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Finlay Carson MSP
Convener
Rural Affairs and Islands Committee
Scottish Parliament
EH99 1SP

By email: rural.committee@parliament.scot

05 February 2024

Dear Finlay,

I write to follow up issues raised when I gave evidence to the Committee on 17 January.

Firstly, the committee sought a breakdown of the funding provided by the UK Government and how these funds were allocated to the RALRI portfolio.

UK Government provides a block grant to the Scottish Government each year, and this is then allocated to portfolios through the Scottish Government budget processes. As part of the arrangements following the UK's departure from the European Union, UK Government agreed to replace the EU funding to Scotland with explicit funding, until 2024-25, which is ringfenced for "the purposes of supporting farmers, land managers, rural communities and rural businesses", as well as an additional sum "for farmers and land managers building on the recommendations of the Bew Review". In 2024-25, these sums are £595 million and £25.7 million, giving a total of £620.7 million.

The Scottish Budget documents published on 19 December 2023 set out that the total allocation to Rural Affairs, Land Reform and Islands for 2024-25 is £1,092.6 million.

When I appeared before the Committee, I updated you on a change relating to £15 million that is in the draft 2024-25 budget. I am happy to provide more details regarding this.

As you are aware, it had been agreed that £61.1 million, which was given up as savings during 2022-23 and 2023-24, should be returned to the portfolio in future years. The first instalment of £15 million is returned as additional resource funding in the draft 2024-25 budget. As I outlined at committee, the Deputy First Minister has agreed to my request that the additional funding in 2024-25 should be received as capital funding rather than resource, in order to allow

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me to address specific high priority unfunded capital schemes or projects within the portfolio. This will ease some (but not all) of the pressures for key capital priorities.

The areas which will receive capital funding as a result of this switch are set out in the table below.

Scheme	£m
Agricultural Transformation Fund	3.0
Agri Environmental Measures Schemes - AECS	3.6
Crofting Assistance	1.5
Crofting Agricultural Grant Scheme	2.2
Community Led Local Development	2.9
Sub-total (all Pillar 2)	13.2
Floodbanks – farmers and landowners	1.8
Total	15.0

The resource to capital switch was still under consideration during December, and in the draft budget these sums were allocated to appropriate resource budgets on an interim basis. The budget adjustments to reduce resource budgets by £15 million, and instead allocate £15 million capital as set out above, will be made as soon as possible through the Autumn Budget Revision process. This slight delay will not prevent plans being made to spend the capital budgets from the beginning of the financial year.

I was also asked for information regarding the pay settlement for Marine Scotland mariners and what impact the budget may have on their pay.

The Scottish Government Marine Bargaining Unit (SGMARINE) entered into a 2-year agreement in April 2023. This agreement sought to recognise as far as possible the impact of cost of living pressures for employees against an extremely challenging budgetary context.

The broad terms of the agreement allowed for a 7% pay increase in 2023-24, with a further 3% increase in 2024-25, with the full increases phased in two stages in April and January of each year.

Our analysis at the time indicated this pay award was commensurate with most parts of the Maritime sector. Our pay award was negotiated and agreed by both Unite and Nautilus trade unions. These unions negotiate pay deals on behalf of several bodies in the Maritime sector, offering further reassurance that the SGMARINE pay deal would have been broadly in line with what other parts of the Maritime sector were offering.

We believe the pay award recognises the important role that our seagoing staff have in delivering against our national and international obligations.

The Committee also raised a question in relation to Wick Harbour Trust (WHT).

WHT were awarded grant funding of £0.45 million towards quayside improvements through the Marine Fund Scotland (MFS) 2023-24. The scope and nature of the work was impacted by the autumn storms, but recent discussions indicate the WHT are confident they can fully utilise the £0.45 million of grant funding. This funding will form part of total improvements/

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repairs of around £0.8 million to be carried out, with other stakeholders contributing to the full costs.

Including the WHT award, MFS has awarded a further £2.6 million to harbours around Scotland to deliver infrastructure improvements, reduce marine litter and improve facilities for vessels & businesses.

Finally, I offered to follow up with more information on Highland and Island Enterprise's (HIE) budget. As the Committee is aware, the fiscal situation has made difficult decisions unavoidable. We have prioritised funding for HIE to the extent possible given the extremely challenging settlement, but the reduction to its budget will require HIE to revisit its plans for 2024-25 and to be rigorous in deciding which activity it can support.

I know that HIE will continue to make a key contribution to achieving the Government's objectives through its support for businesses and communities across the Highlands and Islands and focus on strategic economic development. Neil Gray, the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy, will be meeting with HIE's Chair and Chief Executive shortly to discuss how we continue to work together to achieve our joint ambitions, boost investment and accelerate opportunities across the region, and maximise the impact of available resources.

I hope this is helpful.



MAIRI GOUGEON

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