviours, as Scotland moves out of the pandemic how confident are you that you can produce the planned route map towards a 20 per cent reduction in car kilometres by 2030? What do you anticipate will be the short-term and longer-term budgetary implications of meeting that target?

**Michael Matheson:** I go back to my earlier answer. There is still quite a bit of uncertainty about what public transport recovery will look like and how work patterns and behaviour will change. If people are working more from home, that will have an impact. There are indications that there will be a sustained reduction in the number of people who commute, which could have an impact on car use and use of public transport systems.

I still think that we can, by the end of this year, develop the route map to the 20 per cent target. There might be limitations in the scope of the route map, but given its important role in supporting us to reach our net zero targets, I do not want to waste time or delay developing it. I am confident that we can complete it, although there might be caveats due to on-going uncertainty about how things will recover in the years ahead, following the pandemic.

**Jamie Halcro Johnston:** Good morning, cabinet secretary. I have a couple of quick questions. You have talked a lot about the public transport network, but private operators also play a huge part in getting people around our country, not just by bus but by ferry. What support is there in the budget for private operators? Specifically in relation to northern isles ferries, it has been

repeatedly promised that there will be a reduction in fares on the Pentland Firth routes, but that has not been delivered yet, and there are court cases. Has money to cover reduced fares been included in next year's budget?

**Michael Matheson:** You have rightly pointed out that a large part of the public transport network is provided by companies in the private sector—bus operators, in particular, but there are also a couple of private ferry operators. We have provided them with financial assistance during the pandemic due to the significant drop-off in patronage. We will continue to consider the matter sympathetically. It is important that the ferry network, including private operators, is included in our Covid contingency fund plans.

Jamie Halcro Johnston also correctly pointed out that there are still some legal issues around aspects of the Pentland Firth routes. If it will be helpful to the committee and the member, I am more than happy to take that issue away and get an up-to-date position on the legal issues, so that you can understand where we are.

Funding for changes to the fares structure on the Pentland Firth would come from the existing allocated budget for ferry services.

**Jamie Halcro Johnston:** It would certainly be helpful to get an update on the legal side of things, because the matter is long-running.

Are you suggesting that money is available within the existing budget and that if, for example, the legal situation changed and reduced fares could not be delivered, that would not require additional funding or cuts to another part of the ferry network?

**Michael Matheson:** That would depend on the point during the financial year at which changes would have to be introduced. If a change had to be introduced immediately, there might be some difficulty in doing so due to financial pressures. However, if change were to happen later in the financial year, funding would have to be found within the existing budget.

If I provide you with an update on where the legal issues are, you will understand the timeframe around that.

**The Convener:** We are having some connectivity issues. If the cabinet secretary's signal drops off, what he says will not be picked up by the official reporters, so I might bring him again in if I think that we have missed something he said.

**John Finnie (Highlands and Islands) (Green):** Good morning. How does the budget support delivery of projects that are included in "STPR2 Update and Phase 1 Recommendations"? I am thinking of projects that were chosen because they

could be delivered or progressed in the short-term, including phase 1 of the rail decarbonisation action plan and the plan for accessible infrastructure at all railway stations.

**Michael Matheson:** The budget aligns with the commitments that we have made in the STPR phase 1 report. As you will appreciate, a number of the projects will be done over several years, given their nature and complexity.

We have committed to a number of elements of the projects. Some are already being progressed, so there is provision in the current budget for them. There is provision in the existing budget to start those that we have committed to. However, funding might be given over a couple of years until completion.

There is no funding in this year's budget for the projects on which we are developing businesses cases. That is because we are agreeing to develop the business case for them, but there will be funding in future years.

Some elements of decarbonisation of rail are set out in our overall rail infrastructure funding plan, which will allow us to progress elements of decarbonisation. For example, we are progressing electrification of the East Kilbride line, to which there is a commitment in the budget. We have also set out a commitment to partial electrification of the Borders line, alongside use of battery electric trains.

09:15

This year's budget starts the process of developing that programme of work, which will have to take place over a number of years. Our commitments have been covered in the budget, in respect of what can be delivered in this year, but some of the projects involve multiyear funding elements. Some of the funding is coming from the £2 billion low-carbon fund, which is helping to support some of the active travel infrastructure that we are taking forward.

That is broadly how the budget is shaped. We have committed to funding for some of the projects this year, but they will also need funding in future years.

**John Finnie:** Some of the phase 1 projects are reliant on action by local authorities and transport operators. I have often sought to push the issue of local authority roads, for instance, and you rightly say that they are the responsibility of the authorities. However, there must be a role for you, as transport minister with overall responsibility. Are you satisfied that local authorities and transport operators have the funds to deliver the projects? If not, how does the Scottish Government intend to support their delivery?

**Michael Matheson:** The commitments that are set out in "STPR2 Update and Phase 1 Recommendations" are financial commitments from the Scottish Government, rather than from local authorities. Some of them will need to be planned and taken forward collaboratively with local authority partners, but delivery of the projects, and the costs that are associated with them, are for the Scottish Government to meet.

I therefore expect that any additional costs that might impact on a local authority—for example, if it needs to provide some elements of road infrastructure—would be covered in the project itself, because that would involve a requirement as part of what we, as the Government, are taking forward. I am confident that we would be able to provide the financial assistance that might be necessary in respect of any contribution that a local authority needs to make, because those are national projects that are being funded by the Scottish Government.

**John Finnie:** Thank you. That is helpful.

**The Convener:** In the budget, there is £47.4 million set aside for Ferguson Marine. Is that for the construction of the MV Glen Sannox and hull 802, or is it for general running of the shipyard?

**Michael Matheson:** The capital budget allocation of £45 million is forecast to be spent on construction of the Glen Sannox and hull 802. The £1.5 million of non-cash budget allocation, which relates to a general depreciation of the shipyard's assets, covers the general running of the shipyard itself.

There is about £1.9 million of resource budget allocated to cover the other costs of supporting the shipyard, including Scottish Government staff costs and the costs for professional advisers who are associated with the yards. That is how the budget breakdown for Ferguson Marine has been set out.

**The Convener:** We heard that there was approximately £112 million more to be spent on the building of the Glen Sannox and hull 802. You have accounted for £45 million, which means—I think—that there is about £67 million still to come out for those ferries. Are those funds coming out next year? If they are, what additional funds will you have to put into the yard in those years, as you are doing this year, just to keep it going?

**Michael Matheson:** The funding that has been allocated is for this financial year. Funding for Ferguson Marine for the next financial year will be set out in the future budget. Any additional costs that will be incurred for construction and operations at the yard will be covered in future deals. The funding allocation that we have just set out in this budget is to deal with the costs that are associated directly with this financial year.

**The Convener:** I think that I understood that, cabinet secretary. I am asking whether you are predicting that the same amount of money will be spent each year in future in the yard to help it, outwith the construction of the Glen Sannox and the 802.

**Michael Matheson:** That depends on the future shape of the yard and the success that it has in attracting further work to it. The on-going costs associated with the yard will depend on a range of factors that will have to be determined at that stage. I cannot guarantee that its funding will be at £1.9 million next financial year, because there is a level of uncertainty around that. Clearly, however, the Scottish Government has an on-going commitment to support the yard for the completion of those two vessels.

**The Convener:** Okay—so there will be continuing funds going to it.

The votes loans for Caledonian Maritime Assets Ltd are £21.9 million for 2021-22. How much of that will go to Ferguson Marine for the construction of the Glen Sannox and the 802? I am just trying to find out how much money is going on those two ferries this year.

**Michael Matheson:** It is not anticipated that any of the £21.9 million of voted loans will go to pay Ferguson Marine for the construction of the two vessels.

**The Convener:** Can you tell me what it is going for?

**Michael Matheson:** The £21.9 million is for on-going works that will be taken forward by CMAL for other activities. It is not specifically for the two vessels at Ferguson Marine.

**The Convener:** I am not being difficult, but £21.9 million is a lot of money, and you are saying that it is going on on-going expenditure. Could you tell me what that on-going expenditure is, please?

**Michael Matheson:** I do not have that information to hand. I am more than happy to come back to the committee with details on it.

**The Convener:** Thank you. It is a lot of money with no explanation, so I look forward to hearing that.

**Richard Lyle:** I am coming on to the subject of another jewel in the crown that the Scottish Government has continually supported, and that is Prestwick airport. Cabinet secretary, the last time we discussed Prestwick airport, there was concern—particularly from me—that no provision for the airport had been put in the 2020-21 and 2021-22 budgets, despite the sale of the airport falling through and the near shutdown of passenger aviation due to coronavirus. Do you think that the airport can operate without

Government support, given the current situation? What contingencies do you have in place should such support be needed to keep that important airport running?

**Michael Matheson:** Thanks you for your question on that issue. In previous committee sessions, I have been challenged for our on-going financial support to the airport, but in this case the questioning is about why we are not giving it on-going financial support. The principal reason for that is that the management team at Prestwick airport have made good progress in managing their operations and in developing the specialist nature of the work that they have been carrying out. They do not anticipate requiring any financial support in the new financial year; they believe that they can manage within their own budget.

**Richard Lyle:** That was just to be consistent. I want to ensure that we keep important things in Scotland open, including Ferguson Marine.

**The Convener:** Before we move on, I want to clarify my understanding on Prestwick airport. I think that the Government has put into it in excess of £45 million, a lot of which will have been for on-going running costs. I do not see any change in the accounts for Ferguson Marine for the bottom-line valuation of its capital assets. Could you explain to me how much the capital asset has increased since the Scottish Government put in its original value as being around £3 million?

**Michael Matheson:** I am sorry—are you referring to Prestwick airport or to Ferguson Marine?

**The Convener:** Prestwick airport.

**Michael Matheson:** You said “Ferguson Marine” at one point.

**The Convener:** Sorry. Let me rephrase it, cabinet secretary. The Government has put £45 million into Prestwick airport. The original valuation on the valuation sheet for the airport was around £3 million. The existing valuation appears to be consistent with that, at £3 million. I am asking what value you think has been increased by spending the £45 million—apart from keeping the airport open, which I welcome.

**Michael Matheson:** Nobody should underestimate the critical part that Prestwick airport plays in the Ayrshire economy, particularly for many of the aviation businesses that are associated with it in the aerospace cluster at Prestwick. If we had not continued to provide support and assistance to Prestwick airport over the years, I suspect that we would probably have lost hundreds, if not potentially thousands, of jobs in the Ayrshire economy. The economic benefit of the Government’s support for Prestwick airport goes beyond its boundary fence.

The good thing, which I am sure the committee will welcome, is that the management team have now reached a point at which they do not require on-going financial support from the Scottish Government and are operating on a commercial basis. The airport is presently up for sale, because we believe that it should return to the private sector. However, I think that to consider Prestwick airport purely on the capital value of the facility itself would be a very narrow way of doing things, given the important role that it plays in the wider Ayrshire economy.

**The Convener:** Thank you. I absolutely agree that the airport plays a huge role, but I was trying to identify the capital value uplift from spending £45 million on it. We will leave that and move to Emma Harper for the next questions.

**Emma Harper (South Scotland) (SNP):** Good morning, cabinet secretary. I have a couple of questions about active travel—here we are again, I feel, after last week.

A chart in our briefing papers shows that, in the 10 years before the pandemic—from 2010 to 2019—walking, wheeling and cycling reduced. However, a key positive in our communities during the pandemic has been a growth in active travel, including cycling, with an increase in the use of e-bikes. We spoke about e-bikes and cargo bikes last week. How confident are you that the active travel budget is being, and will be, invested in projects that will encourage further modal shift?

**Michael Matheson:** Good morning. There is no doubt in my mind that a critical element of supporting people to make greater use of active travel is to provide the type of dedicated infrastructure that can assist in that. I recognise that we have not seen the increase that we were looking for although, as you mentioned, we have seen an increase during the pandemic, which is welcome and is what we want to continue. That is why we increased the budget from £80 million to more than £100 million over the past couple of years. We are trying to make the step change in investment in infrastructure that will encourage more people to participate in active travel. That infrastructure investment is a critical element of getting the growth that we need to see in people's use of active travel provision.

Alongside that is the longer-term commitment that more than £500 million be provided over the next five years for the type of transformational infrastructure that we are looking for, along with an additional £50 million for the provision of active freeways. Although we have seen a growth in active travel in the past year, during the pandemic, that infrastructure will be critical to helping to achieve the increase that we are looking for in the years ahead.

**Emma Harper:** You have talked about investment of £100 million per year—£500 million over the next five years. Does the budget need to have a separate line for active travel? Would that help in tracking the effectiveness of active travel investment, so that we could then track progress? Should that be considered for the future?

09:30

**Michael Matheson:** I am happy to take that away and consider it, if the committee would find it helpful to have a separate budget line that allows the funding to be tracked. There are a number of elements in the active travel budget that are provided for at level 3, including the level 3 sustainable and active travel capital budget, the level 3 sustainable and active travel resources budget and the cycling infrastructure budget. We also provide local government capital grants. There are a variety of funding streams. I am more than happy to take away the member's suggestion about having a specific funding stream that wraps all those together, if that would assist the committee in its scrutiny and in tracking funding in the area.

**Emma Harper:** I agree with the cabinet secretary that many of the portfolios cross over. Obviously, it is valuable that active travel is included in other parts of the budget, and it is good that you have clarified that. I am happy for us to continue to consider whether we need separate budget lines.

**Peter Chapman:** My questions are on road maintenance. As I am sure you are aware, cabinet secretary, last year, the committee examined the issue in detail and made 16 recommendations to address the £1.2 billion backlog on trunk roads maintenance and the £1.8 billion backlog for local roads. I am sure that you will agree that those are substantial figures. The trunk roads maintenance budget for 2021-22 has been boosted, but have any additional funds been made available to local authorities through the local government settlement to increase investment in local roads?

**Michael Matheson:** As I have said, my portfolio is not responsible for the local road network—that is covered through the local government settlement. The 2021-22 local government settlement provides an increase in day-to-day funding for local authorities' revenue services to the tune of £335.6 million, which is a 3.1 per cent increase on the 2020-21 settlement. It is down to individual local authorities to decide how they wish to allocate any additional funding that they receive, including for use in maintaining and improving local road networks. That matter is determined by councillors.

**Peter Chapman:** [*Inaudible.*]—how local road maintenance is delivered. Has any progress been made on reviewing local road maintenance delivery structures with a view to achieving best value, or is that not within your remit, either?

**Michael Matheson:** No, that is not directly within my remit, because it is a local government matter. As part of work on the national transport strategy, we have been looking at the regional transport partnerships, which plan for transport within their region. Any specific issues, such as partnerships for road maintenance, are not matters that sit within my portfolio; they are for local government and would be taken forward by the Convention of Scottish Local Authorities and others, rather than through the Transport Scotland portfolio.

**The Convener:** The next question is from Stewart Stevenson, who I think is sitting in his car, although I am glad to say that it is not moving.

**Stewart Stevenson:** Indeed, convener. My broadband at home has finally become unusable, but this works.

The cabinet secretary has just raised the issue of the national transport strategy. How has the sustainable investment hierarchy been used in setting the transport budget priorities?

**Michael Matheson:** I have had a few ministerial meetings from the back of my car in recent months, so I know how it feels, Mr Stevenson.

On the sustainable investment hierarchy, if you look at the investment profile that we have set out in our capital spending review and in our infrastructure investment plan, you will see a move towards a greater focus on maintaining and supporting existing infrastructure in transport and other areas of the public sector estate. You therefore see a transition away from building for new projects. In a way, it is a case of repair and improve rather than just replace. That transition is already taking place.

We have set out £2 billion for the low carbon fund, £120 million to support new zero-emission buses, £500 million to be invested in bus prioritisation, and £500 million for active travel. You therefore see a shift towards much more investment in supporting and sustaining sustainable forms of transport and, at the same time, moving away from continued replacement and towards much more maintenance and making greater use of existing assets. That is the case not only in my portfolio but right across the infrastructure investment plan and the capital spending commitments that we have made.

**Stewart Stevenson:** The NTS also makes reference to place-based investment. Although I realise that another minister will be responsible for

place-based planning, how does that influence things? Can you give an example that shows us the cross-cutting influence between the planning system and your responsibilities?

**Michael Matheson:** That is a good point, because place-based policy does not sit in any one portfolio. Although another minister leads on it, it requires a range of actions in different portfolios across the Government.

Bus prioritisation is a practical example of the Scottish Government's support for placemaking. It is about reallocating road space for the use of public bus services, and it is a very good example of the work that we are taking forward to support place-based policy making. Another way to support place-based policy making is active travel infrastructure investment. A good example of that is the active travel highways that are being developed in Glasgow. For example, the reallocation of road space for active travel purposes in Sauchiehall Street has transformed the whole environment for those who live in that area.

A couple of those capital investments demonstrate my portfolio's commitment to supporting place-based policy making, as does our commitment to review the roll-out of 20mph zones, which support and assist place-based policy making at a local level.

**Maureen Watt (Aberdeen South and North Kincardine) (SNP):** Good morning to the cabinet secretary and his team. My questions relate to digital connectivity. In relation to the £90.2 capital allocation for digital connectivity, can you provide a breakdown between the R100 contract with BT, the voucher scheme and the Scottish 4G infill programme?

**Michael Matheson:** The £90 million of funding in the capital budget for next year is focused on the delivery of the three R100 contracts and the Scottish broadband voucher scheme. Activity is under way in each of the three contracts, with the first premises having been connected through the contracts last year. We want to build on that. We also now have in the region of 50 registered suppliers as part of our voucher scheme.

How the funding in this area is organised is dependent on the progress that contractors make, so there will always be an element of in-year change and flexibility. If greater pace is made in the northern contract than in the southern contract, for example, the funding allocated to those different contracts will reflect that. The budget is therefore dependent on the progress that contractors make in the work. However, £90 million of that budget is specifically for the three contracts and around £4 million of that is for the Scottish 4G infill programme and the Scotland 5G

centre. The remaining element of that money is for the voucher scheme. That is broadly the breakdown of the £90 million.

**Maureen Watt:** You said that you could move money between the three R100 contracts. Given that the northern contract was delayed because of a court case, is it possible to move money to allow the northern one to catch up so that it does not fall so far behind because of that court case?

**Michael Matheson:** It is not so much about providing the contractors with more money to take the programme forward; it is more to do with the pace at which they can move forward with the programme. The contract is shaped by what the contractors believe they can deliver over a year, or over the several years of a contract, and the money is paid for the work that they have carried out. If the contractor ramped up work in the north, that could create financial pressure for us if it was not what they originally said that they intended to do. However, the budget that we have allocated just now can cover what the contractors have said they expect to be able to complete over the course of this financial year. The money is paid in arrears on the basis of the work that they carry out, rather than paid up front to deliver something.

**Maureen Watt:** Okay; I get that. Are you confident that the funding allocation in the budget for 2021-22 is sufficient to make a difference to those who are impacted by the digital divide?

**Michael Matheson:** In part, yes. There is no doubt that the R100 programme will have a significant impact on improving high-quality digital connectivity for some of Scotland's most remote parts in a way that will allow people who live in remote communities to have a level of digital connectivity that will be as good if not better than that in major urban areas. The R100 project will also deliver in the region of 15 subsea connections. Again, that demonstrates the reach and scale of the project. It will deliver a significantly improved level of digital connectivity across rural Scotland.

However, that is only part of the issue, because there remains the issue of access to the use of digital connectivity. Someone could have access to broadband connectivity, but if they cannot afford to buy a computer or to run the broadband, they can find themselves digitally excluded. We provide funding through our digital connectivity programme of around £45 million, which is about supporting up to 55,000 people who are presently digitally excluded to get online by the end of 2021. That is targeted very much at individuals who are digitally excluded, not because of a lack of digital or broadband connectivity but because they are unable to afford a computer or sustain a broadband connection. That fund is specifically

designed to support individuals and to assist them to make use of digital capacity.

**Maureen Watt:** That sounds very interesting. Who runs it? It is all right someone having a piece of kit but not if they do not know how to use it. Does the support include teaching people how to use the technology, perhaps through community centres?

09:45

**Michael Matheson:** My understanding is that there are various initiatives and methods to help people with digital connectivity. Robbie McGhee might be able to say a bit more about the fund and how it operates.

**Robbie McGhee (Scottish Government):** I am happy to do so, cabinet secretary. The Connecting Scotland programme was set up in response to the particular circumstances that the pandemic has brought into stark focus. It is a collaboration with local government and the third sector, through the Scottish Council for Voluntary Organisations. It is about giving people internet access, and a device if they need one, but it is also—crucially—about providing training and support. It is intended to be an end-to-end service that, as the cabinet secretary said, enables some of the most vulnerable and digitally excluded people across Scotland to access services and support and to connect with people during the pandemic.

The programme is funded not through the connectivity capital budget but through the wider Scottish Government budget. It plays into the theme of tackling the digital divide, which is a big strand of the current digital strategy for Scotland that we will publish soon.

**Maureen Watt:** How would a member of the public find out about the programme and be able to access support through it?

**Robbie McGhee:** First off, they can access the Connecting Scotland website. They can also engage with a number of different organisations that are affiliated with the programme, such as local authorities and third sector organisations that have links in the community.

The website is probably a good starting point, but a range of community-based organisations are identifying people who could benefit from the scheme. Again, we can provide the committee with more detail on the various ways in which people can engage with the programme, if that would be helpful.

**Maureen Watt:** This is my final question. The impact of the pandemic has meant a huge change in work and travel patterns and behaviours, including an increase in home working. What consideration is Transport Scotland giving to

enhanced co-ordination with the digital connectivity policy in the development of transport policy and budgets?

**Michael Matheson:** In the past year, a greater level of co-ordination has been taking place between transport and digital in order to ensure that we are working in a co-ordinated fashion in the development of our policy thinking.

I will give the committee a practical example of how that co-ordination is materialising. Transport Scotland officials are working with colleagues in digital connectivity on a joint project to develop a digital map, which will overlay our digital connectivity infrastructure and our transport infrastructure in order to identify areas of transport that could help to support the delivery of digital connectivity. For example, are there ways in which we could use parts of the trunk road network to provide access for digital connectivity? Are there other transport assets, perhaps in the rail network, that could be used to provide digital connectivity? The project will look at using different transport assets to support the roll-out of digital connectivity. The digital map is about trying to create an integrated system so that we can have an overview of both sets of assets and use that for planning.

Now, more than ever, we are trying to bring together those things that could help with the delivery of digital connectivity in particular. That is also becoming increasingly important in the use of digital capability for supporting people in making use of public transport—making ticketing much more integrated and so on. We are working with colleagues on the digital side in Government on the design of systems that could enable people to make use of public transport through greater use of digital capabilities. That includes e-ticketing and mapping services.

If anything, there has been a step change over the past year in bringing those areas closer together, with the planning and thinking more aligned in that regard. Some of that work has already started. I gave you a good example of a project that is being progressed between Transport Scotland and digital officials.

**Maureen Watt:** I suppose that, in order to encourage people to use public transport instead of their cars when they go back to work—four however many days a week—we can highlight the offer of digital connectivity for whatever form of transport they take. That would be a good marketing idea for getting people back on to public transport.

**Michael Matheson:** Exactly. The mapping exercise plays an important part in that, as it allows us to overlay the digital infrastructure with the transport infrastructure. It can assist us in

assessing how we can prioritise areas that can be identified as needing further digital connectivity. That could include providing digital connectivity on the transport network, which may support people in making use of public transport.

**Maureen Watt:** That is great—thank you.

**The Convener:** We have a couple of quick follow-up questions from Stewart Stevenson, followed by Emma Harper.

**Stewart Stevenson:** I want to pick up on the earlier reference to the Scottish Government's voucher scheme. Indeed, there is a UK Government voucher scheme, too. I tried to use it, but the quote that I got was more than £100,000, so I concluded that the voucher would not make very much difference.

How many folk have applied for the Scottish Government voucher scheme? What difference is it making? I suspect that most of the people who might benefit from it in some way are probably in quite expensive-to-reach locations where the Government will be paying only for a very small proportion of it. How is the scheme working?

**The Convener:** Before you respond, cabinet secretary, could I draw you back to how that relates to the budget? This is a budget session.

**Michael Matheson:** The issue that has been raised is a very important one, and it concerns the budget provision that we are making for the Scottish voucher scheme this year.

I will ask Robbie McGhee to give you a wee bit more detail on the voucher scheme itself. My understanding is that the uptake of the voucher scheme has been relatively low so far. There is a bit of work for us to do to ensure that people are aware of the scheme and how it operates. Robbie McGhee should be able to give you further details on the exact numbers of people who have made use of it so far.

**The Convener:** The numbers and the cost, please, Mr McGhee.

You are muted, unfortunately. Let us pause for a moment.

It should work for you now. If you push the button at the same time as someone else, you will break the system. Off you go, now.

**Robbie McGhee:** As the cabinet secretary said, it has been a fairly slow burn thus far on the Scottish broadband voucher scheme. We have about £600,000 in the current financial year, which is formally approved in the pipeline, but we expect that to increase significantly in the next financial year, when there is the budget provision to reflect that.

On Stewart Stevenson's point, we understand that the premises that will be in most need of connection through the voucher scheme will be quite expensive. The UK Government voucher scheme was mentioned. We have worked closely with the UK Government to make sure that the schemes can be used together. In combination, a fairly substantial amount of subsidy is on offer—it is up to £8,500 per premise, in some cases.

Again, it will be difficult when it comes to connecting individual premises in isolation, but the key to that is aggregating demand so that schemes can be implemented on a community basis, which is what we have done. We have shared lots of information with suppliers via our supplier portal to encourage aggregation, so we expect to see demand for the scheme continue to pick up in the new financial year, and we will also be looking to make further efforts to publicise it.

**Emma Harper:** The cabinet secretary described different portfolios that overlap with digital. I am sure that there are different Government systems and programmes that overlap, too. How much money does the UK Government contribute to digital infrastructure support in Scotland?

**Michael Matheson:** I do not have the figure to hand, but I would be more than happy to write to the committee to set out the detail of that. You will be well aware that the lack of investment in digital infrastructure from the UK Government resulted in the digital Scotland superfast broadband programme having to be instigated and developed because of the number of rural communities that were being disadvantaged. The R100 programme is about providing even better digital connectivity.

A lack of investment over an extended period has resulted in the need for the Scottish Government to progress those programmes. If we had not done so, there would have been a risk that a number of our rural communities in particular would have been placed at significant disadvantage.

I will come back to you specifically with the scale and nature of the UK Government's contribution so far on the digital connectivity programme.

**The Convener:** I have a question on broadband, so that I understand the position. The overall value of the R100 contract was £579 million. You are suggesting that there is a drawdown of about £90 million against that, which leaves £500 million. When do you predict that the full cost of the R100 programme will be met? When will be the final year in which you pay against R100?

**Michael Matheson:** It is difficult to predict that exactly at present because a big part of it depends on the contractors delivering the contracts. I can

ask Robbie McGhee to say a little bit more about the potential timescale. However, given that the contractors are working on the programme in geographically challenging environments, it will take some time. Robbie McGhee can say a little bit more about the contracts and the timeframes around them, but I expect R100 to be implemented quite rapidly during the next couple of years, once the contractors start making progress.

**Robbie McGhee:** There has obviously been spending, and there will be spend, across all three contracts in the current financial year. As the cabinet secretary has indicated, that will ramp up. These large-scale programmes clearly involve a lot of preparatory work, but once the surveys start being done at pace we will start to see momentum build at quite an impressive rate.

As we have said, the budget that has been allocated for the next financial year reflects that because it is really ramped up. We expect that the vast majority of builds under the central and south contracts will be complete by 2023-24. The north contract has clearly been subject to some delays. We signed the contract last December and a lot of survey work is already under way, as well as work to secure the ships that will deliver the subsea cables that the cabinet secretary talked about earlier.

Within that, there is an element of remodelling and recalibration of some of the changes to commercial coverage that will happen. The precise delivery timescales for the north lot will, therefore, fall out during the next couple of months. The discussions that we have had with Openreach have been about making sure that we protect the timescale that we had in mind originally and ensure that there is no further delay as a result of the court challenge that concluded last year.

10:00

**The Convener:** Cabinet secretary, we are told that the contract for lot 1 was £384 million. When you signed up to that expenditure, you must have agreed to a timescale on which that would be delivered. Can you tell me when it will be delivered, so that we can see when the £384 million will be expended out of the budget?

**Michael Matheson:** For the reasons that Robbie McGee has just given, there are some elements of the timescale that we cannot set out at present because of the planning work that Openreach has progressed. I am more than happy to come back to the committee with further details on that once we have greater clarity from the contractors during the next couple of months.

The committee can be assured that this is very ambitious programme will deliver a level of digital connectivity that will be transformational for many people who live in rural communities. It takes digital connectivity way beyond what was originally intended, so it will make a significant difference once the full programme has been rolled out.

**The Convener:** It would be helpful if you could write to the committee with the timescales. I cannot believe that a contract of that size was signed without timescales in it.

There are no more questions from members. Cabinet secretary, you seem to be getting away from the meeting quite early. I thank you and your officials for taking part.

Committee members, I would like you to be back and ready to go at 10.15. I suspend the meeting until then.

10:02

*Meeting suspended.*

10:15

*On resuming—*

**The Convener:** Welcome back. We continue with our scrutiny of the draft Scottish budget for 2021-22. I welcome Fergus Ewing, the Cabinet Secretary for Rural Economy and Tourism, and his Scottish Government officials. Shiree Donnelly is head of finance in the agriculture and rural economy directorate, Caro Cowan is interim deputy director for EU exit and future funding, Jessie Laurie is head of enterprise sponsorship and James Muldoon is head of the agriculture support policy development unit.

Cabinet secretary, would you like to make a three-minute opening statement?

**The Cabinet Secretary for Rural Economy and Tourism (Fergus Ewing):** Yes. Good morning, everybody. I thank the committee for its invitation to give evidence.

The publication of the 2021-22 Scottish budget comes almost one year on from the notification of the first case of Covid-19 in Scotland. It is fair to say that the pandemic has shaken our society and economy to their cores, with the harsh reality of European Union exit taking a further toll. The budget will bring support and stability, ensure that our economy recovers and protect those who have been hit hardest, as well as planning and delivering a strong, fair and green recovery in the longer term.

Investment in the rural economy has grown significantly, with the rural economy and tourism's overall spending power increasing by £95 million

to £1.12 billion. On-going support of £630 million will ensure stability across the rural economy and provide cash flow to agriculture, fishing and seafood, thereby supporting both green and blue recoveries.

With sector-led groups, we will support farmers and crofters to cut emissions and support long-term changes to make food production more sustainable. Forestry growth is also key to our net zero 2045 target and supporting our economy. There is a sustained increase in forestry funding with an uplift of 49 per cent between 2019 and 2021 and an investment of £150 million over the lifetime of the next parliamentary session. Both Scottish Forestry and Forestry and Land Scotland will double their youth employment offering, creating much-needed economic and employment opportunities across the country, particularly in rural areas.

Since the start of the pandemic, the Scottish Government has allocated £3 billion in business support. In the 2021-22 budget, we target crucial recovery and renewal investment for food and drink, more than double the rural tourism infrastructure fund and increase rural enterprise agencies investment by 29 per cent to £103 million to allow them to continue their key role in recovery.

We cannot escape from the stark reality that progress is more difficult than it need be—simply put, the UK Government promise that we would be better off from leaving the EU is proving to be wrong. We have been clear and consistent that we expect full replacement of EU funds. We sought £62 million of funding per year to replace the European maritime and fisheries fund but, disappointingly, we received only £14 million.

As matters stand, through to 2025, Scotland is losing out on £170.1 million of funding that should be spent on our producers and rural communities. That makes our job harder, but it does not mean that we will not succeed. Our recovery might be long, it will be hard, and we cannot guarantee that there will not be more tough times ahead. However, the budget seeks to focus on how we continue to protect, recover, rebuild and renew our country.

**The Convener:** Thank you, cabinet secretary. I remind you of how good you were at giving succinct answers to questions last week. I think that those were your exact words. I will hold you to that this week, because we have a lot of questions to get through. I also remind members to keep their questions short in order to allow the cabinet secretary to fulfil his promise to the committee.

**Richard Lyle:** Good morning, cabinet secretary. The Scottish Government has cited the fact that there is a shortfall of £170 million in rural funding

to 2025. Will you explain where that shortfall will be seen, what the implications will be and why it has arisen?

**Fergus Ewing:** There are three elements to the shortfall. First, there is the failure of the United Kingdom Government to honour committed Scottish rural development programme 2014 to 2020 spend—that is £33 million. Secondly, there is the failure of the UK Government to commit to the Bew review funding levels after 2021-22—that amounts to a total of £77.1 million. Thirdly, there is the imposition of a disputed methodology on all the devolved Administrations, which leaves Scotland with an annual budget cut of £60 million. In total, that is a cut of £170.1 million over the next four years.

I will leave my answer there, convener, in order to be concise and brief.

**Richard Lyle:** So we are being short-changed again. Regarding the remaining EU funds from the 2014 to 2020 pillar 2 programme, the budget tables suggest that £24 million for legacy payments under the SRDP is still coming from the EU for the financial year 2021-22. Is that figure different from the funds that you had expected to be available to be spent following the end of the 2014 to 2020 programme?

**Fergus Ewing:** The £24 million that is noted for legacy programmes under the SRDP is funding that comes from the EU. As in previous years, that money will come to Scotland via the UK Government. The issue that Scotland's rural communities face post-Brexit is that the UK Government has chosen not to recognise that sum as part of the distinct committed 2014 to 2020 pillar 2 programme. It refuses to recognise that it is part of that programme. Instead, it has made a conscious choice to count it as an element of the 2021-22 allocation.

The indisputable effect of the UK Government making that choice, which it made unilaterally, is a £24 million cut to the budget in 2021-22, with a further £9 million cut being passed on by the UK Government in 2022-23.

**Richard Lyle:** Once again, we are being short-changed. I have no further questions, convener. I think that Colin Smyth has other questions on the same subject.

**The Convener:** Thank you for prompting me, Mr Lyle. I think that I had noted that. It is almost as though you are after my job.

Colin Smyth has some questions.

**Colin Smyth:** Thank you, convener—and I thank Mr Lyle for the introduction.

I want to pick up on the issue of agricultural payments. The budget for 2021-22 shows a 20 per

cent cut in funding for the agri-environment climate scheme, which is to reduce from £42.7 million to £34.2 million at a time when we face a nature and climate emergency. Why have you chosen to cut that budget? Given that we have not yet had the long-awaited report from the farming and food production future policy group and, therefore, we still have no idea what your plans are for agricultural support at the end of the transition period, it is surely premature to make such a savage cut and change to the common agricultural policy.

**Fergus Ewing:** I do not really agree with the characterisation of the question. We have renewed AECS expenditure in the new round; we have carried forward spend from the previous programme. We have worked with NatureScot to deliver key components of the AECS.

If you look at overall spending in pillars 1 and 2 and take account of the greening payments, the forestry payments and other payments, you will see that about a third of the total expenditure is attributable to environmental schemes. It is wrong to think in silos here, which is the approach that the question implies. We are doing more.

Given that the UK Government is unilaterally cutting the devolved Administrations' budgets by as much as £170 million, there will obviously be less money to be spent on the environment. Just as your daughter will want Scotland to lead the way on the environment, that is what my daughter wants as well. I hope that we can have a cross-party campaign, as we did on convergence funding, to persuade the UK Government to restore the £170 million, precisely so that we can do all that we want to do for the environment.

**Colin Smyth:** However, you have made the point that basic payments—grain payments and other CAP pillar payments—totalling in the region of £485 million will happen over the next few years. I am particularly keen to know why you have made a decision, which has been roundly condemned by farming and environment groups, to cut funding for the agri-environment climate scheme by 20 per cent. That is quite a substantial change.

**Fergus Ewing:** I think that, by and large, the announcement of the new AECS has been welcomed. Non-governmental organisations will always want us to do more—and we are doing so. I point to the fact that farmer-led groups are involved in delivering my vision, which I hope other parties will support, of a Scottish Government with the prime objective of producing high-quality food to feed our nation and thereby provide food security, which should not be taken for granted, but doing so in accordance with high environmental standards. Increasingly, there will be conditionality across the board. I would have

thought that you would warmly welcome such a vision, and I very much hope that you do.

Convener, if there are technical issues that I have not covered, Shiree Donnelly might want to add anything that I did not mention in my concise answer.

**The Convener:** Before we bring her in, I would like to bring in Jamie Halcro Johnston. If anything needs to be swept up at the end, Shiree Donnelly can come in then.

**Jamie Halcro Johnston:** Good morning, cabinet secretary. I am disappointed by the politically motivated responses that you gave to Mr Lyle's questions, which were probably similarly motivated. The simple fact is that the United Kingdom Government has maintained funding levels yet, as Colin Smyth mentioned, cuts have been made to the agri-environment climate scheme and to LEADER funding, which we will come on to later in the meeting. That is surely about the priorities that you have set and the choices that you have made as Cabinet Secretary for Rural Economy and Tourism, which are yours to make.

If your argument is that there is not enough money in the budget, and given the record levels of funding that the Scottish Government has received this year and will receive next year, are you comfortable that, with your colleagues such as the Cabinet Secretary for Finance, you have made the case for adequate funding for the rural economy in Scotland?

**Fergus Ewing:** Of course I have made the case. We have received a satisfactory settlement with a substantial uplift. That is because we have had constructive engagement, and Kate Forbes and her team have listened very carefully.

I am surprised by the tone of your question. I answered Mr Lyle's questions—

**Jamie Halcro Johnston:** You are still making cuts. The funding cannot be adequate if you are being forced to make cuts that you would prefer not to make. It is surely a question of priorities.

**Fergus Ewing:** No. The simple fact of the matter is that Scotland's farmers and rural communities stand to lose £170 million over the period from this year to 2024-25 as a direct result of the UK Government's reneging on public commitments that farmers and crofters would not be worse off and that the EU funding would be—

**Jamie Halcro Johnston:** I appreciate—  
[Inaudible.]

**Fergus Ewing:** Can I finish my answer, please? I would like to finish and not be interrupted.

**The Convener:** It is really difficult if we all try to conduct the meeting in the way that we would if

we were all in one room. We cannot do that. I will let you back in, Jamie, but you must give the cabinet secretary an opportunity to answer the question. Let us hear from the cabinet secretary briefly, then I will bring you back in.

**Fergus Ewing:** I want to finish my answer with a factual point. The reduction of £170 million was made unilaterally and was notified first not to ministers, but to civil servants. Not only is the issue of huge concern in Scotland, but such concerns are shared by the Administrations in Wales and Northern Ireland, so to characterise it as a political issue is wrong. I very much hope that, just as the Parliament united over the convergence campaign, which I led and which we won, all parties will recognise that there is merit in this campaign.

Although the Conservatives have said that it is rubbish, Mr Eustice has admitted to me in writing that he is keen to engage to resolve the matter of the Bew component of £77 million and that the reason why he did not was that, unlike the EU, the UK budgets on a year-to-year basis. The facts speak for themselves. It is not political. It is very serious indeed, and a reduction on that scale obviously means that we will not be able to succeed to the extent that we would wish to.

**The Convener:** Jamie, I will bring you back in now.

**Jamie Halcro Johnston:** Thank you, convener. I apologise for jumping in earlier. I was trying to establish that, although there will be disagreement on the level of funding—the cabinet secretary has his views on that and others have other views—it is a question of priorities. The reason why some of the schemes are being cut back is that the Scottish Government has made the choice to do that and to look at other schemes or funding. That is a policy choice by the Scottish Government and it is unrelated to the funding. Had it simply been a funding issue, we would recognise that, but the investment has gone into other areas. It is a political choice given the political priorities of this Government to cut back on areas such as agri-environment schemes and LEADER.

**The Convener:** What is your question? That was a statement.

**Fergus Ewing:** May I answer, briefly?

**The Convener:** You may, as long as you do not make a statement in return. If you can address a point that was made in there, cabinet secretary, I would be grateful.

**Fergus Ewing:** There has not been any assertion as to the precise effect of the alleged cuts that were mentioned. I am not sure what is being referred to in substance, but I make the point that the further round of the AECS will

support delivery of a wide range of environmental measures with a focus on protected areas; organics; management supporting farmland waders, corn buntings and corncrakes; slurry stores; and improving access. The funding will not substantially change from the 1 million hectares that were managed in 2020.

Finally, I note that, in addition to that, we have already had a successful round of the agricultural transformation programme with about £18 million being committed to enhancing and improving environmental work by farmers, crofters and land managers.

**The Convener:** We will now concentrate on the budget and move to the next lot of questions, which are from Stewart Stevenson.

**Stewart Stevenson:** I want to open up a bit of discussion about the European marine fisheries fund that was and its replacement. We have heard that we are getting less than a quarter of the amount of money that we might have expected under the old regime. Scotland has the longest coastline of any country in Europe and 60 per cent of the UK waters. What sort of constraints will there be in what we can do with the paltry £14 million that the cabinet secretary referred to earlier compared with the actual need, which is substantially greater?

**Fergus Ewing:** There will be substantial constraints. The EMFF has been a good friend to the fishing communities of Scotland. I know that the common fisheries policy is not popular, but the EMFF, as part of the CFP, has been popular and appreciated. For example, it played a substantial part in the improvements at Peterhead harbour, Scrabster and many other ports that I could mention, in promoting and improving facilities for ice equipment for processors, for example, and in the improvements for the fishing fleet as a whole. It has been invaluable.

We have calculated—I checked the figures myself—the amount that we would be due. We were asked by the UK Government to say how much we thought that we should get as a fair allocation and, from memory—I do not have the bit of paper here, but officials will correct me if I am wrong—we came up with the figure of £64 million or £65 million, based on what we would have got had we remained in Europe. Instead of that, we got £14 million.

The UK Government has talked about a fund of £100 million but, thus far, that is all that we know about the matter. I hope that we will hear more soon. Nevertheless, the constraints will be massive. They will prevent us from investing in infrastructure projects, for example, in any significant way, and from doing all the other things

that the EMFF has enabled us to do over the years.

**Stewart Stevenson:** There is certainly new pier space at Peterhead; we have had substantial investment in Fraserburgh; and there has been investment at Macduff, too. The only one of the major harbours in my constituency that has not received anything—I may even be wrong about this—is Buckie harbour, but the situation is different there.

Let me move on to the blue economy action plan. Can you give us some insight into where that will fund things and what sort of activities we might reasonably expect it to fund? We do not currently know a great deal about the effects of that plan.

**Fergus Ewing:** The blue economy is a concept that encapsulates all the activities in that area. For example, it covers marine renewables—I note the recent success of the SIMEC MeyGen project in Japan, further to the scheme in the Pentland Firth—as well as offshore wind. It also covers the fisheries sector. Our fisheries management plan envisages increasingly sustainable fisheries in Scotland. There is also the work that is done by our ports around the coastline and on the islands. A specific example is the launch of the Stornoway deep-water terminal in December last year, with the expectation that 200 jobs will be created in the Outer Hebrides and that diverse industries will benefit from the £49 million project, in which I have been quite closely involved in recent years.

In addition, it is fair to say that we have seen massive investments in the aquaculture sector—in hatcheries, for instance. That means that the fish spend less time in cages, and that in itself is more sustainable. Other substantial investment is planned in that sector.

There is also marine tourism, in which Scotland was leading the way with its own niche sector. That area encompasses many different aspects, so I will not go into the detail. However, I was asked to give a—

**The Convener:** I am sorry, cabinet secretary, but I am trying to get you to focus on the Scottish Government's investment in relation to the budget, not on investment by the industry as a whole. A lot of the items that you have highlighted involve investment from industry. If we can remain focused, that would be helpful.

Before we move on, can you confirm something to me, so that I understand it? You quoted two figures: £14 million and £70 million. Are those both annual figures? You said that you needed £70 million every year, and you are getting only £14 million. Is that right?

**Fergus Ewing:** I do not think that I said £70 million—from memory, I think that I said £64

million or £65 million. My officials can correct me if I am wrong. That amount—the £64 million or £65 million—was the annual amount that we believe that we would have received had we remained in the EU.

As you asked about figures, convener, I will share the computation of that amount with the committee, so that you can see how it is calculated. The £14 million is the amount that we have been allocated by the UK Government, now that we have been dragged out of the EU. The UK Government asked us what we should get, and we said that £64 million or £65 million would be fair. Instead of that, we will get £14 million. By any stretch of the imagination, that is a complete disaster and—to be frank—completely ridiculous.

To be fair to the UK Government, it has said that extra money to invest in fishing is coming along. As I said, we await that, but we have not had any details of it, as far as I am aware. I do not want to be inaccurate, so I ask my officials to come in if I am saying anything wrong, but I do not think that I am wrong on that.

**The Convener:** Cabinet secretary, I am trying to find out whether both figures are annual. I did not need the rest of that.

Does Peter Chapman want to come in with a question on that? You indicated that you might.

**Peter Chapman:** I do, convener. Cabinet secretary, the committee has heard evidence in February that there are continued challenges with exporting to the EU. Has there been any contingency planning by the Scottish Government in case the sector requires on-going financial support to help in the export of fish—for example, with certification costs? Is there anything that the Scottish Government can do to help with such costs?

**Fergus Ewing:** Mr Chapman is quite right that Brexit has added huge costs to fishing that we never had before because of the imposition of environmental health certificates. We estimated at least two years ago that between 150,000 and 200,000 certificates would be required. That happens only because of Brexit.

I have argued with Michael Gove of the UK Government that those costs must be met by the UK because they derive directly from Brexit. Why on earth does Mr Chapman think that the Scottish Government should meet costs that result from Brexit, the decision on which was taken by the UK following a referendum in which Scotland clearly voted the other way? I do not understand why Mr Chapman feels that that proposition is anything other than absurd.

**Peter Chapman:** It is absolutely not absurd. The United Kingdom voted to come out of the EU,

and Scotland is part of the UK. It still is, and I hope that it will be for a long time to come. There is therefore a responsibility on all the partners in the UK to help to meet some of those costs.

We recognise that much of the fishing activity takes place in Scotland. The Scottish Government has a responsibility to help the fishing industry to export to the rest of the EU. I remain convinced of that. Given the huge sums that the Scottish Government has received from Westminster, I would have thought that there would be some room for help with those costs. That was the premise of my question.

**Fergus Ewing:** We have—

**The Convener:** Hold on. That was a statement, not a question. Do you have a question, Mr Chapman?

**Peter Chapman:** It is the same question. Does the Scottish Government have any plans to help with some of those costs?

**Fergus Ewing:** We have already launched the £7 million fund for the fisheries sector, and we are now administering the payment of that fund to the smaller vessels in the fisheries sector and the fisheries missions, which play such an important part in the welfare of those who are suffering severe hardship. That hardship is directly occasioned by the fact of Brexit, which is now making exports—particularly those that involve groupage consignments—difficult or impossible.

I have been asked about finance. Although we think that that is the UK's responsibility, because fishermen are in hardship at the moment primarily as a result of Brexit and the loss of EU markets, we have stepped in with a fund of £7 million.

Mr Gove announced that there would be a £20 million fund to deal with the costs of importing and exporting and support seafood businesses. I asked at the EU exit operations committee, on behalf of the Scottish Government, around a fortnight ago and also at the seafood task force meeting last Friday whether that money would be used to defray those additional costs. That is what it seems to be for. So far, no answer has come. It is essential that that £20 million fund, which has been set up by the UK Government, is used right now to defray those costs, because companies in the processing sector are suffering big time because of Brexit. I know that from Jimmy Buchan, who wrote to me about that yesterday. The UK says that money is available but, so far, none of it has got anywhere.

**The Convener:** We will move on to the next lot of questions, which are from Emma Harper.

10:45

**Emma Harper:** Good morning, cabinet secretary. I am interested in issues relating to Highlands and Islands Enterprise and South of Scotland Enterprise, which have received funding increases. Both agencies have played a large role in the pandemic response. The Scottish Government will provide £103.3 million of funding for both agencies, which is an increase of £17 million from 2020-21. It is great that the agencies have that additional funding.

I am keen to hear how we can ensure that that money will be spent on creating green jobs over the next financial year. South of Scotland Enterprise hit the ground running on 1 April 2020, during the pandemic, and it has done a phenomenal job in supporting businesses across the south of Scotland, but it would be good to hear how both agencies will use that funding to support the green recovery.

**Fergus Ewing:** It has been a good settlement for South of Scotland Enterprise and HIE. I am in regular contact with both organisations. There is a combined investment of £103 million in our rural enterprise agencies, which is an uplift of more than 20 per cent. That is necessary because Covid and—I am afraid to say—Brexit have taken a huge toll on rural businesses, with unemployment rates rising faster in many rural areas than for Scotland as a whole. We are committed to addressing and mitigating those impacts.

The additional funding will underpin the work to improve business and community resilience and help to create new good and green jobs. Both bodies are working hard to tackle the economic recovery in general, just as they have in helping businesses through Covid and administering the pivotal enterprise resilience fund last year.

**Emma Harper:** HIE and SOSE use language that focuses on resilience and recovery and supporting communities. What support will the agencies continue to provide to rural businesses during lockdown? What will the role of the agencies be post-Covid recovery? How will that be funded?

**Fergus Ewing:** The budget has been welcomed. I have some quotes with me, but I will not read them out. The chief executives and chairs of both bodies have warmly welcomed the budget, and we work collaboratively with them.

The convention of the south of Scotland took place on 8 February, and we are due to have the convention of the Highlands and Islands again soon. The conventions help the enterprise companies, us, local authorities and other public bodies to work together for the green recovery.

It is true to say that, in all the staples of the rural economy—farming, forestry and peatland restoration, in which we are committing £250 million over 10 years—but also in pumped storage and fabrication work to support renewables and in many other ways, rural Scotland will be the engine room of tackling climate change. Only in rural Scotland do we have the land mass asset to be used for all the main ways of storing carbon. In some ways, the economic opportunities arising from tackling climate change—which we must do—are solely or primarily in rural Scotland. That is why so much of the additional money that has been deployed for the enterprise agencies, as well as for forestry, woodland and peatland restoration, is focused on the green recovery.

**Emma Harper:** Health and wellbeing are a huge part of the recovery from the pandemic. South of Scotland Enterprise is a relatively new agency; HIE has been on the go a lot longer. Will both agencies have to change the way that they plan their budgets, because we are now focusing more on wellbeing and recovery as a result of the pandemic?

**Fergus Ewing:** In general, that is a fair comment. The enterprise agencies are very aware of that. In other words, we want to pursue health and wellbeing as well as sustainable economic growth. That means, of course, that the enterprise agencies subscribe to the fair wage economy ideals, such as the living wage and treating people fairly and with respect. Therefore, the answer to that question is yes.

**Emma Harper:** Thank you.

**The Convener:** Before we leave the subject of enterprise agencies, cabinet secretary, in the HIE budget, have you allowed for any costs for the repair to the funicular railway?

**Fergus Ewing:** We have done that. We have carefully worked through that with HIE to deliver the required budget. An additional £4.7 million has been allocated for the reinstatement of the funicular and investment in green jobs. The additional £4.7 million comprises £3.9 million for reinstatement of the funicular and £0.8 million for investment in green jobs through the green jobs fund.

**The Convener:** On that basis, there will be a requirement to find somewhere in excess of £10 million the following year for the funicular railway, because overall repair costs are estimated at £15 million to £20 million. Would that money be made available earlier if the funicular railway repairs were completed earlier?

**Fergus Ewing:** We have worked with HIE to ensure the sufficiency of the budget to deliver the funicular railway as quickly as possible. Of course, we all want the work to be done as quickly as

possible, and I am pleased that the appointed contractors, Balfour Beatty, began the work very promptly. I do not believe that there is a budgetary issue but, because of the importance of that issue, convener, I will write to you with the full details of the budgetary arrangements, so that the committee has them.

**The Convener:** That would be helpful. There is £3.9 million in the budget for that. HIE's expenditure in 2019-20 was £61 million, which dropped in 2020-21 to £58 million and has risen in the budget for next year to £67 million. Technically, a good proportion—more than 50 per cent—of the increase in budget is being spent on the funicular railway, whereas the South of Scotland Enterprise budget does not have that increase. I am concerned that the HIE budget is not quite as rosy as you paint it.

**Fergus Ewing:** I will provide the committee with the full answers. It is a complicated issue with many aspects, so I would prefer to give a copperplate answer since, as you say, this session is largely about figures.

**The Convener:** Indeed. I look forward to receiving the figures on HIE's expenditure.

**John Finnie:** Cabinet secretary, you might recall that the committee wrote to the Scottish Government to recommend that it should

"provide financial support to rural businesses that have taken the initiative during the COVID-19 pandemic to sell their produce or fish directly to local consumers or that may be interested in doing so".

The recovery plan is clear that it aims to support Scottish food production but is perhaps less clear about how it will support the local food economies that emerged to support communities during the pandemic. I warmly welcome the increased budget to deliver the food and drink sector recovery plan. Can you clarify how that funding will support rural communities, as well as the industry, by developing the local food economies that have supported those communities during the pandemic?

**Fergus Ewing:** Mr Finnie is correct that there is an interest in local food. The Government is involved in many aspects of promoting that, such as the food for life programme in primary schools and the work done on local procurement of food, which has been a success in Highland Council. I remember visiting Crown primary school, where I heard about examples of local food being provided for school meals. That is an excellent example of the local authority, people in schools and local businesses all working in partnership.

Mr Finnie's question rightly focuses on how we can help the likes of shellfish fishermen, whether they be in Tarbert, the Western Isles or other parts, to sell directly to market. Some may be

interested in that; there is a desire among the public for more direct purchasing and it is evident that the internet is increasingly used for purchase.

The difficulty that we have at the moment in the fisheries sector is the devastation that has been caused by the loss of markets through Brexit and in other ways. Mr Finnie will know about the suspension of the brown crab market in China and the loss of the live bivalve mollusc export market to Europe, which is effectively banned at the moment. Frankly, we are having to deal with crisis alleviation at the moment, but we want to work with the sector and the inshore fisheries groups, whose representatives we have a close working relationship with, to see how we can further promote that work as we, I hope, recover from the pandemic and find a modus operandi to deal with that devastation.

I am conscious that I have focused largely on fish, although I know that there has been good entrepreneurship in the butchery and bakery sectors and farm shops, and I want the enterprise network increasingly to look at options to support that. We need to work more with businesses to see how we can help them to sell directly to the public, cut out the supply chain and thereby get more of the share of the ultimate price that is paid by the consumer. We have been working on that for years, but Mr Finnie is right to raise the issue. I would like us to do far more on the issue post Covid, primarily led by businesses and their initiative.

**Jamie Halcro Johnston:** In relation to LEADER funding, which we touched on earlier, the cabinet secretary has talked about the budgets that he is operating under. Can he confirm that the Scottish Government has the choice to prioritise and continue LEADER and its funding but has chosen to prioritise other rural funding streams instead?

**Fergus Ewing:** No, that is not the case; the funding has not reduced. The profile of LEADER expenditure varies from year to year and it always has done; any involvement with LEADER would lead you inexorably to that conclusion. It may look like reduction, but that is not the case. In fact, we provided the budget for 2021-22 to enable projects that were delayed or disrupted due to the pandemic to be completed. LEADER is continuing to complete live projects.

In addition, we are working to develop tests of change around community-led local development that will create the enabling environment that we need to support inclusive growth across rural Scotland, and we have allocated funding of £3 million to enable that development. We have started discussions with existing LEADER interests, including local action group chairs. Officials in the rural economy and communities division will work with the rural parliament and the

rural network to develop proposals over the next two months. We are pressing the UK for further information about the post-Brexit future of LEADER. That is still an area of uncertainty.

11:00

**Jamie Halcro Johnston:** To clarify, are you suggesting that LEADER funding will not reduce and that consistent levels of funding will be available next year?

**Fergus Ewing:** LEADER is a European programme. Now that Brexit has happened, the UK Government has indicated that it plans to do something different by creating a UK shared prosperity fund. We still have no clarity about that. It would be better to direct that question to the UK Government and ask what its plans are. The phrase "UK shared prosperity fund" was coined about two years ago, but there does not seem to be much beyond the phrasemaking.

LEADER has been an excellent fund for rural communities. We have worked closely with the chairs of local action groups. It should continue but, until we have clarity from the UK Government, and until we recover the £170 million that we need in order to do all that we can do, I cannot give copperplate guarantees about what will happen in future. There are two reasons for that: the lack of clarity from the UK Government about the UK shared prosperity fund that will replace LEADER and the swingeing reductions by the UK Government to the Scottish budget.

**Jamie Halcro Johnston:** Can you clarify what LEADER funding was in 2020-21 and what it will be until the end of 2021?

**Fergus Ewing:** I can give you the figures. They are in the budget. I can ask my officials to do that now or I can write to you in detail to demonstrate that we are not reducing the funding. The convener asked for brevity, and I do not want to use up the committee's time. I can bring in the officials now, or I can write to you. It is your choice.

**Jamie Halcro Johnston:** It would be good to have clarification from the officials about whether funding has reduced.

**The Convener:** Who would you like to bring in, cabinet secretary?

**Fergus Ewing:** Shiree Donnelly.

**Shiree Donnelly (Scottish Government):** *[Inaudible.]*

**Jamie Halcro Johnston:** I cannot hear, convener.

**The Convener:** I cannot hear, either.

You are very difficult to hear, Shiree. Try again and we will see how it goes.

**Shiree Donnelly:** Can you hear me now?

**The Convener:** Sort of; we can try.

**Shiree Donnelly:** *[Inaudible.]*

**The Convener:** I cannot hear that at all and I do not think that other members can hear. Cabinet secretary, is there another official who might be able to answer the question, or does only Shiree know about that?

**Fergus Ewing:** The officials are from different areas. I do not think that I can ask other officials to answer the question.

I have a full briefing in front of me. I can read therefrom, if you wish, or I can write to the committee. I accept your admonition to be concise, so it is your choice. I can go over it now if you wish.

**The Convener:** You could be concise by not reading the whole briefing and giving only the figures.

**Fergus Ewing:** All right. The LEADER budget for 2021-22 is £10.4 million. There is sufficient to cover expenditure during the period of programme extension, which runs to 31 December. That will provide remaining levels of funding in order to complete existing projects that are expected to extend beyond March 2021, as always happens at the end of the seven-year programme.

The unallocated budget contains enough to make small adjustments to existing projects to assist with Covid recovery. Some projects have incurred additional costs because of Covid. We will look to meet costs for work in the current programme that will support effective closure and development works and enable the future replacement of LEADER community-led local development.

I have a lot more information here.

**The Convener:** Hang on, cabinet secretary, you do not have to read it. It was the figure that we were after. Does that answer your question, Jamie?

**Jamie Halcro Johnston:** I will leave it there for now.

**The Convener:** I think that James Muldoon wants to come in.

**James Muldoon (Scottish Government):** Yes. I am merely offering to comment on the budget and confirm the figures, if that is still required.

**The Convener:** It would be helpful if you could give the figures for each year.

**James Muldoon:** The figure for 2021-22 is £10.4 million, and last year's figure was £22 million. However, it is important to understand the multiannual nature in that context, and how the profile of the LEADER budget will go up and down and effectively work as a bell curve as spend accelerates and diminishes. That confirms what the cabinet secretary said about the projects this year receiving the funding that was required to continue and deal with delays that have been caused by Covid.

**The Convener:** That clarifies the change in the figures. We will move on.

**Peter Chapman:** The climate change plan update document commits to scaling up the agricultural transformation fund. However, the funding remains at £40 million next year. Even more worrying than that is that all of this year's £40 million has not been spent. Can you give us clarity about that fund and how it is likely to be used to address climate change issues?

**Fergus Ewing:** I am delighted that the agricultural transformation programme has been a success, with £18 million of funding being the subject of offers. I expect that the actual funding that is awarded might be slightly less than that—maybe about £16 million or £17 million—because there is usually a bit of slippage. That is a very good start for a very successful green plan.

We anticipate using the agricultural transformation fund further. We are examining a number of avenues for utilising financial transactions, because £20 million of the programme is financial transactions funding. Funding of that type is more challenging to use, because we have to be careful not to crowd out private sector bank lending, and we need to ensure that such lending is done in a way that is consistent with subsidy controls and UK international trading commitments. Therefore, the majority of the capital funding allocation has now been assigned to the sustainable agricultural capital grant scheme and for additional Scottish forestry projects.

There is more to be done. We have five farmer-led groups to assist us in the shorter term with steps that we can take to help farmers and crofters to continue to build on their reduction of greenhouse gas emissions. I aim to utilise the fund to assist in that process once we get recommendations from the farmer and crofter-led groups and are informed by the evaluation of the pilot grant scheme that we ran last year. Many of those groups will make recommendations. I suspect that those will lead to an ask for funding in the area, and rightly so.

**Peter Chapman:** Does that mean that you will be able to find extra funds if they are needed? If

the various groups give good suggestions and the recommendation is that it will require more than £40 million in funding, is there a contingency plan to allow that to happen?

**Fergus Ewing:** I have said that we need to scale up. However, that does not necessarily mean that it will be done through new funding; it might be done through repurposing other funding or other actions. The climate change plan update provides a pathway to transform farming and food production and to optimise land use in Scotland. As I said, there will be increasing focus on environmental spend and utilising the range of funding that is at our disposal.

**Colin Smyth:** I want to follow up on Peter Chapman's questions. You said that less than £18 million of the £40 million fund for this year is likely to have been spent, so is the 2021-22 budget all new money, or are unallocated funds from this year part of the £40 million for next year?

**Fergus Ewing:** I spoke about the figure being less than £18 million but, just to be accurate, my understanding is that we have committed around £18 million in respect of the funding round that has just been completed. The point that I was making is that, for various practical reasons, not every scheme goes ahead, and therefore I expect that the total spend will be slightly less than that. That is a technical, practical point, but I expect the spend to be around £16 million or £17 million. That is entirely normal.

I think that we need to do more such work, and I am saying that we can either use agricultural transformation programme funding or other sources of funding. Our difficulty in respect of utilisation of the whole £40 million was, as I have described, that £20 million of that was in respect of financial transactions, which are extremely useful for some types of funding but more difficult to use for other types of funding. That is just a reality of financial transactions. For example, FTs have been used for payments under the loan schemes to enable pillar 1 payments to farmers to be made in September; in effect, those are advance payments. I have recently made it clear that, this year, farmers will have the same right to a loan—which, in most cases, is, in effect, an advance payment—in September. FTs are useful for some things but more challenging to use for other things. However, we are examining a number of ways in which we can use the FT budget.

In fairness, I covered most of this ground earlier, but I appreciate that there are technical areas. Again, rather than take up more time now, and unless you wish me to pass over to officials for a more technical answer, I am happy to quickly provide the technical detail in a letter for the committee.

**Colin Smyth:** I am trying to be clear about the budget fund of £40 million for the forthcoming year. It was £40 million for last year and you have just said that only about £18 million, or possibly less than that, of the £40 million has been spent in the current financial year. I am trying to get an answer to what is quite a simple question. Is the £40 million for the forthcoming year new money or does it include any underspend from this year? You touched on the problem of the £20 million of financial transactions money, which you said is difficult to spend. Therefore, that difficulty will arise again this year. However, I am just trying to work out whether the £40 million for this year is all new money or whether it contains funds that were not spent in the current financial year.

**Fergus Ewing:** The budget for 2022 is £20 million capital and £20 million financial transactions that have been allocated to assist in delivering the objectives. That is the budget for this year. I think that that is fairly clear, but if it is helpful, we can send more details by letter or, if you wish, I can bring in Mr Muldoon or Ms Donnelly to add something.

**Colin Smyth:** I am just trying to work out whether the £40 million for this year includes money that has not been spent in the existing year. I think that that is a straightforward question. I presume that none of the £20 million for financial transactions has been allocated in the current year. Is that correct? If so, is that what is being carried over to next year?

**Fergus Ewing:** No. In the current year, we used £18 million in respect of grants and not of financial transactions. I do not know whether Mr Muldoon can help us out on the carry-forward question. Yes, he can.

**The Convener:** Yes, come on, James.

**James Muldoon:** No problem. To be clear, my understanding is that the 2021-22 budget is not carried over, due to limitations on the Scotland reserve, which naturally has to be managed across the whole of the Scottish Government budget. The clear line that I have on this is that it is funded from the 2021-22 budget entirely.

**Colin Smyth:** It is all new money, but you are saying that the existing £40 million has not been spent—in fact, it sounds as though less than £18 million has been spent, so that money has just disappeared into the Scottish Government reserve.

**James Muldoon:** It has not been carried over because of the limitations on the amount that can be carried over in the Scotland reserve. All that I can offer is that it is new money for the coming financial year.

11:15

**Colin Smyth:** Just to be clear, what has happened to the underspend in the current year? The £40 million in the current budget has not been fully spent, so what has happened to it?

**James Muldoon:** Bear with me for a second. I am just trying to see whether I have that information. All that I can say is that it is managed across the Scottish Government outwith this portfolio alone.

**Colin Smyth:** It would be good to have follow-up information on where that money went.

**The Convener:** I am sure that, as the cabinet secretary has offered to follow up on previous answers, he will do the same on that one.

**Fergus Ewing:** I will be happy to. I think that I have already covered the FT issue, but we will write with the full detail if the committee wishes us to do so.

**Colin Smyth:** That was my final question, convener.

**The Convener:** Perfect—thank you, Colin.

**Stewart Stevenson:** I want to probe a little bit more the issue of how we get land managers to make the transition to greater use of low-carbon practices. In particular, how can the Government realign and enhance advisory and knowledge transfer programmes to ensure that we do so? In the financial numbers, we do not see how that is going to work, so how will the budget support such a transition in advisory services?

**Fergus Ewing:** We envisage that such support will need to be underpinned by a modern agricultural knowledge and innovation system to encourage uptake of existing best practice, as well as new and innovative farming methods. With modernisation and digitisation of the sector, fostering and sharing of knowledge will be important. We will require to introduce new methods of support and to provide scientific and economic expertise to guide farmers and crofters through the new requirements to farm sustainably. That will require the design or the reshaping of advisory schemes to assist matters.

Scotland's Rural College succeeded in winning a contract from the Scottish Government, which, from memory, was for £20 million over a period of four or five years. It has provided excellent advice and is well respected by farming communities. Therefore, we are not beginning from a standing start, because a lot of work has already been done. As you will know, convener, the arable sector in particular has already been using digitised methods of improving productivity and efficiency for years. However, there will be a need

for funding for such advice. I am confident that we will be able to deliver that advice over the budget.

We will have to devise such schemes once we get the reports from the farmer-led groups, which I have tasked with providing us with advice as soon as possible in the short term. I expect that the incoming Administration could make rapid progress on that after the election is over. In the meantime, advice of up to a certain value is available to all farmers and crofters. I believe that that offer has been taken up and utilised very well, but it will need to be reshaped to provide the necessary scientific, economic and agronomy advice for sustainable farming in the future.

**Stewart Stevenson:** To close off that line of questioning, you mentioned a four-year contract with SRUC. Clearly, a lot of what we are discussing is not a single-year issue. You made reference to advice for farmers, which will be recycled to other farmers and land managers more generally. In a sense, that creates huge value, but is it the case that such sharing comes at virtually no additional cost and that the existing provisions cover the costs for the Government in providing such advice, with the real value being delivered by the farmers themselves to their colleagues in the profession?

**Fergus Ewing:** That is a fair point. The report that was produced by Jim Walker and Claire Simonetta late last October or early November last year—a 200-page document—is in itself a source of excellent advice. It is a blueprint—or a greenprint—for how to carry out suckler beef farming in a climate-friendly way. It tells people, in principle, what they need to know. Somebody described it as a manual.

**The Convener:** Cabinet secretary, with the greatest will in the world, I am happy for you to promote somebody else's literature, but we are actually on the budget. If we can stay on the budget, I would be happy. Do you have a further question on that, Mr Stevenson?

**Stewart Stevenson:** I think that I have established that we get that document and some other things for free, with no budget implications. I am finished now, convener.

**Richard Lyle:** We are coming on to one of my favourite subjects. To your credit, cabinet secretary, Scotland delivered more than 80 per cent of all new tree planting in the UK last year—we planted 22 million more trees than anyone else. Again, Scotland is punching well above its weight, so well done to you and your officials.

The budget provides additional funding for woodland grants to deliver increased planting targets. Will those be targeted at any particular types of woodland? Does any of the additional

funding for forestry support the commitment to increase the scale and scope of agroforestry?

**Fergus Ewing:** Thank you, Mr Lyle. The praise for all the people in Scottish Forestry and Forestry and Land Scotland is well deserved. They have done a great job for Scotland. Thank you for those comments; they will be appreciated.

The additional funding from the low carbon fund of £150 million for forestry over five years is a clear statement of intent and it will help us to drive forward our target for woodland creation from 12,000 hectares to 18,000 hectares a year. In answer to your question, we will support and encourage more of all woodland types, both so-called commercial species and native species, although there is a crossover between the two, because some native species are commercial.

We support a variety of schemes, including productive planting models that are aimed at conifer and broadleaf timber, and agroforestry. We want to do more agroforestry. I am working hard on various ways to do that, but we have already achieved a lot with farming groups. More and more farmers are seeing the benefit of forestry. It is a success story, so the real challenge is how we grow from where we are now to another 50 per cent of production. That comes down to having more nurseries, helping contractors, who have had a bit of a difficult financial time, and generally scaling up the capacity in Scotland to do the work. That is why I asked Scottish Forestry and Forestry and Land Scotland to double their planned intake of young people. They are taking on up to 50 people this year, which I think is a great story for Scotland—I think so, anyway.

**The Convener:** It is a great story, cabinet secretary, but we are on the budget. I urge everyone, including members, to stick to the budget and how it is being used.

**Richard Lyle:** Yes, but if we are spending the money in the right places to grow the right things, that is also in the budget, right?

I will finish off with this question. How will the pilot regional land use partnerships be funded, cabinet secretary?

**Fergus Ewing:** It is the intention to use the environment, climate change and land reform portfolio programme funding to facilitate pilot establishment and local engagement in 2021. The funding for that will therefore not come from the RET portfolio but from my colleague Ms Cunningham's portfolio.

**Richard Lyle:** Thank you, cabinet secretary. Keep up the good work.

**The Convener:** Thank you, Mr Lyle, but we need to concentrate on the budget. I will bring in

Emma Harper to ask her question, then I will go to the deputy convener.

**Emma Harper:** Thank you for bringing me in, convener.

Yesterday, the Health and Sport Committee took evidence on the budget. I know that Food Standards Scotland is part of that portfolio, but there is a crossover. FSS has had an increase of 21.9 per cent and the budget projection is £19.5 million for 2021-22. I will put the same question to Fergus Ewing that I put to Jeane Freeman yesterday. Does the Government expect that the increased FSS budget will be adequate to allow it to manage the consequences of EU exit? Last week, the Rural Economy and Connectivity Committee heard about the consequences for fishing of Brexit, and the fact that Food Standards Scotland has had to be funded to step in to deal with that. From a budget point of view, does the cabinet secretary expect that FSS will have adequate funding?

**Fergus Ewing:** Food Standards Scotland is not a body for the budget management of which I have portfolio responsibility, so I am not sure that I could speak to that. However, I can answer the question that Ms Harper raises. It is the case that Food Standards Scotland has been put to quite a substantial additional cost as a result of all the extra work that is required to deal with the problems that have arisen from Brexit and, in particular, seafood exports. It has been providing help, advice and operational assistance to DFDS and the other two hubs, O'Toole and Mesquen, and providing advice, assistance and support through the likes of digital seminars.

There are additional costs; we are looking at those at the moment. I think that, in principle, the UK funding of £20 million that I alluded to earlier should be used for those additional costs, whether they are in the private or the public sector. It is a fair point and one that I think we should pursue, but it is perhaps not within my portfolio responsibility to find that extra cash myself.

**The Convener:** Thank you, cabinet secretary. The deputy convener has a series of questions—Maureen, it would be helpful if you could sweep up the questions that Angus MacDonald wanted to ask but is now unable to.

**Maureen Watt:** I can probably cover that over a couple of questions.

As a result of the pandemic, we are all looking at building back better and embracing the low-carbon economy. I notice that the new budget line for the low-carbon economy will provide £3.2 million for

“green jobs funding for supply chain development”.

We have also noted that there are relevant lines in the HIE budget, and I think that part of that was for the Cairngorm funicular, which we have already talked about. What specific jobs will be created from that fund that will help to deliver the green economy?

**Fergus Ewing:** Across the range, there is a series of opportunities. HIE is extremely active in the creation of jobs in the renewable energy supply chain—for example, there is the work that it does with major companies that are involved in either providing maintenance to offshore wind or fabrication work in respect of that. That is one area.

However, there are all the other sectors that are improving green performance—across the board in construction, as well as in farming, forestry, the decarbonisation of heating, the upgrading of the electricity network and the roll-out of charging points. Across a variety of areas, we need to be more sustainable and reduce emissions and introduce facilities such as charging points that will enable people to do that. A large number of possibilities exist for the utilisation of that money.

**Maureen Watt:** I am finding it quite difficult to identify what a “green job” is. How would you identify a new green job in the rural economy, specifically, which would be able to use some of that £3.2 million in funding?

11:30

**Fergus Ewing:** That is a fair point. Some jobs are obvious: there would be no doubt about jobs in peatland restoration. Some work in farming may or may not be defined as a green job.

There is now a requirement to reduce emissions across the range of government activity. We expect to see the greening of processes in all areas: in construction, transportation, heating and energy. That can even apply to oil and gas companies. I was reading that some production companies—which we would not regard as providing green jobs—are now reporting massive reductions in flaring. Are people who are reducing flaring doing a green job? I would say yes, because they are making a direct contribution to reducing greenhouse gas emissions.

There is some fluidity to the definition. Some jobs may be partly green and partly not—part of someone's time may be spent on activities that demonstrably improve environmental standards although other parts of their job are not like that.

We should not be too rigid in our definition. Instead, we should step back and look at what we are trying to achieve overall. We should recognise that, across the board, including in industry, much of what is being willingly done by companies

involves going green in many different ways. We should encourage them, rather than creating a narrow definition that restricts our ability to work and collaborate with private sector companies. That is my personal view.

**Maureen Watt:** As well as talking about building back better and greener, we also talk about the wellbeing economy. How much, if at all, does your portfolio deliver for the wellbeing economy? You and I helped to establish Jim Hume's rural mental health forum. Is that now self-sustaining or do you still fund it? That would be one example of wellbeing as part of your portfolio.

**Fergus Ewing:** I believe that we have continued providing financial support to the good work done by Jim Hume.

We contribute other funding that is directly or indirectly intended to promote wellbeing. For example, I met and then provided additional support to the Royal Agricultural Benevolent Institution, which provides assistance to farmers with mental health and other issues. In the recent £7 million grant for inshore fishing vessels and aquaculture processing companies, we provided several hundred thousand pounds for fishermen's missions. That was specifically to ensure that individuals who require wellbeing support will get that. We are working with the missions on that.

Finally, the aims of the forestry industry include providing access to the countryside and opportunities for forest walks. Part of the recovery process for people with mental health issues might be outdoor education or participation in pleasant social activity in our forests. The forestry staff who do that are proud of it and are enthusiastic advocates of that work.

I know that Ms Watt has a longstanding interest in and knowledge of this area. We are contributing in a number of direct ways, but most of our support is indirect. We provide support for the income that is earned by farmers and crofters. That helps them. Imagine how Covid would have affected society if the rural economy had stopped. The rural economy got on with it and kept going. I guess that everyone else was frustrated and wanted to keep going, but farmers, crofters, sawmills and people who make panel products were able to do so and they all worked hard. They deserve our support and they got it. I hope that the majority of what we do contributes to the wellbeing of people in rural Scotland.

**The Convener:** Thank you, cabinet secretary. That brings us to the end of the evidence session. I thank Shiree Donnelly—I am sorry that the vagaries of communications prevented her contribution, but I am sure that she will add to the information that the cabinet secretary has agreed to provide after the meeting.

## Petitions

### Salmon Farms (Closed Containment) (PE1715)

### Access to Broadband (Rural Scotland) (PE1703)

### Bus Services (Regulation) (PE1626)

### Human Right to Food (PE1733)

11:35

**The Convener:** Item 7 is consideration of four public petitions. The committee is invited to consider whether it wishes to take any further action on these petitions, as we approach the end of the parliamentary session. The committee might wish to note that, if any of the petitions are to remain open, they will be referred back to the Public Petitions Committee to be allocated to the relevant committee for consideration in session 6.

The first petition is PE1715, on closed containment for salmon farms in Scotland. John Finnie wishes to say something on that. I will go through each of the petitions, and I will try to summarise the action to be taken on them all at the end.

**John Finnie:** As ever, I thank the clerks for the information that they have provided. The committee has had some offline discussion of that petition, and we must consider the presentational options, because it is entirely right that that petition is referred to in our legacy report. I would go further and say that, given that we have looked at the wider issues of the fish farm industry but been unable to specifically address the particular aspect of closed containment, the petition should be kept open. Neither mentioning the petition in our legacy report nor keeping it open would compel the new committee to take further action, whichever committee that would be and however formed. However, it would send a clear message that this committee realises that it is very much a live matter—almost every other day, there seems to be some issue about the industry.

I note the convener's comment that, if kept open, the petition would go to the Public Petitions Committee to be allocated to a future committee. As we know, aspects of the issue straddle two committees, so we need a clear understanding, and it is my view that there is unfinished work here. Yes, of course it should be mentioned in our legacy report, but we should also keep the petition open. I understand that that is not everyone's view, but it is important to express that.

**The Convener:** Thank you, John. I see that there are no further comments on that petition.

The next petition for consideration is PE1703, on access to broadband in rural Scotland. I can see that there are no comments on it, so we will move on.

The next petition is PE1626, on the regulation of bus services. Colin Smyth has some comments. Colin, are you there?

**Colin Smyth:** I am certainly here, convener, but I do not think that my camera is on yet.

My camera is on now. This is an important petition. We were able to amend the Transport (Scotland) Bill, now the Transport (Scotland) Act 2019, to allow for the establishment of municipal bus companies by local authorities. However, the provisions in that part of the act have not yet been implemented by the Scottish Government, so local authorities do not yet have those powers, never mind the guidance to go with them. It is very much unfinished business, so I would like the committee to, at the very least, write to the Government to stress the importance of ensuring that those provisions are implemented as soon as possible, so that councils get the powers that are clearly set out in the 2019 act.

**The Convener:** Are there any other comments on the petition?

**John Finnie:** I concur with everything that Colin Smyth said. It is a hollow provision if it is not implemented, so that course of action would be helpful to push the issue on. I fully support Colin's comments.

**The Convener:** The final petition for discussion is PE1733, on the human right to adequate food. Does anyone have any comments on the petition?

**Colin Smyth:** Again, I think that it is important that work on this issue continues and that it is mentioned in the committee's legacy paper. Elaine Smith has proposed a member's bill on the right to food. The bill still has to go through the parliamentary process, so it will be a challenge to pass it before the recess begins, which will be at the end of March, as things currently stand. However, the right to food is very much a live issue that has not been resolved. The good food nation bill, which was put aside by the Government, would have been a key part of this committee's work. There is a commitment from the Government and, I am sure, other parties, to take the issue forward in the next session of Parliament. It is important that that happens. It may simply be a matter of the committee emphasising in its legacy paper the importance of considering the issue in the next session of Parliament.

**Emma Harper:** John Finnie talked about compelling future committees to pick up existing issues, so I wanted to ensure that we were clear that, whatever we put in the legacy report, we do not dictate to future committees the programme of work that they should take forward. I support the language that John Finnie used when he said that, although we are not compelling future committees, we need to ensure that we convey to those committee which issues are on-going.

**Maureen Watt:** I do not disagree with anything that has been said about the importance of these issues and the likelihood of them being on-going. However, it is important to close these petitions, because it allows the petitioners to consider what has happened—or not—and to take into account the bills and so on in a new Government's programme for government.

I sit on the Standards, Procedures and Public Appointments Committee, and the convener of the Public Petitions Committee talked to us recently about petitions and how they are dealt with in the system. It is important that petitioners are given the opportunity to reflect on whether they want to change what their petition says in the light of commitments given by a new Government. The Public Petitions Committee convener was very keen to ensure that petitioners have the chance to give evidence to the relevant committees. That is a really important part of our work going forward.

**Peter Chapman:** I very much agree with Maureen Watt. We should close the petitions now; it is up to the petitioners to lodge them again once the new Government has been formed. I think that that is the right way forward.

**The Convener:** Let me see if I can summarise what has been said. First, I believe that petitions play an important role in parliamentary business. It is important that the Parliament is seen to respond to petitions and gives petitioners a fair hearing and the correct outcome for their petitions.

I think that we have given a fair hearing to all these petitions. A lot of them are unfinished business, but that is because we are coming to the end of the parliamentary session. What is important is that we ensure that our legacy report brings the petitions to the attention of the future committee. Emma Harper is entirely right that it is not for us to dictate the actions of the future committee. That committee will do the same as we did at the start of the session when we sat down and worked out our work.

I now seek the committee's approval to include all the petitions in our legacy report so that the future committee is aware of them.

On PE1715, I note John Finnie's view that we keep it open, but that is not the universal view of committee members. I suggest that we write to the

Scottish Government in relation to the closed containment of salmon farms, draw its attention to the report that we published in which the issue was mentioned and ensure that that information is passed on to the future Government.

On PE1703, on accessing rural broadband, again we should write to the Scottish Government indicating the importance of the issue.

On PE1626, on the regulation of bus services, as Colin Smyth said, relevant provisions are in the Transport (Scotland) Act 2019, but obviously they have not commenced. Again, I think that we should write to the Scottish Government and say that we consider the issue to be important and ask whether the future Government will consider the provisions and commence them.

Finally, on PE1733, on the importance of the human right to adequate food, we should write to the Scottish Government to say that we note that a good food nation bill should have been introduced and that we still consider it to be important, especially in relation to that petition.

We will therefore write to the Scottish Government on each of the petitions, but I believe that the best way of dealing with them is to close them and write to the petitioners to let them know that they have the right to bring the petitions back to the Parliament in the next session, so that the new Government, whatever its progress and business, can take the petitions into account.

I hope that that is a fair summary. Is everyone happy with what I have suggested?

**Members** *indicated agreement.*

**The Convener:** We will therefore close the petitions, but we will write to the Government on each of them and ensure that they are included in our legacy paper.

The next meeting of the committee will be on 24 February, for stage 2 of the Dogs (Protection of Livestock) (Amendment) (Scotland) Bill, when Emma Harper will be sitting on the other side of the table, so to speak. We will also consider our letter in relation to the evidence session on the climate change plan. I am pleased to inform the committee that we will have three Scottish statutory instruments and one statutory instrument to consider. More details about the next meeting will become available once the agenda is published.

That concludes the committee's business for today. I thank you all for attending and taking part.

*Meeting closed at 11:47.*



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