



OFFICIAL REPORT
AITHISG OIFIGEIL

Environment, Climate Change and Land Reform Committee

Tuesday 15 January 2019

Session 5



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CONTENTS

	Col.
DECISION ON TAKING BUSINESS IN PRIVATE	1
BUDGET SCRUTINY 2019-20	2
EUROPEAN UNION (WITHDRAWAL) ACT 2018	37
Chemicals (Health and Safety) and Genetically Modified Organisms (Amendment of Retained EU Law) (EU Exit) Regulations 2018	37

ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM COMMITTEE

2nd Meeting 2019, Session 5

CONVENER

*Gillian Martin (Aberdeenshire East) (SNP)

DEPUTY CONVENER

*John Scott (Ayr) (Con)

COMMITTEE MEMBERS

- *Claudia Beamish (South Scotland) (Lab)
- *Finlay Carson (Galloway and West Dumfries) (Con)
- *Angus MacDonald (Falkirk East) (SNP)
- *Mark Ruskell (Mid Scotland and Fife) (Green)
- *Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Graham Black (Scottish Government)
- Keith Connal (Scottish Government)
- Roseanna Cunningham (Cabinet Secretary for Environment, Climate Change and Land Reform)
- Simon Fuller (Scottish Government)
- Clare Hamilton (Scottish Government)
- Derek Mackay (Cabinet Secretary for Finance, Economy and Fair Work)
- Richard Murray (Scottish Government)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Environment, Climate Change and Land Reform Committee

Tuesday 15 January 2019

[The Convener opened the meeting at 09:32]

Decision on Taking Business in Private

The Convener (Gillian Martin): Welcome to the Environment, Climate Change and Land Reform Committee's 2nd meeting in 2019. I remind everyone to switch off their mobile phones, as they may affect the broadcasting system.

Agenda item 1 is to consider whether to take item 4 in private. Are we agreed to do that?

Members indicated agreement.

Budget Scrutiny 2019-20

09:32

The Convener: Under item 2, the committee will take evidence as part of our scrutiny of the 2019-20 budget. I am delighted to welcome to the committee Roseanna Cunningham, the Cabinet Secretary for Environment, Climate Change and Land Reform, who is accompanied by her officials from the Scottish Government.

The Cabinet Secretary for Environment, Climate Change and Land Reform (Roseanna Cunningham): A cast of thousands.

The Convener: Keith Connal is the deputy director for natural resources; Graham Black is the director of Marine Scotland; Clare Hamilton is the deputy director for decarbonisation; and Richard Murray is the acting deputy director for rural and environment science and analytical services. Good morning to you all.

I will ask our first question, which is about outcomes-based budgeting and preventative spend. How has proposed spend within the portfolio changed since last year to reflect the evidence of the wider benefits of environmental spend?

Roseanna Cunningham: We look very carefully at the wider benefits. Obviously, environmental protection and improvement are the core part of what the budget does, but we are conscious of the fact that the environment creates a space in which a lot of other benefits, which might well be economic or health benefits, are likely to be engendered. There has been a greater focus on a lot of the health-promoting side of the environment over the past year. The investment in green and blue infrastructure is part of encouraging a healthier and more active Scotland. We are all conscious of the fact that good-quality local green space makes a huge difference, not least to the national health service in Scotland. As I understand it, it has been estimated that we save the NHS £94 million a year by ensuring that good environmental space is available to people.

Scottish Natural Heritage uses the concept of the "natural health service". We have green health partnerships and a green infrastructure fund, and money is fed through the central Scotland green network to target disadvantaged communities where there are stark health inequalities. If you think about the root of the central Scotland green network, you can understand how important that work is to good health and equalities outcomes. The national walking and cycling network also increases users' health by increasing physical activity.

A lot is delivered by this portfolio and its spending decisions that also delivers benefits for other portfolios, and I like to remind my colleagues of that as often as I can.

The Convener: To underpin spending decisions in your portfolio, is the Government looking at doing research to evidence, in a concrete way, the effect of such benefits on other portfolios?

Roseanna Cunningham: I have talked about the work that SNH, in particular, is doing in that area. Our natural health programme works hard and it is a strategic intervention in NHS green space for health partnerships, of which there are now a number around Scotland. We intend to show the benefits, which I have talked about, from those interventions. A lot of people are involved in that, not just in this portfolio.

The interventions will be evaluated and the intention is that, through that evaluation, we can potentially deliver and identify practice that can be embedded in future policy and practice. Once the evaluations have been completed, we will consider future research in that area. At the moment, it is still being worked through, but the work will be evaluated. I anticipate that that will not be just from my perspective, as I understand—and hope—that the NHS will be part and parcel of that. A lot of other partners are involved and, obviously, sport and education are also key to it, as benefits will be derived by those areas as well as the health area.

We are not in the middle of an evaluation, but the programmes are working and they will be evaluated. When that is done, we will look at potential further research. I cannot give you concrete answers about that at the moment, but I reassure members that that is an actively pursued part of what we are doing. The more I can put numbers and evidence to the benefits that go well beyond this portfolio, the stronger the arguments can be made for this portfolio and its spend.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I want to explore the health benefits and the two sides of the balance sheet a little bit, and see the extent to which the Government is looking at that. If people are healthier and take more exercise, they are less likely to be obese and, if they do not weigh so much, they are less likely to have hip or knee replacements. That is a permanent benefit. On the other hand, if people live longer, they have more flu jags, annual check-ups and so on.

Roseanna Cunningham: Speak for yourself.

Stewart Stevenson: I do speak for myself, and I hope to have many more of them.

The reality is that people living longer creates, in many cases, things on the other side of the balance sheet. People who live longer are

customers of the health service for longer, but the point at which many of the costs are incurred is postponed. It is a complex subject, with primary, secondary and tertiary-level effects. I hope that Richard Murray and his colleagues—I am looking at him rather than you, cabinet secretary—will look at the multiple levels and the balancing effects in the area. At the end of the day, we can be quite clear that the environment contributes to a better quality of life.

Roseanna Cunningham: I am not quite sure what the question is, but I will make some comments. None of us here is a health professional; I make that caveat on behalf of us all. However, as I understand it, the biggest burden—I hesitate to use that word, but that is where your comments lead us—is during the last year of a person's life, whenever it is. Whether the final year of someone's life is when they are 20, 40, 60 or 80, it is always that year in which there is the highest cost to the NHS. Whatever we can do to make people's lives healthier, regardless of their age, will substantially reduce the burden in terms of health provision. I cannot believe that a cost benefit analysis of the issue would come up with any other conclusion than that.

I remind people that we should be talking not just about physical health but about mental health. I have visited some of the programmes that are more about people's mental health. There can be an impact on that through prevention as well as by getting people with problematic mental health back into better mental health. Although such programmes might not be a cure, they have an impact at every stage, as is the case with physical health, too.

I am strongly of the view that, regardless of what age individuals live to, we will all do ourselves, the health service and every one of our services a big favour by being in better shape. The environment can help us with that.

John Scott (Ayr) (Con): I echo your sentiments in that regard. However, I will quote your response to our questions on the budget in relation to improving air quality. You said:

"However, an improvement in air quality should increase the life expectancy of people with serious chronic cardiovascular and respiratory conditions which paradoxically could potentially increase the total lifetime costs of providing such people with NHS care over the long term."

You seem to be saying that that is almost a matter of regret. I am not certain how you reconcile your views with that response.

Roseanna Cunningham: A chronic disease at any age—Stewart Stevenson's comments tended to be predicated on advancing age—will have a big impact on the health service, in particular. You

will need to speak to people in the health service to better understand how that works. The situation for someone with a chronic disease will be ameliorated depending on the stage at which air quality is improved. At the other end of the scale, improving air quality will prevent people from developing such chronic diseases. That is a complex piece of work, and it is part and parcel of why we need to evaluate the work that is being done. That is one of the many reasons why I brought forward the review of Scotland's air quality strategy, which has now begun.

All these things have to be looked at, evaluated and considered. At the end of the day, however, the alternative to arguing that improving people's health—in whatever way we can—is an absolute good is to apply a somewhat less benign view. If it is reduced to a tick-box exercise, it will become very problematic indeed.

09:45

Mark Ruskell (Mid Scotland and Fife) (Green): How does the Government deal with the cost of inaction? We heard evidence from the Scottish Wildlife Trust that, if we were to invest £1 million today in tackling rhododendrons as a non-native invasive species, we would save £10 million in costs five years down the line. Given what the Government has in the budget this year and what it is planning for, does it look at the cost of what inaction might be?

Roseanna Cunningham: We can try, but putting figures on it is not always so straightforward. I have not seen the SWT research that Mr Ruskell talks about, but whether its calculations are correct is probably not without debate. I do not doubt that there is a general truth there, even if the figures are not necessarily easy to pin down. However, the £1 million has to be found in the first place; in a sense, the budget is all about trying to find that £1 million in the first place to save the £10 million down the line. If I have to find £1 million to tackle rhododendrons this year, I need to know from where in the budget I can take that. That is always the difficulty.

The Government is always trying to achieve preventative spend. However, it has to be looked at in the context of the resources that are available right now. We are trying to balance that all the time.

Mark Ruskell: Without putting exact figures on it, might there be future costs that are stacking up?

Roseanna Cunningham: There may very well be—probably nobody could sit on this side of the table and not say that.

To a certain extent, all the work that we do on climate change is about estimating the future costs of not doing what we are spending money on now.

Equally, Mr Ruskell knows perfectly well that I cannot switch all money away from current spend and over to preventative spend. A huge area of my budget is not flexible, including people's wages and the commitments that we have to fulfil right now. Every decision that I take therefore has to be thought through very carefully and I have to be able to work it through in a balance sheet.

I do not doubt that spending a lot of money on rhododendron clearance now would save a lot more money in the future, although whether the SWT figures that were suggested are correct is a different matter entirely. However, I still have to find that money now. That, in a sense, is what the budget conversation and budget balancing are all about. It is just one example of what happens across all departments, policy sections and portfolios.

John Scott: I declare an interest as a farmer and landowner, which has relevance to these discussions.

I want to ask the cabinet secretary about aligning the budget and the climate change plan. How will the new annual monitoring reports on the climate change plan be used by the Scottish Government to inform future budgets? How will that help to align the budget with the climate change plan?

Roseanna Cunningham: As the committee is probably aware, we are currently considering how to better meet the committee's need for improved budget and progress information.

Assuming that the section in question gets through, the Climate Change (Emissions Reduction Targets) (Scotland) Bill will place the monitoring framework on a statutory footing in future years, with separate sector-by-sector monitoring reports laid in Parliament each October. That level of information is not easily available at the moment, but it will be available. I am aware of the committee's interest in this issue, and I certainly think that it would be worth discussing both the content and timing of the sector monitoring reports during the passage of the bill. The committee might well be looking at some of that as part of its stage 1 consideration.

We are also going to set up a new governance body to oversee the monitoring and implementation of the climate change plan. That body will review monitoring information, assess progress against policy outcomes and provide advice, including on whether adjustments need to be made to policy and how that might happen. As that begins to play into the whole process, we will, in thinking about budget decisions, start to get a

better understanding about what is needed where. However, the committee might have particular ideas on this matter.

John Scott: When we raised the issue in our letter to you, you said in your response that you would welcome further discussion with the committee. We are giving you the chance here and now to have that discussion. Will we have to leave it to another time?

Roseanna Cunningham: It is not a one-off question and answer; we are talking about a longer process. After all, we are at the founding stage of a new way of doing these things, and it is going to take a little while for everybody to get their heads around whether it is working as well as it should be.

John Scott: It seems—to me, at any rate—that the reports would need to be published in sufficient and reasonable time to influence the budget in the year in which they are presented.

Roseanna Cunningham: Perhaps everybody needs to have that conversation and think about whether the proposed timing is right and, if it is felt not to be, how best to adjust it. We have chosen October, because the draft budget is not usually published until a little bit later than that.

Did you want to say something, Clare?

Clare Hamilton (Scottish Government): The October date was chosen on the advice of stakeholders; indeed, it was WWF that proposed that it should happen in October to coincide with when one of the statements is usually made. However, we are very open to discussing the timing with the committee to ensure that it meets your information provision needs as well as ours.

John Scott: I cannot speak for the committee, but it seems to me that it would be beneficial if it happened earlier. However, as you have said, that is perhaps a discussion for another day.

Given that infrastructure investments can lock in a pattern of carbon emissions for many years to come, what have you done to ensure that the Government's pipeline of infrastructure investments is aligned with Scotland's climate change targets?

Roseanna Cunningham: We have committed to increasing the proportion of the capital budget spent on low-carbon projects in each budget until the end of this parliamentary session. I understand that a new infrastructure commission has been established to provide long-term strategic advice, and there might be a conversation to be had with my colleague Derek Mackay on some aspects of that. The commission will give the whole of Government advice on national infrastructure priorities, which will mean looking at not just

inclusive economic growth but low-carbon objectives.

It is a whole-Government response to the issue. Obviously, my portfolio does not have a huge spend on the kind of infrastructure that is being talked about here, but the Government, as a whole, is approaching the issue across all portfolios, and the infrastructure commission will be key to that.

John Scott: I would hope that that means that the cost of that commission will not be allocated to your portfolio.

Roseanna Cunningham: I am not conscious of any funding for the infrastructure commission coming out of my portfolio. I cannot see where it would have come from. It is not being set up on that basis; it is being set up under the appropriate portfolio. However, it is a whole-Government infrastructure commission and, obviously, a number of portfolios are involved in infrastructure planning, which means that it cannot simply be a commission that reports to only one portfolio. It will not report to only one portfolio; but it will not be funded across all the portfolios.

I think that an infrastructure investment plan is due. Again, that does not involve my portfolio, so I do not have dates for that. However, that will reflect the commitment to low-carbon projects, as well as the commitment to inclusive growth. I am conscious that I have a debate this afternoon on a slightly different but related topic.

Claudia Beamish (South Scotland) (Lab): I would like to turn our thoughts to the circular economy. In our pre-budget scrutiny, we encouraged the Government to consider what more could be done to bring forward work for the circular economy, which is important for a wide range of reasons.

Given all that it has to do, and given that there is no increase in its budget, is Zero Waste Scotland sufficiently resourced to deliver the Scottish Government's circular economy ambitions, particularly the commitment to deliver a deposit return scheme?

Roseanna Cunningham: We task Zero Waste Scotland to do what any public body has to do, which is to consider the efficient use of resources and prioritisation. That includes activity to design and implement a deposit return scheme for Scotland. That is a key priority for my portfolio, and the spend for that will be spread over a period of time. Some of the work is already being done by Zero Waste Scotland, and it will continue to work on that.

I believe that Zero Waste Scotland is able to continue to deliver on its objectives. The money that we are talking about supports a number of

actions and has a number of purposes, but I believe that, with the work that Zero Waste Scotland is doing to continue to prioritise expenditure across all the programmes of work, it will be able to deliver effectively.

Claudia Beamish: Obviously, the deposit return scheme will involve significant costs around behaviour change, the promotion of information and dealing with exceptions for rural areas, small retailers or whatever. I understand that the implementation of the costs will be progressive, and I really hope that, given that this is a whole new area, we will be able to implement the scheme.

Roseanna Cunningham: We are factoring those issues in. Zero Waste Scotland is central to the proposal. I hope to be able to make some further announcements, but we are not there yet in terms of the policy—we are still mulling over the response to the consultation, which means that we are still at a relatively early stage.

Zero Waste Scotland is able to continue to do the work that is expected of it for the foreseeable future.

Claudia Beamish: Does the budget allow for the necessary preparations for the ban on biodegradable waste going to landfill from 2021? Is the Government on course to reach that target? I have seen official figures—I think that they came out yesterday—that concern me. They show that in 2016-17, there was a decrease of only 2.2 per cent in the total levels of waste sent to landfill. I am seeking reassurance for the committee on that.

10:00

Roseanna Cunningham: The issue here is the drop in forecast revenues whatever the target is set at. We knew that that was going to happen. The decisions about landfill were taken before the landfill tax was devolved, but we always have been aware that we would get to this point, and aware that the more successful we are, the more the number of businesses being taxed will reduce.

However—for this I have to go to a different part of the budget that is not mine—I am also aware that there is an intention to increase the tax per tonne so that we would get some increase in the taxation revenue. That is not principally about money; it is also about not creating what we might call landfill tourists. If we were to have a lower rate of landfill tax, we might find that we had people from across the border dumping waste here, where it might be cheaper than where it would otherwise stay. The increase in tax is intended to help to disincentivise anybody who thinks that there might be a cheaper option in Scotland. I am aware of that decision having been made, but I do

not have details of it as a worked-through concept. I can ensure that the committee gets those as a follow-up. Those proposals are in the wider budget but are not part of my area. However, I can ensure that the committee gets more detail about them.

Claudia Beamish: That would be helpful.

In relation to possible new environmental taxes or levies to fill funding gaps, do you have any particular thoughts that you would be able to share with us, even in outline?

Also, I understand that there is an expert panel on environmental charging and other measures. It would be interesting for the committee to know when that will make its first recommendations.

Roseanna Cunningham: The expert panel is already meeting. Just before Christmas, I had a conversation with Dame Sue Bruce. I have asked the panel not to save up all its recommendations to put in one big report at the end of a two-year period but to report on a rolling basis. I understand that it is currently looking at coffee cups, on which I anticipate that it will make its initial recommendations by April or May this year.

The issue of taxes and levies has other questions attached to it. We do not necessarily have the relevant tax-raising powers, which is why the carrier bag levy was a levy and not a tax. However, I am conscious that, at the moment, the Secretary of State for Environment, Food and Rural Affairs at Westminster is also thinking about some of the same areas, so there may be conversations that I can have. I am not quite sure what the technical way of doing it would be, but there may be a way of giving us power to make such tax decisions when it comes to this policy area. However, I need to wait for the first set of recommendations to come from the expert panel, which, as I indicated, will be in April or May and is likely to be about coffee cups.

Claudia Beamish: Apart from coffee cups, are there other areas that you or the Scottish Government think it valuable to consider at this stage?

Roseanna Cunningham: Do you mean for consideration by the expert panel?

Claudia Beamish: Or by the Scottish Government.

Roseanna Cunningham: The panel's work is to look at single-use plastic, wherever it finds it. It is then a question of drawing up a reasonable work programme and assigning a notional priority, however it decides that priority will be defined. It has chosen to go with coffee cups first, but there might well be other things. I am conscious that there is a big discussion about the use of plastic in packaging, which is virtually always single use. I anticipate that the panel will also want to look at

that at some point. I do not want to tie the panel's hands and be prescriptive about it but that is what it will consider.

I have given the panel an initial two years, so it needs to be thinking about such things during that time. It is about dealing with the most problematic issues as early as possible, because that will help us to tease out some of the issues around the tax/levy debate that will bedevil quite a lot of this.

The Convener: I say gently to everyone that we have 25 minutes with the cabinet secretary left and we still need to get through four subjects. If we can make our questions and answers more succinct, we might get through a bit more.

Finlay Carson (Galloway and West Dumfries) (Con): Scottish Government funding for the Scottish Environment Protection Agency has been declining during the past few years and is set to decrease by a further 1.5 per cent. How have organisational efficiencies and a reprioritisation of SEPA's spending plans enabled a 28.5 per cent reduction in its resource consumption budget?

Roseanna Cunningham: Some of that has been about balancing. SEPA has been successful in looking at its charging regime and charging where appropriate, which might not have been the case in the past.

I am about to use a figure that I think I have just seen—I am looking to one of my officials to endorse it. The rough position is that 50 per cent—my official has confirmed that that figure is right—of SEPA's income comes from charging. A lot of the reduction has therefore been balanced by an increase in charging. I assume that most people consider that to be an appropriate way in which to proceed.

We will engage with SEPA on business planning. However, SEPA has also engaged with us fairly consistently on better environmental regulation. SEPA worked proactively in that area and was the first public body to engage with it, about 10 years ago. I am confident, therefore, that SEPA can continue to manage its priorities and to deliver efficiencies. As I say, it has had a great deal of success in increasing charging income to the extent that half of its income now comes from charging.

Finlay Carson: During its pre-budget scrutiny, the committee also raised the fact that the performance of Marine Scotland was downgraded from "improving" last year to "maintaining" this year. What is the change to Marine Scotland's budget, excluding the reallocation of administration costs?

Roseanna Cunningham: The 2018-19 budget already contained an element of administration costs. The transfer of the full administration budget

has resulted in the underlying Marine Scotland budget increasing by £1.8 million.

We are touching on the change in the way in which budgets are presented, which is a shift in the way that total operating costs are being reflected. It is quite a technical area, and I appreciate that it will create a bit of discontinuity this year for people who look at what happened previously. The intention is that, from this year forward, the figures will all be far more transparent than they have been.

My initial answer had to be that administration costs were reflected in last year's budget, but that would not necessarily have been particularly obvious.

Graham Black (Scottish Government): The position last year was a bit complicated but, overall, the Marine Scotland budget will go up by about £1.8 million this year in terms of what we can spend on operational matters. There is a recognition that quite a lot of Brexit-related activity is involved in the marine area and that some of our assets require more maintenance as they get older. Overall, there is a significant increase this year.

Finlay Carson: Given that the marine protected area network is growing and that you have a commitment to consult on four new MPAs, on the national deep-water marine reserve and on the seabird conservation strategy, do you anticipate that the budget will have to grow to deliver those policies and plans?

Roseanna Cunningham: I would like my budget to grow exponentially across the board from here on in, but I am conscious that that is unlikely to happen. Nevertheless, I hope that Marine Scotland will be able to conduct the same exercise as SEPA has conducted in respect of charging and that we will then see some of the same results as we have seen in SEPA. As I indicated, SEPA has been the front runner in that respect, but that does not mean that there are not ways in which other bodies such as Marine Scotland might do it. I am looking for Marine Scotland to identify those opportunities as well as the efficiency savings that we expect everybody to make. Obviously, those additional funds will make a difference in the future.

Finlay Carson: Can I—

The Convener: I am sorry, but we have to move on.

Finlay Carson: Okay.

Mark Ruskell: I have questions about land management. Is the biodiversity challenge fund included in the budget? If so, when will it be open for applications?

Roseanna Cunningham: Yes, the funding is definitely included in the budget. It will be made available but only for projects on the ground—it will be operated on that basis. My officials are currently drawing up the details with SNH. Obviously, it is a key part of what SNH does. The commitment is for up to £2 million spread over two years, and the funding is definitely in the budget. I believe that it is in a line in the budget that is to do with sustainability.

Keith Connal (Scottish Government): It is not in a separate line.

Roseanna Cunningham: It is not in a separate line, but it is contained within a line. I am trying to think where it is buried.

Richard Murray (Scottish Government): It is in the Scottish Natural Heritage funding.

Roseanna Cunningham: It is in the SNH funding.

Mark Ruskell: We have heard a lot of evidence about the benefits of a national ecological network. Where is that in the Government's priorities? If you intend SNH to develop such a network, does it have the resources to do that within the budget?

Roseanna Cunningham: I am conscious that there is quite a debate about that issue. SNH staff will meet my officials in a week or two to discuss it. The member will be aware that there is a conversation to be had about what the national ecological network will comprise. Will it be a network of existing things or will it involve a reconsideration of what exists? A lot of people are involved in the issue, and they are not all part of Government. For example, the Cairngorms connect project is involved, and it includes land managers who are not in the public sector. A significant conversation is taking place.

I believe that SNH has the resources to develop its thinking on the network. The issue is obviously part of the wider work on biodiversity. However, there is no unified view among stakeholders of what precisely it means. We must come to a decision on that before we make decisions about the allocation of a specific budget to it, because how we define the network will clearly be significant in deciding what money might be required and where it might have to be spent.

Mark Ruskell: Will the drop in pillar 2 funding for the less favoured area support scheme, agri-environment measures and LEADER schemes impact on land managers' ability to improve biodiversity? Has there been an assessment of what the drop in funding will mean?

10:15

Roseanna Cunningham: There are a number of issues involved in that. Members may be aware that, since the draft budget was published, over £39 million has been awarded to rural businesses under the agri-environment climate scheme, with a further round opening this week. That scheme has to be regarded as successful, and it is clearly funded.

We intend to continue to deliver the Scotland rural development programme, and the agri-environment scheme that I am talking about includes a great deal of work that is directed towards biodiversity, which is a key area of need.

For most schemes, the budget reflects forecast spend, and some of the budgets have been bedevilled by estimates that have turned out to be inaccurate. Some schemes do not get as many applications as one might want. We have to forecast a spend, and that is reflected in the budget.

Have I missed anything? I think that the budget, as it is currently presented, adequately deals with those issues. Of course, Brexit hangs over the longer-term future of some of them, but, like everyone else, I have absolutely no idea what is coming down the line on that.

The Convener: Mark, make this your last question, please.

Mark Ruskell: Okay. I will make it a combined question, then. What will the woodland grants budget increase by in order to meet the 2025 target? Peatland action is shown in level 4 figures, but what amount has been allocated and will it be enough to meet the targets in the climate plan?

Roseanna Cunningham: On woodland grants, We consider that the draft budget currently contains sufficient provision to meet the target of planting 10,000 hectares a year. The increase to meet the target of 15,000 hectares a year will need to be considered in future budgets, and I cannot speak to what that will look like. That is also part and parcel of the wider Brexit issue.

We have identified £3 million within the budget to support peatland restoration, and I expect the peatland action initiative to continue to maximise the ability to deliver across funding routes and partners. However, we will continue to look for potential in-year funding to transfer over to peatlands, as we have always done. That has been a standard function in budgets, year on year. There is a delivery pipeline of projects, all of which work is on-going and has funding available for it. At the moment, we are content that we can continue to do what we need to do on peatland restoration.

Some members—particularly those of longer standing—will be aware that the majority of the budget for peatland restoration did not initially come from my portfolio but tended to be SRDP money that was held in a different portfolio. However, the £3 million that I am talking about here comes from within my portfolio.

John Scott: Let me take you to research analysis and other services, cabinet secretary. The budget for programmes of research resource has seen a drop of over £1 million, which has been delivered by efficiency savings as well as resource capital transfer. What are those efficiency savings and how do they limit the capacity to deliver strategic research on the environment, food and land?

Roseanna Cunningham: Individual research institutes need to make decisions about efficiency savings within their own organisations. We ask all research-funded grantees to factor in savings of 3 per cent per annum, which should be used to offset any increases in costs.

We live in a challenging climate, and I am pretty sure that, if you spoke to each of the research bodies individually, you would find that they all want a great deal more money. However, we have to manage things as best we can, and that is the basis of our approach. Nearly all the decisions about efficiency savings will be for those research bodies to make—I do not dictate to them what those efficiency savings should be.

John Scott: With their operational costs now being added into their overall budgets, they have seen quite significant declines in their research budgets.

Roseanna Cunningham: It is tough. There are also changes in the ways in which we do research that perhaps impact significantly on their work. For example, we use a number of research centres as opposed to particular research bodies, and some of the work that they might have got from us now goes to research centres. The whole research part of the budget is much bigger than just the funding of the various research bodies.

John Scott: If the Government is moving away from a commitment to strategic research to a more contract-based and shorter-term approach, how will it ensure that the Scottish environment, food and agriculture research institutes—or SEFARI—and others that deliver the Government's research programme can plan adequately? Do you anticipate continuing five-year funding programmes?

Roseanna Cunningham: For obvious reasons, we have not taken decisions with regard to SEFARI post-2021. The next cycle of funding for SEFARI will involve working with an independent

strategic advisory board, and SEFARI are fully involved in that.

I am committed to SEFARI and believe very strongly that they are the right way forward for Scotland, so I keep a weather eye on what is and is not happening there. The SEFARI approach points the way to a much longer-term solution to some of the issues that arise for the various research institutes.

John Scott: I absolutely agree that pursuing a collaborative approach whenever possible has to be recommended.

In the budget, the contract research fund has declined by over 40 per cent, notwithstanding what has been said. Why is that budget likely to be used less in 2019-20 than hitherto?

Roseanna Cunningham: I referred to that in an earlier answer. The contract research fund has been underspent in recent years, and the shorter-term needs of my policy teams are being met by centres of expertise. The committee might be more aware of a couple of those than it is of others. ClimateXChange, for example, is one such centre of expertise. We more frequently approach the likes of ClimateXChange when we are looking for shorter-term research. There is a different way of doing what we need to do.

I am trying to think of some of the other centres of expertise. There is the plant health centre and the animal health—

Richard Murray: Yes—EPIC Scotland, the centre of expertise on animal disease outbreaks.

Roseanna Cunningham: We tend to approach those centres of expertise when we are looking at shorter-term policy instead of going through the contracted research model that has been used in the past. As I said, the funding for contract research was underspent, so it seemed appropriate to realign that.

John Scott: On that subject, where are you at with the plant health centre of expertise?

Roseanna Cunningham: That is not my responsibility; I think that it is a rural economy responsibility. There are a number of centres of expertise. ClimateXChange is the main one that I am conscious of having used, but I think that there are four in total.

John Scott: If you are able to give us any further information on the plant health centre of expertise, perhaps you could let us know.

Roseanna Cunningham: Yes. I will flag that up.

The Convener: We move to questions from Angus MacDonald.

Angus MacDonald (Falkirk East) (SNP): I will be brief, convener.

If I can, I will turn to European Union exit—

Roseanna Cunningham: Hmm.

Angus MacDonald: I am sorry for raising the issue, cabinet secretary. [*Laughter.*]

On EU exit and organisations' ability to lever in funds, you will be aware that the committee asked for details of current and planned work on assessing and meeting the anticipated funding gap when the UK withdraws from the EU—if it happens. Given your statement that

“it is not possible to assess the nature and scale of any future funding gap”

for the ECCLR portfolio beyond 2020, what risk assessments are you carrying out on the impact of full or partial withdrawal of existing funding post-2020?

Roseanna Cunningham: That is part and parcel of the work that is taking place, and the committee is integral to much of that. Regardless of what anybody thinks might happen, we are preparing for no deal, and because we are preparing for all eventualities, we are having these conversations all the time. We are working with Scottish Natural Heritage, the Scottish Environment Protection Agency and Marine Scotland to quantify and assess the current level of EU funding in the portfolio. After all, it is funding that has simply been taken for granted and integrated into everything that we do, so we must ensure that we understand the extent to which it has applied.

I continue to ask the UK Government for more detail on what will replace EU funding, but I am afraid that, until we know what that will be, it is very difficult for us to make any plans for what will happen post-2020. Like everyone else, I await today's outcome with interest, but I am not sure that that will help us to answer the question, which needs to be answered not just for this portfolio but for a number of others, too.

Angus MacDonald: Indeed.

What is in place more generally in the 2019-20 budget to ensure that activities that are carried out by EU institutions or bodies can be adequately replicated in Scotland in the event of a no-deal Brexit?

Roseanna Cunningham: I think that Derek Mackay has already made it clear that the current budget is designed to work on the basis of there being an orderly exit from the EU from the end of March. Unless I am very much mistaken, he has already stated in the chamber that, should an orderly exit not be the case, he might have to revisit the budget. However, I am afraid that I do

not know what the actual outcomes of that would be. All portfolios might be required to revisit their budgets—I certainly expect that the rural economy and environment, climate change and land reform portfolios would have to do so—but, as yet, we do not know what we do not know.

The draft budget is predicated on an orderly exit. It is very difficult to say more about it.

Angus MacDonald: Thank you.

The Convener: I thank members for their questions. I will ask a final question that will bring us back to the first round of questioning. We appreciate that this is the first year in which the budget has been presented differently, but is it possible to say what additional funds have been allocated to your portfolio, excluding the administration costs that have now been added?

Roseanna Cunningham: No, it is not possible for me to tell you that because this is the foundation year for the new way of doing things. It will be easier to give a response on that in the following year, because the answer will not be complicated by having to include administration costs from elsewhere. I have to say that I was a little worried that I was going to be asked about the total operating costs.

The Convener: What is the point of doing things in this different way?

Roseanna Cunningham: The whole point of doing it is to make the budget clearer. The difficulty is that this is the first year in which it is being done and is therefore the basis on which subsequent years will be assessed.

10:30

I have some figures. The overall budget for 2019-20 is £426.6 million, compared with £405.5 million for 2018-19. However, I would not want to encourage committee members to presume that that means that there has been a 5.2 per cent increase, because I am not entirely sure of the hidden administration costs. The difficulty is that we cannot compare like with like for this year and last year. We will be comparing like with like when we compare next year with this year.

John Scott: May I speak?

The Convener: You may ask a very quick question, because we have run out of time.

John Scott: If we subtract the operating costs of £63.3 million from the budget of £426 million, that leaves us with £363 million. If we compare that with last year's £405 million, we see that the cut to the budget is about £40 million.

Roseanna Cunningham: I have already said that some administration costs were included in

last year's budget, so it is not a straightforward, like-with-like comparison. There is not much else that I can say, apart from that there is discontinuity that applies across all portfolios because of the new way of presenting budgets. All portfolios must deal with that. Therefore, I cannot give you an answer about the difference between this year and last year. We will be able to be much clearer about the difference between this year and next year.

John Scott: Could the cabinet secretary write to us about that? The situation is far from clear. We are unable to assess whether the budget has gone up or down.

Roseanna Cunningham: I can write to the committee, but that will be only an expansion of what I have already said. Because of how previous budgets were drawn up and how this budget is being done, there is no way to do a straightforward like-with-like comparison. The new way is making the budget much more transparent.

The Convener: I thank the cabinet secretary and her officials for their time this morning.

10:32

Meeting suspended.

10:35

On resuming—

The Convener: We continue our scrutiny of the 2019-2020 budget. I am delighted to welcome to the committee Derek Mackay, the Cabinet Secretary for Finance, Economy and Fair Work. He is accompanied by officials from the Scottish Government: who are Simon Fuller, the deputy director for economic analysis in the office of the chief economic adviser; Rachel Gwyon, the deputy director for infrastructure and investment; and Clare Hamilton, the deputy director for decarbonisation. Good morning to you all.

We have been discussing preventative spend, which we asked the Cabinet Secretary for Environment, Climate Change and Land Reform about in the previous session. How do you build preventative spend into how you allocate budgets across the portfolios? Has evidence of the wider benefits of environmental spend resulted in a shift in budget allocations from other portfolios to the environment, climate change and land reform portfolio, given that that could reduce future spend?

The Cabinet Secretary for Finance, Economy and Fair Work (Derek Mackay): That is an interesting question. The outcome and objective that we are trying to achieve is appropriate preventative spending in order to take cost and negative societal impacts out of the system.

It is not for me to reframe your question, but you have asked whether there is a simple transfer from one portfolio to another around preventative spend. Much of the Government's focus with preventative spend is on trying to apply the right policies across Government. For example, active travel is good for the health of the nation, the individual and the environment but—naturally—transport sits in the transport portfolio. Active travel might be the correct preventative intervention, but it does not necessarily mean that that budget line is moved from the transport portfolio into the environment portfolio. Right across Government, a preventative approach is being taken, but it is not necessarily as simple as a transfer from one budget to another.

The Convener: So, it is more about putting the policies that impact on the environment into the various portfolios.

Derek Mackay: Yes. In some instances, there are contributions from other portfolios to a function. A good example of that is local government, which benefits Scotland through a range of funding streams. The situation is certainly complex. There is general revenue support, there are ring-fenced funds and there is the support that comes from individual portfolios to local government.

The totality of our approach is important in terms of prevention, rather than being about an individual portfolio's individual budget lines. If we focus on prevention, what we can do as a whole Government is really important. The Deputy First Minister and Cabinet Secretary for Education and Skills leads the Cabinet public service reform sub-committee, which focuses on outcomes. The budget has inputs of resource, but we are united as a Government on outcomes, so we should look at policy from that perspective. Success on climate change and what we need to do for the environment are not the preserve of the environment secretary or the Environment, Climate Change and Land Reform Committee: we need a whole-Government approach.

As finance secretary, the best way that I can address the question is to say that the Government looks at the totality of the budget, although there are instances of transfer from one portfolio to another.

Active travel is a good example. Its allocation has more than doubled in recent years. It brings benefits to individuals and the environment. However, as I say, it does not fit nicely in the committee's portfolio.

Stewart Stevenson: Clearly, preventative spend is incurred in order to save money in the future. I know that asking for detail would be a waste of time, but is there any broad-brush sense

of the proportion of preventative spend that results in cash savings for the Government, and of the proportion that provides societal benefits on which we can, quite properly, put a number in relation to people's quality of life and so on? What are the different ways in which the benefit that comes from preventative spend is allocated? It is all very well asking the Government to spend £1 million for £10 million-worth of benefit, but that £10 million does not necessarily come back to the Government.

Derek Mackay: That is a good question. It would be a consultant or academic's dream to be commissioned to come up with that analysis. The truth is that the answer depends on what the spend is on, whether we are making an intervention and what the subject matter is. Economists would also love to spend days on that subject.

It is a general question. You have to spend on the day-to-day remedies. The health service is a good example of where we propose a substantial budget uplift. That will be allocated to a mixture of things: direct and front-line services and general practitioners. It will be allocated to prevention, too—mental health services being a good example of that. You have to look at the matter case by case, rather than saying that if £10 million were invested, the multiplier would be X. That will depend on the nature of each individual investment. You could then come up with a formula or an exercise to explore its effect.

We have to get the balance right. At the same time as investing in our public services in a way that recognises the financial context in which we find ourselves, we are also turning the tanker in terms of the transition to the low-carbon economy and protecting and enhancing our environment, in recognition that a healthy economy needs a healthy environment. Preventative interventions have a positive domino effect, but—given that we have to get the balance right—that would not be to the detriment of other areas of need, at this time.

I understand the desire to have a formula, but the outcome depends on each case, the nature of the investment and the statistics that we would have around that. That is the best answer that I can give, in the circumstances. I doubt that Mr Fuller could provide more answers than I have given, although he may want me to commission work on the issue.

Do you want to hear more about preventative spend modelling, convener? I see that Mr Stevenson is happy with what I have said.

The Convener: Finlay Carson has a short question; maybe he can probe the matter.

Finlay Carson: Mr Mackay, you are obviously a gentleman who would like to see a return on money that is invested. The committee is

interested to see portfolio areas including environment, the economy, health and climate change working together. If someone suggested to you that you could make 225 per cent on money that was invested, and that it could deliver sustainable and inclusive economic growth, would you be interested in that? If so, why is the Government not interested in considering additional national parks?

Derek Mackay: I am not sure whether that is a question for me or for other cabinet secretaries. I was formerly a planning minister in the Government, and I took a very keen interest in the two national parks.

I will touch on the point about the return on investment in general. Sometimes, we do a thing because it is the right thing, and it is not necessarily about money or financial return, because there can be other benefits. Sometimes, we make a financial intervention that does not financially benefit the Government but is worth doing because of the wider benefits to society.

There are specific issues to do with a request for an additional national park. Essentially, if we have a planning system that works well, we can strike the right balance between economic growth and environmental protection. Those can be mutually beneficial.

I am sure that every part of Scotland should enjoy the relevant appropriate environmental protection on place. We should celebrate our wonderful natural assets. I am sure that Mr Carson will continue to take up that matter with the relevant ministers.

However, I will make the following point. We want to protect our environment and every part of our country. At the same time, we do not want bureaucracy to get in the way of our objectives. It is therefore important that designations are right and appropriate. I say that as a former planning minister who has an interest in the environment and in sustainable economic growth. I hope that that is of some assistance.

10:45

The Convener: We will now return to the substance of the budget, with questions from Claudia Beamish.

Claudia Beamish: I was heartened to hear the cabinet secretary's comment earlier about a whole-Government approach. That leads us on to the capital budget and infrastructure investment, on which Mark Ruskell and I will ask questions.

In the analysis that the Government provided to the committee, 31.8 per cent of infrastructure spend is classified as low carbon. Could you clarify for the committee the areas of spend that

make up that percentage? Could you also clarify the areas of spend that make up the 10.1 per cent of spend that is classified as high carbon?

Derek Mackay: I know that the committee will welcome the commitment that we have made to increase the share of low-carbon spend. It is a commitment that we wish to keep.

Generally speaking—I am sure that the committee does not want me to be exhaustive—we are following the approach that it was suggested we take. To be fair, it is a very high-level approach.

It will not surprise the committee to hear that the high-carbon areas include roads and airports. However, we are decarbonising the road network, taking congestion out of the system and electrifying the road network, which is surely—pardon the pun—the direction that we want to go in. That has its benefits and there is a debate to be had about that. However, for the purpose of this analysis, it will not surprise the committee that roads and airports are classified as high-carbon areas.

Rail, ferries and waste and energy efficiency would be deemed low-carbon areas. I say again, however, that we conducted very high-level analysis. We are following the methodology that was suggested to us.

Claudia Beamish: If I understand correctly, you have indicated an openness to improving the methodology, in conversation with the committee. Do you have any vision of the changes that you would like to make in that respect?

Derek Mackay: I do not, other than to say that I am open minded. I acknowledge that it is a high-level methodology. It is part of the budget negotiations. We were asked to make that concession and we have done so. We took the methodology that was suggested. That is an open-minded and constructive approach. I am committed to continuing dialogue if the committee wishes to explore this further, so that we stay on this direction of travel towards what we are trying to achieve—a low-carbon economy and taking out harmful effects. I am open to further engagement in a constructive way. I do not think that I can be any clearer on that.

Claudia Beamish: I am sure that the committee welcomes that.

Can you clarify the balance of the objectives that you have set for the low-carbon infrastructure commission, which are to

“significantly boost economic growth and support delivery of Scotland’s low carbon objectives and achievement of our climate change targets”?

Derek Mackay: Later today, Parliament will debate the issue of securing a just transition to a carbon-neutral economy. That will be a nice follow-on from the theme of this morning’s committee meeting that investing in infrastructure does not need to be harmful to the environment. Of course, the balance has to be right.

For accuracy, I say that Michael Matheson, as the Cabinet Secretary for Transport, Infrastructure and Connectivity, will lead on infrastructure matters, not me. However, I am sighted on the relevant information and expect that the infrastructure commission will be focused on the low-carbon agenda. The advice that it gives to Government will be very mindful of that balance. It is about infrastructure, but it will be able to advise on transport, connectivity, digital—on any of those matters.

We expect the commission to take account of the commitment on low carbon in its role and function, but it will be independent of Government. In a similar way to the national investment bank, which I will lead on, there will be an expectation that the Government’s policy and drive will be taken into account. We have a climate change plan and a climate change bill, so I think that our intentions on the environment are clear. Any agency that works with us, for us or to our agenda should bear that in mind as it conducts its affairs. Again, for clarity, I say that the transport secretary leads on infrastructure matters.

Mark Ruskell: It is good to hear the commitment to low-carbon investment during this parliamentary session. The analysis that the Scottish Parliament information centre has produced suggests that there is a very high level of low-carbon investment, particularly in this year’s budget, but it is less convincing about the trajectory going forward. How certain are you that progress will be sustained over time? What does your analysis show?

Derek Mackay: It is important to bear in mind that the commitment is on the capital budget. The budget is set year to year.

I welcome what Mr Ruskell has said about the progress that has been made. I gently make the point to all members of the committee that, if the budget is not approved, the spend will not happen and we will not make progress on the environment. It is important to say that we are on target to meet our commitments on investment in the transition to a low-carbon economy and the enhancements to active travel and energy efficiency over this parliamentary term. We are investing significantly in rail. We are investing in housing of a very high standard, which will replace what was there previously. Those are all welcome capital investments.

I listened to some of the evidence earlier and I know that the committee touched on Brexit. The proposed budget is contingent on there being a deal and an orderly Brexit. If the Chancellor of the Exchequer revisits his budget in the event of there being no deal—that is, of course, subject to parliamentary votes at Westminster—I will need to revisit mine. I make that point because we have set out a number of multiyear commitments. Housing is a good example of such a commitment; we have set out resource planning assumptions for a number of years. However, generally speaking, we have set out one-year budgets.

If the UK Government gives me enough certainty after it conducts its spending review—notwithstanding the complexity around the fiscal framework and the fact that our devolved revenues will be set year to year—I will be able to develop more multiyear funding arrangements. However, as it stands, I have presented a one-year capital budget to Parliament. I hope that the commitment and the principle will stand in future years, but I have not set out a capital budget beyond 2019-20. That is why it is hard for me to give the commitments that would show how we would reach the target year on year, but I want to keep the commitment.

Categorising some of the spending helps to influence our spending decisions. If we say that we want to keep a commitment to increasing the proportion of low-carbon spend, categorising the spending will help to guide us in the budget process. However, I have proposed only a one-year capital budget, so I will be able to answer the question more fully when I present budgets in future years.

Mark Ruskell: If you had certainty, would there be an implicit weighting in the budget towards more investment in low-carbon infrastructure. Are we talking about rail? What are we talking about?

Derek Mackay: Right now, I am working very hard to get the budget for 2019-20 through Parliament. The commitment that the Government has made will help to direct us in where we allocate our capital spending. There will be a range of demands or requests on the budget, including those that relate to digital, housing or transport. I need to balance a whole host of dynamics in allocating the budget. However, if we set out the principle of increasing the contribution or share of low-carbon spending—as I have done—that will be a guiding principle for me when I compile the budget.

Mark Ruskell: What will be the roles of the infrastructure investment board and the infrastructure commission in guiding you on those decisions?

Derek Mackay: The commission will advise the Government, principally through Michael Matheson, the relevant cabinet secretary. It will look at demands, the transition of the economy and the spending requirements, but it will need to keep the low-carbon ambition in mind.

What I am saying, fundamentally, is that, whatever advice I am given, I am reiterating a commitment and a direction of travel that I have set out. It is still a matter for the Government and, ultimately, the Parliament to decide. The Parliament can decide whether to approve the budget. I am trying to be as reassuring as possible that low-carbon spending is a principle that we are trying to deliver.

The useful thing about having an infrastructure commission is that it will bring an independent perspective. It will take the time to focus on the evidence and will present information to the Government and, in the end, the Parliament. That is a very helpful development in terms of infrastructure advice for our country, but it is still the job of parliamentarians to decide how we allocate Scotland's resources to the budget. It is against that background that I am trying to reassure members that we are staying on this direction of travel.

John Scott: Given that your budget is contingent on a deal on Brexit—and, given that, presumably, you wish your budget to succeed—are you urging your Scottish National Party MP colleagues to vote for the proposed deal in the House of Commons today?

Derek Mackay: Instructing my parliamentary colleagues elsewhere how to vote is a wee bit above my pay grade.

John Scott: Your current or future pay grade?

Derek Mackay: I missed that question, and I think that it is quite good that I did.

The Scottish Government has outlined a compromise position to the United Kingdom Government, which would keep Scotland in the single market and the customs union. Of course, we would rather have full membership of the European Union but, essentially, the Prime Minister's deal is detrimental to the UK and to Scotland. We are not of a view that the Prime Minister's deal is good for Scotland, and a no-deal Brexit would be pretty catastrophic. However, the Prime Minister has, either deliberately or accidentally, mentioned the idea of no Brexit a number of times. It would not surprise you to know that the idea of no Brexit seems pretty good to the people of Scotland who voted to remain in the European Union.

I think that the UK Government has got itself in an almighty mess on Brexit and mismanaged the

whole process. It is hard to see what the Prime Minister will do next. She can answer that better than I can. However, what we are trying to do is to secure the least-damaging outcome for Scotland. Frankly, that is no Brexit. We have set out a position with regard to how that can be achieved, but we will have to see how events unfold today and over the next weeks.

Mr Russell and I have set out the implications of Brexit, including the economic impact on Scotland and the environmental damage. I encourage the Prime Minister to pay attention to what the Scottish Government and many others have been saying.

Stewart Stevenson: Before I ask my substantial questions, I have a question that I am not sure that the cabinet secretary will be able to answer. I understand that the carbon assessment includes an assessment of the carbon impact of imported services and goods. Does that feed through to the UK Committee on Climate Change's assessment of carbon, or does that exclude imported services and goods? I am just trying to see whether we can compare the figures. If the assessments are different, we cannot.

Derek Mackay: I will make one point about the carbon assessment, which is a significant one. The carbon assessment of the budget quantifies only the immediate impact in terms of emissions. You need to bear in mind that it does not quantify the future effects of a policy or financial intervention. That comes separately—I imagine through work on climate change interventions.

If we are spending more—and let us be reminded that, despite continuing austerity from the UK Government, this budget proposes a £2 billion increase in expenditure in Scotland on the priorities that I think that we share—there will usually be an initial increase in emissions. However, even if a particular policy or financial intervention might lead to a reduction in carbon emissions over time, that is not taken into account in the carbon assessment.

Simon Fuller can answer the more specific question.

Simon Fuller (Scottish Government): As Mr Stevenson said, the carbon assessment includes imported emissions. That is similar to the carbon footprint publication that we produce, which looks at the emissions that are associated with overall consumption in Scotland. It is different from the overall climate change targets that the Committee on Climate Change feeds into, which are based only on domestically produced emissions.

11:00

Stewart Stevenson: Yes. I just thought that it would be helpful to make sure that my colleagues and I had that shared understanding.

Let me move on to some more specific things—

Derek Mackay: Was that a general question?

Stewart Stevenson: It was not intended to be other than general, cabinet secretary. I recognise the issue.

My next question is on the national health service in particular. What are the most carbon-intensive parts of its expenditure, or does that question really have to sit with another cabinet secretary?

Derek Mackay: On any specific technical questions, I am more than happy to get the relevant information from other parts of the Scottish Government. I imagine that, in the running of the national health service, its estate will account for the substantial part of its emissions in the carbon assessment. We are spending more on the national health service, of course. Again, I am happy to get officers to provide any further information that you require.

Stewart Stevenson: May I suggest that that be done? I think that we are also interested in what is happening in the rural portfolio with support, pillar 1 of the common agricultural policy, greening payments and so forth, because that is a big area.

Let me move on to what is perhaps the final aspect that we can deal with now, which is the lock-in effects of infrastructure investments. To what extent are your decisions on spending and the allocation of funds influenced by those long-term effects? We are building roads and electrifying roads, which is good in the longer term, but in the shorter term, as we build roads, we are probably increasing the carbon impacts over a number of years.

Derek Mackay: I think that that relates to Mark Ruskell's question about the direction of travel in capital spend.

May I briefly go back to agriculture? It is carbon intensive by its very nature, and we have substantial spend on it through CAP payments. Again, I think that that financial support has largely been welcomed. I am sure that Fergus Ewing in particular would be more than happy to go through the environmental considerations on that, but those CAP payments are a major financial intervention, and the fact that the sector is so carbon intensive explains that outcome.

On how we are locking in effects in infrastructure, we are partly guided by the infrastructure investment plan, as I said. It sets out the infrastructure that is required, but it is, of

course, published at a certain point in time, and there have been more developments on the environment and our understanding of the low-carbon agenda since the infrastructure investment plan was last set out. We also have the national planning framework, which I know Mr Stevenson is very familiar with. There are a range of policy guides that take us through our infrastructure spending.

There are then the factors of demand and the financial circumstances in which we find ourselves. For example, a change to rail financing has come from the UK Government. Those things are all material considerations in the year-to-year capital budget. In aspiring to meet our target for new homes, we are leveraging in over £800 million for housing. We have to look at the totality of demands and policy commitments around the capital budget.

We have undoubtedly been delivering in terms of the trajectory of spend on energy efficiency. It has been welcomed that we have more than doubled the spend on active travel. The rail investment is significant, with the spend on electrification of rail, and we are proposing to continue investing in low-carbon transport. There are specific funds for that.

Although we are being guided by the infrastructure investment plan, there have been other interventions that have enhanced our position with regard to investment in low-carbon spend in the capital budget.

One amendment that the committee asked for, and which I have made, is the inclusion of financial transactions in the analysis. They are now part of that figure, which the committee should surely welcome, given that it made the request. I am just trying to evidence how we have been mindful of this issue in our decisions on capital, but I would point out that some capital spend is deemed to be neutral. One good example is digital; we can quantify the immediate effect of the initial investment on emissions, but we should also point out the huge long-term benefits of having a more digital economy with the reduction in the need for people to travel and in other more harmful impacts on the environment.

Stewart Stevenson: It has been suggested that only 10 wind turbines will be required to provide the power for the Edinburgh to Glasgow rail electrification scheme. In saying that, I should declare an interest as honorary vice-president of Railfuture UK, which demonstrates my enthusiasm for railways.

Derek Mackay: I am sure that we all welcome the increased electrification of the rail network and the greener, cleaner, faster, longer and higher-capacity trains.

The Convener: Mark Ruskell has some questions about local government and other bodies.

Mark Ruskell: Going back to the cabinet secretary's previous comment, I think that we will all welcome that as long as the trains run on time.

On the city region deals, significant investment of £192 million will be made by the UK and Scottish Governments in 2019-20, but how do we get a grip on whether that is carbon-neutral, high-carbon or low-carbon investment? Will the investment in city deals lock in emissions for years to come? How does the Government assess that and, indeed, which bit of it does the assessment?

Derek Mackay: To be fair, I would say that local authorities share our low-carbon ambitions, but city and region deals are quite different from general capital investment and spend, simply because of the negotiations that take place. Essentially, they are deals between the UK Government, the Scottish Government, local authorities and other parties.

As the local government and planning minister, I was a signatory to the first deal, which was the Glasgow city deal, but I felt that it was very heavy on infrastructure. That is not necessarily a bad thing, but I would argue that more recent deals have focused on jobs and skills; in Edinburgh, there was a focus on the BioQuarter, and there has also been a focus on digital. The deals are very specific to the locale in question, the nature of the negotiation and the desires of the economy in that particular part of the country. There is always an expectation with regard to low-carbon investment but, essentially, my answer to your question is that I do not have a specific measurement for city deal arrangements. They involve a degree of empowerment; we cannot be accused of centralising power in the city deals and then be told that we need to hold local authorities to account for carrying out carbon assessments of them. I can say that authorities all share our low-carbon ambitions.

I have no specific assessment of the emissions associated with the city and region deals, but if the committee wishes me to explore that, I should point out that that would be a slight change to how we have overseen the arrangements for those deals. Again, you must understand that they are based on the premise of partnership approach leading to a deal for investment in a region or part of the country. The Government is, of course, a key player in and funder of the deals, but I do not have a separate set of monitoring arrangements for them. Indeed, such an approach might be resisted.

There is a gateway process and a partnership approach, but I want to make it clear to the

committee that the investment associated with the deals is different from the mainstream capital spend for which the Government is directly responsible and accountable.

Mark Ruskell: If that information were available, would it not help with decisions on, in particular, which transport projects get into city deals? As you have said, they involve negotiations with partners—they are not all about what the Scottish Government or the UK Government does—but would it not help if that carbon information were available?

Derek Mackay: It might well be helpful, but each business case—indeed, each project—is considered in the negotiations on and arrangements for each city and region deal. It will depend on the project and the deal. However, the world has moved on and we have clear environmental commitments, which we expect to be followed, and we negotiate on that basis. I am referring to the difference between the early deals and the deals that we have now, which have a focus on the low-carbon transition. Indeed, some of the work that is under way is intended to support innovation around environmental objectives. We do not need such an assessment to lead us to that conclusion, although further information may be helpful.

Again, this is more a matter for the Cabinet Secretary for Transport, Infrastructure and Connectivity, who leads on city deals and infrastructure, but we would not necessarily wish to retrofit new monitoring arrangements. However, I understand the desire to know more about what the city region deals are contributing by way of emissions. To be perfectly clear, we did not set out what assessment would have to be undertaken for those deals to be enjoyed, although everyone has been mindful of those demands as we have taken forward the deals. That is evidenced by the fact that some of the measures are about innovation to take us to the circular economy and the low-carbon economy, digital innovation, better use of resources and so on.

The Convener: It is certainly a good question, but it is maybe for our colleagues on the Local Government and Communities Committee to ask, as that committee scrutinises city deals.

Claudia Beamish: I want to ask about public sector climate change duties reporting, on which I think there is a working group. Does that group come up with recommendations in relation to concerns about the public sector? To put it bluntly, will there be any more money to support initiatives that have to be taken?

Derek Mackay: I would not close down an evidence-based case. The budget as I have presented it is what I would like the Parliament to

pass, but I am always open to suggestion and I am happy to engage on any evidence that is brought forward. When any member of the Opposition asks me for more money for something or for an amendment to the budget, I have to respond by asking how much they want, where it will come from and what they would take out to fund it. That is a principle, but I—

Claudia Beamish: To be fair, it is a question from the committee rather than from a political party.

Derek Mackay: Yes, and Claudia Beamish is playing her part as a member of the committee. I am interested in looking at any details. I think that the scale of expenditure would not be massive, although that is often said to me when people make requests for funding, and it all adds up. I am happy to look at the evidence—my mind is not closed on that. As a minority Government, we have to look at concessions as part of the budget process, so I am open to engagement.

Finlay Carson: In response to the committee's pre-budget scrutiny report, the Government stated that it is

“committed to becoming a world leader in the development of local energy systems”.

However, although the level 4 budget figures show a significant rise in spending, that largely consists of a redistribution of capital from the energy line. Has additional support been given to renewables and community energy?

Derek Mackay: Again, that is probably more a matter for Fergus Ewing and his portfolio, unless we have anything to hand now that can assist. [*Interruption.*] It seems that we do. Do you want some of the detail?

Finlay Carson: It would be interesting to find out whether there is additional support. There is an increase of 235 per cent in the community energy budget, but how much of that is attributed to the redistribution and how much is additional support?

Derek Mackay: The information that I have is that renewable and community energy will receive £10.1 million in resource as well as £2.8 million in operating costs and £13 million in capital, which is a budget that is broadly level with the previous year's. I do not know whether that is of assistance.

As I think the committee touched on earlier, generally speaking, I have changed our approach to administration spending. The approach of showing total operating costs is more transparent. The budget document tries to outline the figure for, as you would expect, the total operating costs of Government.

It was previously quite complex. Administration spend came from the centre to support the administration costs of individual portfolios, but there were still administration costs and project costs and there were no clear lines in portfolios for that spend. Total operating costs is far more transparent and much clearer on the cost of operating, by definition. That has been implemented this year, so the baselining starts from this year and it is set out in the budget.

That is a more general comment that relates to individual budget lines, but that is why it is sometimes hard to do a like-for-like analysis, especially on this occasion. Again, however, the portfolio minister can give more answers about the specifics around lines in the budget, if that is of assistance.

11:15

Finlay Carson: I might get the same answer to this question. Additional support was given to a deep-water port facility, decommissioning activities and the development of offshore wind. How much additional support is being given to deliver a deep-water port facility and what is the timeline for delivery?

Derek Mackay: My understanding is that approximately £10 million has been allocated to deliver the deep-water port. If you want more information on its progress, I refer you to the portfolio minister.

Angus MacDonald: I turn to operating costs in the environment, climate change and land reform portfolio. We know that the budget document has a new approach and all operating costs are now presented within portfolios. Given that the admin budget no longer exists, can you set out how administration costs have been apportioned to and distributed within the environment, climate change and land reform portfolio at the detail of level 4 figures? What overall additional administration cost has been included in this year's budget?

Derek Mackay: As I tried to set out earlier, I recognised that the administration budget did not cover the total cost of administration. The situation that the Government and Parliament inherited meant that, within portfolios, we showed individual spend on administration in delivering a programme or on delivering a project or a policy commitment.

Moving to total operating costs is more transparent. It gives the total cost of doing business and doing government. There are still some central corporate costs, so we went through with the portfolios what we believe their shares should be. It is quite a complex exercise, because there are still some central costs that portfolios can now contribute to. For that reason, it is hard to do the like-for-like analysis. It would have been an

academic exercise to try to establish the retrospective administration costs. This system is much clearer.

The other thing is that, previously, I determined the administration budget and allocated it to portfolios. It is now for the cabinet secretary to look at how they would like that element of total operating costs to be allocated. For example, if a cabinet secretary or minister wants to spend more on a particular thing and take it from the total operating costs, they have that flexibility. This is the start of that way of doing business rather than the traditional way of setting it all out.

I would be happy to look at what other detail I can provide around administration but, as I say, it is difficult because the system that we have gone from and the system that has been implemented as proposed in the 2019-20 budget are not like for like. For that reason, it is hard to extrapolate those individual lines while acknowledging that the administration line is now part of portfolio budgets.

I will look at what further information I can supply to the committee in the light of the question and supply it. However, that is the explanation for the change.

Angus MacDonald: I get the point about like-for-like analysis, but the committee would appreciate further detail. It would certainly be helpful.

I will use the sustainable action fund as an example. If the administration budget reallocation to the sustainable action fund is stripped out, what is the actual change in available resource for its sustainability and climate change work? Does the SAF's programme of work require reprioritisation because it has fewer resources?

Derek Mackay: If we look at the wider issues around the environment and climate change, we see that there is clearly a focus on the Climate Change (Emissions Reduction Targets) (Scotland) Bill, and we have the just transition commission and a range of interventions and adaptations. A lot of work is going on.

Looking specifically at the sustainable action fund budget for 2019-20, we see that it will be approximately £16.5 million if the administration budget reallocation is stripped out and once total operating costs and corporate running costs are deducted. That compares to a budget of approximately £19.5 million in 2018-19. Through the change in administration budget, I am trying to achieve a more transparent and clearer figure for the total operating cost. That is why it is not appropriate to have a like-for-like analysis. In any event, there are much wider interventions and involvement in our climate change programme.

John Scott: I have questions on the delivery of low-carbon infrastructure. Will the cabinet secretary provide us with an update on the Government's work with Scottish energy-intensive industry representatives? What options are there for incentivising investment in decarbonisation and efficiency?

Derek Mackay: I would like to refer that question to the most appropriate cabinet secretary, which is the infrastructure secretary. My understanding is that there has been a ministerial round-table meeting, but it is more appropriate that the portfolio cabinet secretary answers questions about future developments and the engagement with the sector that he is undertaking. However, I would be happy to get more information to the committee.

John Scott: Perhaps you will ask him to answer that question for us.

On a slightly different subject, which is nonetheless germane in terms of costs, I note that an infrastructure commission is planned, as is a public energy company, the just transition commission and the land commission. What are the costs of all those new quangos?

Derek Mackay: Other people, including members of the Opposition, tell us that they support those quangos. The cost will depend on the nature of each organisation and its formulation. Again, the just transition commission has been called for and welcomed, and we will probably say more about that in the chamber later today. If we are serious about protecting the environment and getting independent expert advice, surely that range of bodies is to be welcomed. As we develop each one, we will compile the costs of doing so. There will be a range of costs that will depend on a body's nature, such as whether it is advisory or statutory.

The Government has an ambition to reduce the number of quangos in Scotland, and we have been achieving that since coming into office. However, in recognition of the priority that we attach to the environment and the transition to a low-carbon economy, and in order to get the best possible advice on infrastructure, it has been established that there is a need for those bodies.

We will, of course, look at value for money. The committee opened with the issue of preventative spend, and that is good advice. If it leads to good decisions and, ultimately, better outcomes, it will be value for money and a worthy spend.

Mark Ruskell: Are you considering any new fiscal powers for local authorities that could help with the decarbonisation agenda as well as raise revenue for the authorities?

Derek Mackay: As Mr Ruskell well knows, I have set out the budget that I am proposing on behalf of the Scottish Government. It is a minority Government and we will have to find a compromise for the budget to be passed. I am open to Opposition parties engaging in the process of budget negotiation so that we can find the necessary support to pass the budget and get the benefits that it will bring to Scotland as a whole. The more than £2 billion of additional spend in our country will be worth while.

As I have said publicly before, this is the stage in the budget process at which I am open to engagement with political parties. It is no secret that the Green Party, to which Mr Ruskell belongs, has made public statements on making progress on local taxation. To see the budget passed, I will continue to discuss issues that are raised by parties.

The Convener: Thank you for your time this morning. Is there anything else that you would like to say in relation to the budget allocation to the environment portfolio?

Derek Mackay: I am here to answer your questions. The budget is set in a context. It is worth mentioning that, if the health consequential are taken out, you see that I have been dealing with a very challenging settlement and with ongoing austerity from the UK Government. Despite that, I have been able to make an allocation to this portfolio that will help us to continue to deliver our climate change aspirations and ambitions and make the right investments for Scotland.

The Convener: Thank you very much. I will now briefly suspend the meeting to allow the cabinet secretary and his officials to leave.

11:25

Meeting suspended.

11:30

On resuming—

European Union (Withdrawal) Act 2018

Chemicals (Health and Safety) and Genetically Modified Organisms (Amendment of Retained EU Law) (EU Exit) Regulations 2018

The Convener: The third agenda item is consideration of the Scottish Government's proposal to consent to the UK Government legislating using the powers under the European Union (Withdrawal) Act 2018 in relation to a UK statutory instrument proposal.

Do members have any comments on the regulations?

Stewart Stevenson: I recognise what the Government is saying and that the objective is to leave the current regime—in policy terms—unchanged. The Government's response to our extensive set of questions makes it clear that there is significant cross-administration working and delegation of important matters by agency agreements to the Health and Safety Executive, and I welcome all of that. However, I—and, I suspect, others—think that it would be useful to put the following on the record. Although I recognise that genetically modified crops are a matter of continuing debate, I assent to the regulations in question purely on the understanding that I take from the Government's response—in particular, from answer 26—that the proposal will lead neither to any change in our GM-free status nor to any change in the relevant regulations. In other words, were our status to change, it would be as a result of a debate beyond this one. I am clear about which side of that debate I would be on, but that is for another day.

Claudia Beamish: I support what my colleague Stewart Stevenson has said.

Mark Ruskell: I, too, broadly agree with what Mr Stevenson said. The only area of uncertainty would be any future common framework around genetically modified organisms and—if there is policy divergence—whether a different decision is made about the commercialisation of GMOs in England, which could have an impact, particularly with regard to spread across borders and shared markets. That is something that we need to keep abreast of. I do not think that it is material to this proposal, but there could be consequences in the future.

Angus MacDonald: I agree with the consensus so far. I have read with interest the Government's

response to the committee's questions, and it is clear that we need to keep a watching brief, particularly with regard to GMO regulations and possible policy divergence. A watching brief is imperative.

The Convener: All members' comments are on the record, and we can reflect them in a letter to the Government as well. I am not getting a sense that any member is against agreeing that the Government should give its consent, but in that letter—if members are happy—we can put forward the points that have been made.

Mark Ruskell: A number of more technical points have been raised, which could be incorporated into a letter. In the paper that we have before us, there are a number of clarifications around information technology database systems that will replace the European Chemicals Agency system. That reflects the evidence that we have already taken in public, which could be incorporated into a letter.

The Convener: Either you can delegate authority to me to sign off that letter or you can have a look at it before it goes out. At this point, speed is of the essence.

Mark Ruskell: I am happy to delegate authority to you, convener.

Stewart Stevenson: On the discussion that we have just had about the status quo and preserving it, the issue is simply that we have noted that that is the effect. However, on the matter that has just been raised, there is a different paper before us that relates to the database systems. At the moment, that is a private paper. It might be appropriate—I beg your pardon; that is the response from the Government. Okay. I am slightly behind myself.

John Scott: Is it the position therefore that the committee is happy with the Chemicals (Health and Safety) and Genetically Modified Organisms (Amendment of Retained EU Law) (EU Exit) Regulations 2018?

The Convener: I am just about to ask the question, to make sure that members are content.

Is the committee content that the Scottish Government will give its consent for UK ministers to lay the regulations in the UK Parliament?

Members indicated agreement.

The Convener: The committee will write to the Scottish Government on that basis. Mark Ruskell has said that he is happy for me to sign off that letter. Are the other members happy with that?

Members indicated agreement.

The Convener: That concludes our agenda for the public session today.

At our next meeting, on 22 January, the committee will continue its consideration of a draft stage 1 report on the Climate Change (Emissions Reductions Targets) (Scotland) Bill and will also consider a notification arising from the European Union (Withdrawal) Act 2018.

11:35

Meeting continued in private until 12:35.

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