



OFFICIAL REPORT
AITHISG OIFIGEIL

Environment, Climate Change and Land Reform Committee

Tuesday 26 November 2019

Session 5



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ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM COMMITTEE
32nd Meeting 2019, Session 5

CONVENER

*Gillian Martin (Aberdeenshire East) (SNP)

DEPUTY CONVENER

*Finlay Carson (Galloway and West Dumfries) (Con)

COMMITTEE MEMBERS

- *Claudia Beamish (South Scotland) (Lab)
- *Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (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 (Marine Scotland)
- Roseanna Cunningham (Cabinet Secretary for Environment, Climate Change and Land Reform)
- Kate Forbes (Minister for Public Finance and Digital Economy)
- Elsbeth MacDonald (Scottish Government)
- Lorraine Walkinshaw (Scottish Government)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Environment, Climate Change and Land Reform Committee

Tuesday 26 November 2019

[The Convener opened the meeting at 09:35]

Subordinate Legislation

Environment (EU Exit) (Scotland) (Amendment etc) (No 2) Regulations 2019 [Draft]

The Convener (Gillian Martin): Welcome to the Environment, Climate Change and Land Reform Committee's 32nd meeting of 2019. I remind everyone to switch off their mobile phones or to switch them to silent mode, because they might otherwise affect the broadcasting system.

The first item on our agenda is consideration of an instrument that is subject to affirmative procedure. I am delighted to welcome the Cabinet Secretary for Environment, Climate Change and Land Reform, Roseanna Cunningham, who is accompanied by Scottish Government officials Elspeth MacDonald, from the environmental quality and circular economy division, and Lorraine Walkinshaw, who is a solicitor with the environmental protection branch of the rural affairs division. Good morning. I believe that you have an opening statement, cabinet secretary.

The Cabinet Secretary for Environment, Climate Change and Land Reform (Roseanna Cunningham): Yes, I have a brief statement.

As the committee knows, the Scottish Government's policy is that we should not leave the European Union, but we have to prepare for the eventuality. The regulations are made under the European Union (Withdrawal) Act 2018 and will not come into force before exit day. They address deficiencies in the Regulatory Reform (Scotland) Act 2014 and in a number of waste regulations.

The changes to the waste regulations are minor and technical, and are to enable existing legislation to continue to operate effectively after exit day. The changes to the Regulatory Reform (Scotland) Act 2014 include fixing a deficiency in a regulation-making power that presently refers to section 2(2) of the European Communities Act 1972. That section will be repealed on exit day. The purpose of the amendment is to ensure that the Scottish ministers' powers under the 2014 act continue to operate effectively in the event that we exit the European Union. The amendment will

allow continued effective implementation of a closed list of existing EU obligations, which are expressly itemised in the regulations. The power is for specified environmental obligations that would be part of retained EU law on exit day, and is similar to the existing power under section 2(2) of the European Communities Act 1972.

To put it simply, the Government needs to be able to continue to implement aspects of EU law that are passed before exit day, such as the latest changes to the waste framework directive, but which have not yet been transposed into domestic law on the date of exit. That is part of our commitment to maintaining high environmental standards in the event that we exit the EU.

I hope that that is very clear—although obviously the committee might have questions.

The Convener: We do. Mark Ruskell has the first question.

Mark Ruskell (Mid Scotland and Fife) (Green): The regulations seem to restrict the power to legislate to 21 EU directives and four EU regulations. What is not on the list?

Roseanna Cunningham: Elspeth MacDonald will answer that.

Elspeth MacDonald (Scottish Government): The list comprises the items that we have identified that either require future implementation or might require change. The list of what is not on that list is quite long, but if the committee wishes, we can write to you to set out the rest of the implementing regulations.

Mark Ruskell: How will the change affect the ability to legislate on things that are not on the list? At the moment, there are wide ministerial powers to legislate on everything.

Roseanna Cunningham: I presume that those things will not be affected. If they would be affected, they would be on the list. I think that that is the way to look at it.

Lorraine Walkinshaw (Scottish Government): The power has always been restricted to environmental obligations. We identified environmental obligations and listed them.

Mark Ruskell: What will be the practical effect of the regulations on ministerial powers?

Roseanna Cunningham: The practical effect will be to keep Scotland in line after exit day with what we have been doing before exit day. This is one instrument among many to try to ensure that, come exit day, problems have not inadvertently been created. We have tried to identify potential problems, and we are fixing those through regulations. The instrument is part and parcel of a long list of statutory instruments that the

committee has had to look at as a result of the situation that we are in.

Mark Ruskell: If something is not on the list, and you decide that you need to legislate for it to allow for alignment with the European Union, what would you do?

Roseanna Cunningham: We have said that we are keeping pace with the EU. That is what this work is about—we are identifying areas in which there would be an issue on exit day if we did not fix the matter. We are not fixing something that does not need to be fixed; we are fixing something that we consider needs to be fixed for exit day. Lots of other things do not require fixing. Many such regulations make technical changes to ensure that current wording in legislation does not inadvertently create a problem: that is what we are doing with this instrument.

Lorraine Walkinshaw: The purpose of the regulation is to capture EU law as it exists, as of exit day. There are things that we might not be able to transpose, such as the circular economy package. The powers in the regulation would allow us to do that post-exit day.

A keeping-pace power—that is, a power to keep in line with EU law after exit day—would require primary legislation. The Government has committed to bringing back the keeping-pace provision in the UK Withdrawal from the European Union (Legal Continuity) (Scotland) Bill.

Mark Ruskell: Right. That is something quite different.

Lorraine Walkinshaw: Yes, that is quite different.

Mark Ruskell: That is a policy commitment.

The Convener: I have a final question on categorisations before we move on. The Government categorises the instrument as being of medium significance under the protocol categories. However, because it will amend a power to legislate, it should be high significance. What is the reason for the medium significance categorisation?

Elsbeth MacDonald: I thought that it fitted the medium significance categorisation. I consulted colleagues and they agreed.

Roseanna Cunningham: It is a subjective test.

Elsbeth MacDonald: If the Delegated Powers and Law Reform Committee were to decide that the instrument should be categorised as high significance, we would be happy to accept that. The point is that it is an affirmative order, so the committee needs and gets the opportunity to consider it fully.

The Convener: There are no more questions. I move on to agenda item 2 and invite the cabinet secretary to move motion S5M-19962.

Motion moved,

That the Environment, Climate Change and Land Reform Committee recommends that the Environment (EU Exit) (Scotland) (Amendment etc) (No 2) Regulations 2019 [draft] be approved.—[*Roseanna Cunningham*]

Motion agreed to.

The Convener: I thank Lorraine Walkinshaw and Elspeth MacDonald for their attendance. The cabinet secretary will remain with us. I suspend briefly to allow a changeover of officials.

09:43

Meeting suspended.

09:45

On resuming—

Budget Scrutiny 2020-21

The Convener: The next item on our agenda is consideration of the 2020-21 Scottish Government budget process and details. We will hear from the cabinet secretary and her officials. Graham Black is the director of Marine Scotland, Simon Fuller is deputy director of economic analysis in the office of the chief economic advisor, and Clare Hamilton is deputy director of the climate change division of the Scottish Government.

I will move straight on to questions. I want to ask the question that is most obvious, given that we are in the middle of a general election campaign and the United Kingdom budget is not happening. The Scottish Government budget will consequently also be delayed, so what are the implications of that delay for your portfolio and the public bodies and agencies that are supported through it.

Roseanna Cunningham: Obviously, the delay in the UK budget means that we do not have an idea of the global amount of money that we will have to spend in Scotland. I am sure that you will be asking Kate Forbes about the more general issues concerning that. However, that means that my portfolio budget cannot be finalised. As a result, we cannot move forward in any meaningful way.

There has been agreement at parliamentary level that the Scottish Government's 2020-21 budget will not now be published before the Christmas recess, which creates some real issues. It is not only my portfolio that is impacted. Without the tax announcements, and without the tax, social security and economic forecasts of the Office for Budget Responsibility at Westminster, and the figures that are produced for the UK budget, we have no clarity on the funding that is available for public services in Scotland, including for public bodies. We are struggling to understand what kind of scenario we might be in.

I know that Derek Mackay has written to the Chief Secretary of the Treasury and the Chancellor of the Exchequer to express his concern about the situation and to stress that the UK budget process should proceed as soon as possible after the general election. However, without even a date for the budget, we are not able to move forward.

Obviously, in the meantime, we continue to engage with public bodies, the unions, the Convention of Scottish Local Authorities and others on the budget process, but we need the UK Government to act quickly after the election,

because without a budget we are all discussing hypotheticals and not much more.

The Convener: I presume that public bodies have been asking you for clarity, but you cannot give it.

Roseanna Cunningham: To be perfectly honest, the public bodies are forbearing to do that because they know that we can give them no answers. I am grateful to Marine Scotland, Scottish Natural Heritage, the Scottish Environment Protection Agency and the others for not badgering me daily. I presume that they understand that it is impossible for us to respond, at present. The situation is unfortunate, particularly for my portfolio, in which a principal part of the spend is on wages and pension commitments that are often impacted by decisions. However, without some clues as to what will happen—none of us have been given clues—answering questions on the Scottish budget is difficult.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): The other witnesses might wish to defer to the cabinet secretary and let her answer this question. Is it correct to say that, if we were to go into the new financial year with no budget having been set, this year's existing budget lines would simply be transposed unchanged into the new year, until such time as a new budget could be set and passed?

Roseanna Cunningham: That is my understanding—although I have never pretended to be a geek about such matters. My understanding is that the existing budget would simply continue, in the absence of any other information that might help us. There are also legal issues to do with passing the budget that create concerns. If we do not have a resolution, we will be pushing up quite close to a problematic period.

The Convener: You have said that it will be very difficult to answer questions on a budget that does not exist yet, so we will move on to questions about the climate emergency and net zero emissions, and the implications for the budget.

Finlay Carson (Galloway and West Dumfries) (Con): I am sure that the cabinet secretary will be pleased that we are moving on to climate change and net zero emissions.

The committee has had a continued focus on how to align the budget with the climate change plan. One of our key recommendations has been that future budget summaries should, in order to improve alignment, include commentary detailing specifically which CCP policies relate to each budget line. What work is being carried out to align the forthcoming budget summary document with CCP policy? Will future budget summary

documents provide detail on how each budget line supports CCP policy?

Roseanna Cunningham: Those questions rather overlook the decision to have a joint review of climate change budget information, as set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2009. The joint review will have primacy in the near future and will, of necessity, take some time to complete. It will not be completed for the 2020-21 budget, which is imminent, but we expect it to inform the 2021-22 budget. Because the review will take place, we need to take a step back and think about what various outputs and processes should look like. The 2020-21 budget, which we hope will come sooner rather than later, will be accompanied by the statutory carbon assessment document.

We want to look at the wider review before we arrive at decisions on future publication arrangements for non-statutory documentation, in terms of format and content. We have an interim scenario because that review is taking place. The review has begun, but it cannot be concluded in time for the 2020-21 budget. That is more to do with the timing of the legislation than anything else.

Finlay Carson: When you develop the climate change plan over the next few months, will you look at the budget consequences alongside that work?

Roseanna Cunningham: Yes—work will need to be done on that. The second annual monitoring report on the current climate change plan will be published later this year, before the plan is updated, and that will help us. The timings of the legislation, the budget and the update of the climate change plan have created challenges this year, as everybody will understand. We are trying to manage the situation as best we can.

Work on the climate change plan has started already, but it has had to start without our knowing what the budget will be. I fear that there is no way to get around that, at this stage. There is an issue with the timing and the speed at which the climate change plan has to be produced. Because the current plan is being produced at such speed, which is obviously what was asked for, it is not going to be possible to include detailed information on costs in the updated version.

Finlay Carson: Okay, thank you for that. Back in September, I think, we looked at data coverage and focused on SMART—specific, measurable, achievable, relevant and time-limited—indicators, and noted that only six out of 29 indicators had sufficient data. What work is being done to ensure that data coverage is being improved for the SMART indicators in the forthcoming CCP? We also heard concerns about the amount of

resources that are being put into data collection, particularly given the climate emergency and the biodiversity emergency. Is there scope for an increase in resources for that work to be carried out?

Roseanna Cunningham: I mentioned that the second annual monitoring report on the current climate change plan will be published later this year. The importance of that is that it will build on the first baseline report, which members will remember was published last October. We made it very clear then that that was almost a preliminary setting of the baseline and that subsequent monitoring reports would become ever more effective because we would be building constantly on that basis. I expect data coverage to have improved since the first monitoring report was published last October. The second one, which is about to be published, will inform the update to the plan that we are preparing as a result of our new targets.

As part of the update to the plan—not the monitoring reports but the actual plan—we intend to review the current set of monitoring indicators and look to make further SMART improvements to them, where possible. Therefore, I cannot answer the question right now, because it refers to a piece of work that is in train as a result of the updating of the climate change plan. Additional official resources have recently been allocated to support continuous development of monitoring arrangements, but that is done through internal resourcing, in terms of staff assistance and so on, so I do not have a figure for that for the committee.

Finlay Carson: The next question might be difficult: I want you to look into your crystal ball, in a way.

Roseanna Cunningham: Great. Hang on—I have one in my handbag.

Finlay Carson: How can the budget process be changed to improve alignment with the CCP? I know that that will be difficult this year, given the delayed budget and how the CCP will come forward over the next five to six months, but can you foresee improvements in the budget process that would improve the alignment?

Roseanna Cunningham: That is challenging for the forthcoming budget, partly because we are committed to the joint review, which is a slightly longer-term and more analytical look. As I said, we hope that that will be in place for the 2021-22 budget. Because the update to the current plan is being produced in such a short time, it is hard for us to make the alignment over that period. It might have helped if the budget here had happened at the normal time; it would then at least have been happening at the same time as we were updating the climate change plan, but we are having to start

the updating process before we have even the umbrella information. That is creating too big an issue for us to be able to handle that right now. I fear that that is the inescapable answer, at present.

10:00

Finlay Carson: In the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 there is an obligation on public bodies to report. What work are you doing with public bodies on reporting their budget processes with regard to the climate change plan?

Roseanna Cunningham: As you know, we are currently consulting public bodies about their response to the global climate emergency and their climate duties. I anticipate that that consultation will throw up some issues. It is not closed yet—it is still live.

The budget and spending review process will obviously determine the level of funding that the Scottish Government makes available to public bodies. It is hard for me to talk about how individual public bodies will improve their budget processes. That has to be on-going. I get the sense that the public bodies within my portfolio look at their budget processes over the piece, rather than waiting for the spending review. The budget is undoubtedly keenly awaited, and they need to think about managing the outcome from it, but I do not get the sense from any of them that they are not doing that throughout the year. Of necessity, public bodies have to consider their budgets almost constantly.

One public body is represented here at the table. Perhaps Graham Black wants to add to what I said.

Graham Black (Marine Scotland): The process is now much more focused for all of us, in terms of what we are doing that will have an impact on the climate emergency. We will be in a better position in future years to report back on exactly what we are doing and the impact that we think it will have. The process was previously, perhaps, a bit more general; now it will enable us to be more specific about what we are doing, what we are spending and what the impacts will be.

Roseanna Cunningham: Local authorities are in a slightly different position, because COSLA and the Scottish Government negotiate the global local authority budget, then there is roll-out to each local authority. We allow local authorities latitude, once they get their budgets, to make decisions about how to spend the money that they receive, but they do not ignore the issue from one year to the next. This is the time when the discussions are at their sharpest and conversations are at their

most urgent, but it is not as if bodies are not thinking about their budgets all year round.

Finlay Carson: Setting aside the difficulties that we will have with the budget this year, are you supporting local authorities to improve their budget processes to ensure that they report in a way that will be helpful to the Government?

Roseanna Cunningham: That falls outside my area of responsibility but, as public bodies, the local authorities are involved in the consultation that I am doing. I imagine that such issues will be flushed out via that, but the bigger question about how local authorities manage their own budget processes is not one that I would be involved in. I am not certain that it would be welcome should any Scottish Government minister become directly involved in the budget processes of individual local authorities. That might be an ask too far.

The Convener: I ask members to be mindful of the limited time that we have with the cabinet secretary—I am just giving Finlay Carson a wee row there. We will move on to questions on climate change adaptation from Rachael Hamilton.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): How does the Scottish Government align its spending decisions with the risks that are associated with climate change?

Roseanna Cunningham: That is not an easy question to answer, regardless of the budget situation, because we are back in crystal-ball-gazing territory, to an extent. The spending decisions obviously have to be considered, in the sense that we understand that the effects of climate change will continue and will intensify in certain areas.

Scotland is particularly vulnerable to some expected climate change impacts—flooding is a big part of that. At the moment, one in 11 homes and one in seven businesses are already at risk of flooding, and we expect that risk to increase. Again, it is hard to be absolutely certain, but we think that, on average, about 2,000 more properties will be at risk every year from now on.

Flood risk management in Scotland has been particularly effective over the past 10 years. That is partly because of the annual commitment to a flow of funding that has allowed management projects to develop and be worked through, with an agreed set of priorities. We are about to go into the next period of that process. Management and assessment of that issue give me a high degree of confidence that the process will continue to be robust.

Another recognisable issue for Scotland is the associated potential issues for parts of our coastline, which include not just flooding but coastal erosion. The work that we have been

doing through the dynamic coast project, which involves mapping, and the predictive work that is being done, help us to begin to understand how that will look.

Other things are a lot less easy to quantify. The general warming of the climate is beginning to have some impacts, but it is difficult to anticipate impacts. I am not sure whether I said this last time I was at the committee, but I heard recently that large sea bass are now appearing off the coast of Aberdeenshire, in waters where we would previously have not expected to see them. The arrival of sea bass creates an issue, because they eat salmon smolts, for example. That would have been a difficult potential risk to identify in advance. We often identify such risks only when we discover something else that is happening.

From my perspective, the flood risk and the coastal issue are the biggest risks, but we have a pretty good handle on them.

Rachael Hamilton: Baroness Brown, from the Committee on Climate Change's adaptation committee, spoke about Government being prepared for temperature change, particularly with the trajectory moving from 1.5°C to 2°C. She even spoke about what would happen if we were to move beyond that, to 3.5°C and up to 4°C. You do not have a crystal ball, but surely we need to be very robust when it comes to initiating future spending decisions, given that temperature change.

Roseanna Cunningham: The problem is knowing what the temperature change will bring. That is why I used the example of sea bass. We think that the change in water temperature has attracted into waters a species that would not otherwise have been there. That has a consequential impact on another species, which is at risk because of climate change. However, it would have been difficult to anticipate that precisely. That is the difficulty that we have in trying to assess what temperature change might mean—particularly in our waters, but also in our terrestrial environment.

The evidence for the risk assessment in our adaptation programme is compiled independently by the Committee on Climate Change. We are always looking at the scientific advice. The CCC has an expert assessment of a range of future emissions scenarios. We try to work that into our planning and, therefore, into potential budget requirements. However, it is not an exact science at that point, because we are not 100 per cent certain what the impacts will be and, therefore, cannot be 100 per cent certain of what will need to be available.

Rachael Hamilton: I understand that it will be hard to mitigate the risks that are associated with

climate change. To achieve our targets, we will have to be prepared for that.

Roseanna Cunningham: Indeed. The Scottish Government and the UK Government will have to think about how to make that work. I think that the current risk assessment that we are working on is from 2017. It lists the priority risks for each country in the UK. We have a mechanism, but the difficulty is feeding that into a specific calculation. We are aware of the problem.

Claudia Beamish (South Scotland) (Lab): I want to put down a marker of the committee's interest in the 26th conference of the parties and our excitement that it is taking place in Glasgow. Do you have any information about COP26? Will you keep us up to date on how the costs will be borne? What amount is the UK Government putting in? What possibilities are there for the Scottish Government not only to do its own thing but to support non-governmental organisations and community groups?

Roseanna Cunningham: We need to be blunt about this. The COP is a United Nations event that has been invited to the UK by the UK Government. Our expectation is that the UK will cover all the costs that are associated with planning and delivery of the event, including safety, security and transport aspects. As yet, the UK Government has not quantified the costs or told us about the planning assumptions. We are still at an early stage in the process. In addition, the general election has put a stop to things.

Obviously, there will be costs to us—that cannot be avoided. However, until we are certain what core costs the UK Government will cover, it is difficult for us to make an assessment of any additional costs to us.

We will want to put on Scottish Government sponsored events of our own. There will be a series of Scottish Government sponsored events in partnership with the Glasgow Science Centre. The cost of that will have to be built in, but for obvious reasons it was not in the 2019-20 budget, so we are doing a bit of creative thinking on how to manage that. The 2020-21 budget might have to include COP26 costs. At the moment, I do not know how much those will be.

The Convener: Thank you. We have to move on to talk about European Union exit. I should let members know that we have only 10 minutes for each theme.

Angus MacDonald (Falkirk East) (SNP): I will be as quick as I can, convener.

How do you anticipate the budget will deal with potential additional no-deal preparations? What are the significant issues and lines of spending in

relation to no-deal planning for the ECCLR Committee portfolio?

Roseanna Cunningham: The 2020-21 budget is being prepared on the bases that the UK will leave with a deal and there will be an orderly transition; that is how we must approach the matter. If there is no deal, at that point difficult decisions will have to be made about prioritisation of funding.

Significant lines of spending are already under way. I can go into them now, or I can follow up with more detail. The fact is that we are having to develop the 2020-21 budget on the basis of there being an orderly exit. Doing that on the basis of a no-deal exit would be extremely difficult.

10:15

Angus MacDonald: You told the committee in October that there would be significant budget requirements for Marine Scotland, given its compliance functions, if there is no deal.

Roseanna Cunningham: Sure.

Angus MacDonald: Will you update us on Marine Scotland's planning in that regard? Are the required assets in place?

Roseanna Cunningham: Marine Scotland's compliance needs and capabilities are constantly being reviewed. It is an area in my portfolio on which no deal would have one of the biggest impacts. We have concerns about that. However, the Treasury has now accepted the disproportionate impacts of a potential no deal on our marine and fisheries interests, and has provided the funding to help to mitigate some of them.

Marine Scotland is spending that funding where it can, as a matter of urgency, to ensure that monitoring and surveillance are as up to speed as they can be, in preparation for a potential no deal. I think that some new technology is coming this month or in December, with more arriving in the early part of the new year; Graham Black is probably better placed to talk about that in detail, if members would like to hear about it.

At least we have now had acknowledgment from the Treasury that our marine and fisheries capabilities would be under greater stress in a no-deal scenario.

Angus MacDonald: May we have some detail from Mr Black?

Graham Black: Certainly. It is—obviously—difficult to conjure up large grey ships of the sort that we use for some of our compliance activity, but we have been discussing with the UK Government how we can improve our aircraft capacity by having more aircraft hours, along with improved camera capacity, so that we can monitor

things and get better evidence of what is happening and where, and therefore prosecute accordingly. We are increasing the number of rigid inflatable boats, so that we can do more monitoring at local coastal level, which, in turn, will free up some of our larger vessels to work elsewhere.

We are looking at a range of things, including use of drones, although there are complexities about how we manage drones that are out of sight, because they need to have pilots. There has been quite a lot of talk with the UK Government about how we might do that, and we have put a lot in place.

Of course, we are not in an immediate no-deal scenario at the moment. However, a lot of the things that are in hand will improve our capacity anyway, so we are proceeding with them.

Angus MacDonald: Thank you. Convener, I would like to ask more questions about marine issues later, if we have time.

The Convener: We will come back to you. Stewart Stevenson will ask questions about EU exit.

Stewart Stevenson: I will try to consolidate my questions.

The Convener: That would be wonderful.

Stewart Stevenson: In the EU, there are what might be described as common frameworks, which are set by the EU, and there is oversight by the EU and European courts. What progress are we making in filling gaps in governance, where the EU will no longer provide governance? What progress are we making on common frameworks, within which there will be differentiated implementation? What budgets do we have for all that work? To what extent is the work supported by the UK Government? I am looking for a fairly concise answer.

Roseanna Cunningham: There are no agreed common frameworks yet. A lot of discussions are going on at official level, in different places, but as yet there are no agreed common frameworks and, as far as I am aware, there is no timescale on how far off such agreements are. There is, at present, just a set of big questions.

As I think that I have said before, we are not opposed in principle to common frameworks, but they have to be developed in a proper way, as frameworks between equals, because they involve devolved responsibilities.

I spoke about environmental governance the last time I was in front of the committee, so members should be aware of the interim proposals that we have put in place. They were for a no-deal scenario, which, at the moment, we are not in.

Therefore, the costs simply involve staff resources being absorbed internally.

We are currently looking at the longer-term scenario. At the moment, we do not know when one would be required, but I have been looking at a number of institutional models for that longer term. This is a very notional figure, but we expect the cost of setting up a new body to be in the range of £1 million to £1.5 million per year. That would come from my budget, so members need to understand the potential cost of long-term environmental governance and the impact on the rest of the portfolio budget.

Stewart Stevenson: Given that we are talking about repatriation of governance from the EU to Scotland, to what extent is the UK Government indicating that it will provide budget cover for that, since it flows from actions that it has taken?

Roseanna Cunningham: I am not aware of any such indication.

Stewart Stevenson: That is what I expected, but I wanted to hear it.

Roseanna Cunningham: I did not realise that that was what you were after.

Stewart Stevenson: The other issue is that common frameworks do not prevent differentiated implementations or divergence on policy.

Roseanna Cunningham: They do not.

Stewart Stevenson: If a choice is made to diverge from policies that might prevail south of the border or elsewhere, to what extent do you expect that to fall wholly within your budget responsibility?

Roseanna Cunningham: I am sorry; I do not really understand. If the common frameworks are set up, that will be done jointly. There are past examples that might be followed so that a contribution could come from each of the involved Governments, if that is required. That is the basis on which I expect them to be set up.

I do not think that common frameworks are actually about spending. They are about reaching agreement on how things are managed and deciding to do them in the same way, regardless of individual policy-making powers, or choosing to do them differently. Either way, those things would need to be done, and that would fall to our budget, rather than being subsidised from anywhere else. However, none of the conversations has reached that stage yet.

Stewart Stevenson: Given what Mr Black has just said about the UK Government recognising the needs in terms of maritime surveillance and so on, are there indications that it is going to take that kind of approach in other policy areas?

Roseanna Cunningham: I have no idea.

Stewart Stevenson: That is what I expected to hear, but I wanted to get it right.

The Convener: We move on to questions on biodiversity from Claudia Beamish.

Claudia Beamish: In the programme for government, it was very heartening to read the commitment to a step change on addressing biodiversity challenges. Are new mechanisms to mainstream biodiversity across Scotland necessary, and could the national ecological network be part of the solution?

Do you have any other comments on taking the budget forward and on whether multiyear funding might be useful?

Roseanna Cunningham: Some of those questions concern policy rather than budget decisions, and policy decisions are on-going. We are part of the—

Claudia Beamish: With respect, cabinet secretary, if the national ecological network were to be shown to be part of the solution, it would need budgetary funding to support it further.

Roseanna Cunningham: Yes.

Claudia Beamish: The questions therefore relate to that.

Roseanna Cunningham: We have to make our own assessment on where the work on mainstreaming biodiversity delivery in Scotland will be possible and most sensibly pursued.

Obviously, the work of the national ecological network will feed into that, but we need to make Government decisions about how that will look, going forward. Part of the work that we are doing in the run-up to the biodiversity COP in China next year will be to consider whether we need new mechanisms to deliver the new global targets when they are agreed—but of course they will not be agreed until that biodiversity COP. We are still at an early stage in the discussion.

We have already committed to update the committee with our initial analysis of the global diversity assessment by the end of 2019; that is coming quite soon and work on that analysis is progressing. However, it will be an initial analysis. We are still at the policy stage and the policy will then dictate what financial input is required. Those are questions that I cannot answer yet and I suspect that it is unlikely that we will be in a position to do so for the 2020-21 budget.

Claudia Beamish: I want to ask Graham Black about the potential of blue carbon and the possibilities of further research into that, in view of the climate emergency.

Graham Black: Sure. Blue carbon is a very significant component of carbon storage; we have more carbon stored in the seas around Scotland than we have on land. As I think that we mentioned previously, we have initiated some further research and we hope that we will get some results to report back on next year.

Some of the difficulties are around what you do once you have the research. On land, we can do more forestation, and there are more immediate impacts. What we do about carbon under the sea is perhaps different. Some of it might simply be protecting that, but there is a question about what we can do more of. It is certainly fairly high on our agenda.

As I said earlier, all organisations, including Marine Scotland, are now looking to identify what we are doing on all the climate change emergency areas, and blue carbon is certainly one of those areas. Before we have a knee-jerk reaction and do things, we need a bit more scientific research to tell us exactly what is there and what can be achieved. We are trying to accelerate that as much as we can to make sure we have spent money on research, both in Marine Scotland and with academic organisations.

Roseanna Cunningham: The funding commitment to the research programme is more than £432,000 so far. That is the cost of what we have been doing. As Graham Black said, that will continue for a time, then we will need to look at all that research to work out what it tells us. It will become the evidence map that tells us how we are going to take the whole thing forward. It is the case that current funding pots, such as the climate challenge fund and the biodiversity challenge fund, are terrestrial rather than marine based, so once we have the evidence map we will probably need to rethink that. However, that is for a future budget, not this one.

Finlay Carson: My question goes back to something that I mentioned before. What consideration have you given to the recommendations of the Scottish biodiversity information forum? Should there be transformational change in the way that we collect biological data, and should that be publicly funded?

Roseanna Cunningham: Those are “shoulds”; we also have to look at what is doable. I know that my officials have been looking at the report from the Scottish biodiversity information forum, which I understand is very detailed. We have asked Scottish Natural Heritage to prepare a business case setting out the options for taking the matter forward, which will include looking at sources of funding. However, those sources of funding do not all need to sit within the Scottish Government’s spend; a lot of SNH’s work is to lever in money

from other places. We are in the process of looking at that. SNH will be actively considering the options arising from it, which will include a look at funding. However, that will be for a future budget, not this one.

10:30

The Convener: Mark Ruskell has questions on preventative spending.

Mark Ruskell: Yes I have, and on cross-portfolio working. When the UK Committee on Climate Change was in front of the committee a couple of weeks ago, it presented a mixed assessment of Government policy. Chris Stark described the land use plans as “half-baked”. How can we drive more environmental outcomes across Government through the budget process? I am particularly interested in the work of the climate change division. Is the priority of decarbonisation adaptation being heard across Government? How is that influencing spend and policy decisions?

Roseanna Cunningham: Within the whole budget process, portfolios and cabinet secretaries are responsible for their share of the budget. I am not able to intervene directly in individual decisions that are made within portfolio budgets.

Mark Ruskell: Would you like to be?

Roseanna Cunningham: I am pretty sure that every cabinet secretary in the Scottish Government would like to be actively involved in everybody else’s portfolio when it comes to almost anything, but we cannot operate in that way. I have active conversations with colleagues and most—in fact all—of my colleagues are trying to achieve the very best outcomes, particularly from the perspective of the climate change agenda, although some are further away from involvement with climate change impacts. In fact, a degree of healthy rivalry is beginning to emerge, which I am sure is a good thing in this regard. It is something that I want to encourage, and among the public bodies as well.

Mark Ruskell: Does your climate change division reach across to other portfolios? Does it offer advice to Mr Ewing and Mr Mackay?

Roseanna Cunningham: You would need to ask Mr Ewing and Mr Mackay whether the division is offering direct advice. Mr Ewing and Mr Mackay engage with the issue, but it is not just them; Michael Matheson also engages strongly with it. They are not sitting around waiting to be asked. They are actively involved in the on-going conversations.

Mark Ruskell: Okay. I have a question about natural capital accounts and how those are being used—or not—to inform budgeting at this point.

Roseanna Cunningham: The natural capital accounts do not feed directly into individual budgeting decisions at the moment. There is not the immediate and straightforward connection that I presume you are asking about. NCAs obviously provide a lot of key information over a range of assets, so they are part of the evidence base that allows us to come to the decisions that we reach, but they are not directly connected.

The Convener: Thank you. We move back to marine matters.

Angus MacDonald: The cabinet secretary is probably aware that the committee is currently undertaking an inquiry into regional marine planning. Looking at the marine commitments in the programme for government, what are the budget requirements for putting the four new marine protected areas and the deep-sea marine reserve in place next year, and will that also allow for management measures to be agreed in that period?

Roseanna Cunningham: During 2020-21, we will continue to provide support to the Clyde and Shetland islands regional marine planning partnerships, as well as establishing the Orkney marine planning partnership. We anticipate—I can say only what I anticipate—that the award in total will be around £250,000. Obviously, we will explore other funding avenues with SNH relating to broader biodiversity issues. There is engagement with people in other marine regions, because it is intended to establish further planning partnerships during 2020-21. In relation to that £250,000, we are talking only about the partnerships that are currently on the go. Obviously, there will be funding implications if more partnerships appear.

Angus MacDonald: Do you have any idea of what resourcing will be available for the formation of MPPs?

Roseanna Cunningham: No.

Angus MacDonald: Okay—right.

Roseanna Cunningham: I have indicated what I anticipate to be available for the current partnerships and the proposed Orkney one. Beyond that, it is entirely hypothetical—it depends on where, who, how many and so on.

Angus MacDonald: When I was on a visit to the Clyde yesterday, specific issues were raised that we can perhaps explore at a future date.

What challenges is Marine Scotland facing with its compliance functions, particularly with regard to inshore waters? What resourcing is required to make progress with the commitment on vessel tracking systems?

Roseanna Cunningham: Are you connecting that to Brexit, including a no-deal Brexit, or is it just about pre-existing issues?

Angus MacDonald: It is about marine issues in general.

Roseanna Cunningham: So it is about pre-existing any-year compliance issues.

Angus MacDonald: It is about the commitment to the vessel monitoring system in particular.

Graham Black: The vessel monitoring system is a key element of future compliance in MPAs, for example, because it will allow us to know not only which boat is where but what it is doing at the time. We have always had an issue with getting evidence. Most fishing vessels comply with all the rules, but the occasional rogue element will decide not to do that. The electronic monitoring will be rolled out, and we have funding to do that. We will start with the higher-risk vessels and move on to others.

In addition, as I mentioned, we have more RIB operations in the area around the islands. Those vessels are capable of working inshore, and that frees up some of our other assets to do other work.

There has been a deliberate shift to try to ensure that our compliance activity is more balanced across fisheries and environmental protection and that we cover all those elements. That is part of our general rebalancing of where we carry out our activity, along with the additional electronic surveillance equipment and the better camera work.

We are working with local groups. I have met the Community of Arran Seabed Trust, which had a number of reasonable points to make. We pointed out that, if we think that people are transgressing, we need proper evidence—we cannot do much with just a photograph of a vessel in the water. We need to work with local communities on that.

All that is in hand. I am pleased that we have visibly changed the pattern of our compliance activity to ensure that the environmental aspect is higher priority and is seen to be that.

Angus MacDonald: I met COAST on Sunday and got a sense that there is more buy-in from the industry in relation to the VMS. There was originally resistance to that but, certainly with regard to vessels under 10m, there seems to be more buy-in now. There has certainly been progress.

Finlay Carson: I have a question on the back of that. You talk about satellite positioning as a means of enforcement, Mr Black, but how much work are you doing to add value to the data?

When we were in Shetland recently, we heard about the value of data sharing between fishermen, Marine Scotland and the colleges up there. Are you doing any work to ensure that the data that you collect can add value in looking at other data or whatever?

Graham Black: We certainly do a lot of data collecting. A lot of our data collection funding comes via Europe, so we need to ensure that that funding is replaced.

We almost certainly could do more. People recognise that having more data helps the whole industry and protects the industry from people saying that they are doing things that they are not. There is a widespread desire to do more, and there is more that we can do with information technology and other technologies to make improvements. I would like there to be more data sharing not just across Marine Scotland but across other bits of Government and academia, so that we make best use of data and there is as much openness as possible.

The Convener: Our final line of questioning is about potential environmental fiscal measures.

Mark Ruskell: That is pretty much the question. How do you see taxes, levies and charges being used? The Government is employing and applying some specific measures, but is there a need for a more systematic review both in relation to the circular economy and beyond that?

Roseanna Cunningham: We are considering the role of various fiscal levers in environmental policy making. That can take a number of formats. We are analysing the existing landscape but, of necessity, that includes reserved taxes that currently apply. New taxes might play a useful role in some areas. SEPA, in particular, and Marine Scotland are looking at increasing charging, which also relates to the issue.

It is not easy to have a one-size-fits-all model, because there are a couple of issues with that. There was a programme for government commitment in relation to coffee cups, which came from a recommendation that was made by the expert panel that was set up. However, we have to look at products carefully. Impact assessments have to be done for individual products, so how we manage them might look different.

At the moment, we do not have great definition in the area. In part, that is because many of the areas that we are looking at are reserved, not devolved. We did not require a section 30 order to devolve a tax in order to introduce the carrier bag charge, because the charge is not a tax, in the sense that the money does not go back to the Government. We might choose different mechanisms depending on how efficacious we think they will be for different issues.

We are serious about looking at the issue and are trying to work our way through it, because a high degree of commitment is needed to make a big change, particularly in an area such as plastic use. Realistically, I think that the tax powers over some of the specific stuff should be devolved, given our ambition and what we are doing. However, taxes are not necessarily the solution to everything. The deposit return scheme does not involve a tax, so there are other ways of doing things.

Claudia Beamish: Are you looking at fast fashion and fast furnishings, which have been in the media quite a lot lately, and at a possible levy on textiles? Is that part of any workstream?

Roseanna Cunningham: I am not sure whether we have the devolved powers to be able to introduce a levy on textiles.

Claudia Beamish: That is why I used the word "levy" rather than "tax".

10:45

Roseanna Cunningham: Just changing the word "tax" to "levy" does not always do it, unfortunately. We are looking at the issue, though. To be honest, I flagged it up to officials about two years ago as something that would be of increasing concern to people, and it has become so. However, the decision-making process for some of that would be in the circular economy bill. I caution people to remember that the tax powers will be mainly reserved tax powers, so we must be cautious about what we think we can achieve.

There are other ways to approach the issue, such as reporting on waste targets. Coming at the matter from a different perspective might provide a better result in those circumstances.

The Convener: I have a question on the Government's response to the report of the expert panel on environmental charging and other measures. Do you have any reflections on the recommendations in that report and how they might affect the Government's decisions in the budget?

Roseanna Cunningham: We published our official response on 18 October, so it is out there. The initial response is our intention to introduce the mandatory charge on single-use disposable beverage cups, but that has to be legislated for. However, it is probably an issue for the 2021-22 budget rather than the current one.

Finlay Carson: Your consultation on "Developing Scotland's Circular Economy" referred to provisions for raising levies, taxes or charges on single-use items, which could cover single-use coffee cups, straws, plastic bags or whatever. Would it not be better just to require full

producer responsibility for all products, rather than dealing with them individually?

Roseanna Cunningham: A UK-wide producer responsibility approach is being taken. Some of our approach is about speed because we need to deal with those issues as quickly as possible. Decisions on the most efficacious way of handling matters will have to be made on an individual basis, and we need to keep that in mind. The extended producer responsibility is important and will be a key part of what happens going forward, but that is hidden from public view in a sense. There are other issues that need to be considered that impact on the behaviour change that we need to see.

Rachael Hamilton: I have a question on the last bit of the no-deal preparations. You might need to write back to the committee on this, as I know that we are running out of time in this question session. However, thank you for the information that we received on your portfolio's spending on no-deal preparations. I noted that staff costs for 2019-20 are projected to be £8.82 million. Have you also done preparations for a changed budget and expenditure associated with the possibility of a deal?

Roseanna Cunningham: You are looking at the quantification of the cost of no-deal preparations and asking whether we have done equivalent preparation for there being a deal.

Rachael Hamilton: I just wonder how the no-deal figures would change if there were a deal. It is fine if you need to write back to us on that.

Roseanna Cunningham: I can write to you about that, but one of the difficulties at the moment is that we do not know what any deal would be. Until we know that, it is difficult to be able to quantify the cost or even to attempt to do so.

Rachael Hamilton: I understand.

The Convener: Thank you for your time this morning. I suspend the meeting briefly to allow for a change of panel.

10:49

Meeting suspended.

10:52

On resuming—

The Convener: We continue our consideration of the 2020-21 Scottish budget process and budget details. I welcome Kate Forbes, the Minister for Public Finance and Digital Economy. She is accompanied by Scottish Government officials Dougie McLaren, who is deputy director in the budget and public spending division; Katherine

White, who is head of infrastructure future strategy in the infrastructure and investment division. Clare Hamilton, who is deputy director in the international climate change and COP26, remains with us.

I put the same question to the minister that I put to the cabinet secretary. As a result of the general election, the UK budget has been delayed, which is affecting the timing of the Scottish budget and the budget process. What are the implications of that for the Scottish Government?

The Minister for Public Finance and Digital Economy (Kate Forbes): Thank you, convener. It is wonderful to be back at the committee, even if I am on the other side of the table.

The Convener: Welcome back.

Kate Forbes: On the implications of a delayed budget, things are challenging at the moment. The Cabinet Secretary for Finance, Economy and Fair Work has been keeping the Finance and Constitution Committee, other relevant committees and the Convention of Scottish Local Authorities sighted on that. He has also been in communication with the UK Treasury.

We agree with the Finance and Constitution Committee that proceeding with the Scottish Government budget before the UK Government budget is produced would probably pose a significant fiscal risk, because even slight changes in the tax forecasts would have a massive implication for our budget.

At the moment, our job is to keep the different parties—including the Scottish Fiscal Commission and COSLA—sighted on what is happening. We are pressing HM Treasury for an early post-election UK budget, because we are waiting for the block grant adjustments that are based on the OBR forecasts. For the budget process and scrutiny of the budget to be meaningful, we will need to consider all scenarios and risks. We are working closely with the Finance and Constitution Committee on a cross-party basis.

The Convener: If you were to proceed, you would have to redo a lot of the work, which would be an issue for Government resources.

Kate Forbes: Absolutely. There is widespread agreement that that would have little to no value. It might be detrimental to proceed with a Scottish budget in advance of the UK budget because so much of our budget is reliant on UK Government forecasts—the Finance and Constitution Committee is quite clear about that as well.

Various scenarios are possible. It is not a mess of our making, and our job is to make sure that everyone is as well sighted as possible and can plan.

Mark Ruskell: Welcome back, minister. How are capital spending decisions made with regard to climate change? I am interested in the process; in particular, I am interested in the role of the climate change division across portfolios.

Kate Forbes: This year's programme for government stated that we would use opportunities such as the 2020-21 budget and, in particular, the capital spending review to look across what we do and assess the extent to which our investments can accelerate emissions reductions and tackle climate change. The simplest answer to your question is that we will need to use the budget process to measure impacts as we go along, rather than just tacking that on at the end.

The spending review frameworks in this year's medium-term financial strategy set out how the work of the Infrastructure Commission for Scotland will help to inform the Scottish Government's investment priorities over the next 30 years as well as in the more immediate period covered by the national infrastructure mission. The commission will consider a number of key drivers to inform its work, including prioritising investment to deliver inclusive economic growth and low-carbon objectives. Those outcomes will then be considered by the Scottish Government through the spending review process. That is the process.

Mark Ruskell: So climate change is in there as an outcome, alongside other areas. Are you concerned that the capital budget may add up to something that, on climate grounds, does not meet our targets in 2030 and 2040?

Kate Forbes: I am not—

Mark Ruskell: How can we be given assurance about that?

Kate Forbes: It is a fair question. It is important that we make sure that each portfolio's capital decisions add up to a general outlook on capital. The Infrastructure Commission, which is independent of Government, has a very clear task with regard to informing our decisions on capital. It takes a strategic approach to determining what our investment priorities should be over the next few decades. It has in mind very clearly our target to be net zero by 2045. I cannot prejudge the outcome of that independent process, but the commission will take the issue into account—I understand that it has done extensive consultation in that regard. That work will inform our decisions on capital. The approach is very influenced by the strategic viewpoint of meeting the target.

Mark Ruskell: Is the commission's consideration wide ranging? Could longstanding commitments to capital infrastructure projects, such as the A96 work and the A9 upgrade, be reviewed? Are there some fixed items that will just

happen anyway, with the rest of the economy finding ways to make emissions savings elsewhere?

Kate Forbes: The Infrastructure Commission's remit includes managing the transition to a more resource-efficient lower-carbon economy. It will have to consider the implications of the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 and net zero emissions targets. The Government does not try to influence the commission, because it is independent for a reason. I hope that that gives it the freedom and flexibility to consider all the decisions in the round, without ministers' influence. It has that freedom.

11:00

Mark Ruskell: But you have the freedom to ignore the commission—if, for example, it tells you to scrap the A96.

Kate Forbes: The medium-term financial strategy, which sets out our approach to capital, states clearly that the Infrastructure Commission will inform the investment priorities over the next 30 years.

Your initial question was about how strong the process is. The process is everything. If we get the process right, it should lead to positive outcomes as regards meeting our climate change targets. When it comes to capital, a considerable part of that process is independent of Government.

Claudia Beamish: Good morning, minister. The line of questioning that I want to pursue is on the forthcoming infrastructure investment plan. To what extent have natural capital and green infrastructure been assessed as part of the development of that plan? You have touched on the issue, and our committee has said that it is an important aspect. Will the plan also inform the forthcoming national planning framework 4 and the climate change plan?

Kate Forbes: At the risk of repeating myself, it is important that I state again that the Infrastructure Commission is operationally independent of Government, so I cannot prejudge its approach, but we will consider its recommendations.

Claudia Beamish: But, with respect, it gets its remit from Government.

Kate Forbes: Yes—it has a very broad remit.

I think that the committee took evidence from Ian Russell relatively recently. He will have discussed the Infrastructure Commission's remit and the scope of its work at length. The commission's remit is broad enough to take into account all the capital spend that might have implications for Scotland's future, and it includes

the transition to a more resource-efficient, lower-carbon economy.

You asked whether natural capital and green infrastructure would be included. Without prejudging the commission's work, I hope that all that will be included, because the commission needs to take a comprehensive look at where Scotland wants to be over the next few decades. The commission is not about our political priorities; the value of its being independent is that, when it comes to its remit—which includes the transition to a low-carbon economy—theoretically, nothing should be off limits.

All parts of the Scottish Government will take into account the commission's findings, and that will inform policies and plans relating to infrastructure. Therefore, the commission's work will be factored into early engagement in the preparation of NPF4, which is scheduled for January to March 2020.

We are also working to ensure that there is close alignment between the update of the climate change plan, the development of the national planning framework and the infrastructure investment plan, because it would be totally counterproductive if those initiatives were to be developed in silos. The hope is that, by aligning our approach across those initiatives, we will create efficiencies and avoid duplication. We will be successful in tackling climate change only if a whole-Government, whole-society approach is taken.

Claudia Beamish: Thank you—that was helpful.

The Convener: Another thing that will be necessary if we are to be successful in tackling climate change is alignment between our ambition and policies and those of the UK Government. If there is a policy divergence, such that Scotland has to spend a lot of money to meet its climate change targets when there is not the same level of commitment at the UK level, how will we meet that shortfall?

Kate Forbes: The UK Committee on Climate Change has made it clear that Scotland cannot achieve net zero through devolved policies alone. The UK Government will need to step up and do more, too, including in areas such as the gas grid and carbon capture and storage, to give just two examples.

I hope that all the Administrations across the UK recognise the challenges in this area and the need to prioritise resource and do things differently. We will do all that we can with devolved policies, but if we are to meet the targets that we want to meet, you are quite right to say that we will need the Administrations to pull together, given that there

will be reserved areas—we might talk about them later.

The Convener: What Barnett consequentials will we get from anything that is done at the UK level to tackle climate change? What are the projections? Am I asking you a question that you just cannot answer?

Kate Forbes: I would like a projection for any aspect of my budget to come in the next month. We can see the challenges—they are accepted across the board. Certainly, the Finance and Constitution Committee—again, on a cross-party basis—has highlighted some of the challenges in the fiscal framework and how dependent we are on UK Government processes when it comes to the budget and forecasts.

Rachael Hamilton: The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 created a new legislative requirement for the assessment of infrastructure. The research tender is being carried out by ClimateXChange. Will you give us an update on that research? Is it on schedule for the new year?

Kate Forbes: The research will explore what is being done internationally to develop a new taxonomy for green finance and investment; it will also consider an appropriate methodology for the Scottish Government. We remain committed to that. As you say, the research has been contracted through ClimateXChange. The preferred bidder is expected to be announced shortly, and we hope that the work will be completed by the end of the financial year. I will, of course, be happy to share the research findings with the committee.

Until that research is completed and the Infrastructure Commission has provided its report, it would not be prudent for me to commit to any new reporting approaches. However, we hope that the work will progress as swiftly as possible because we are relying on it in terms of scrutiny of the whole budget.

The Convener: You have touched on this when discussing the Government's priorities in embedding emissions reductions across all portfolios. In what specific ways have you put climate change at the heart of the spending review?

Kate Forbes: Climate change is very much at the heart of the spending review. We have already briefly touched on the capital spending review, and that will sit alongside the infrastructure investment plan. As I said, advice will give us opportunities.

On the spending review more widely, we have been clear that our strategic focus needs to be on addressing Scotland's long-term challenges, most notably climate change. The spending review

framework in the medium-term financial strategy, which was published in May 2019, sets out how we are going to do that and the approach to resource and capital on a multiyear basis.

The resource spending review framework prioritises climate change, among other things, including child poverty. It will build on last year's approach to better link all the national outcomes through the national performance framework.

The Convener: The Scottish Government has innovative private financing models for projects. Some of the capital costs might be higher than the market standard because of the low-carbon requirements. If we have to invest a lot of money up front before we get any tangible return—I am thinking of spending on district heating systems, for example—how has that been taken into account?

Kate Forbes: The medium-term financial strategy was transparent in setting out the investment approaches that we might take and the associated costs. When it comes to those investment decisions, in every business case the right way for a major project or programme to meet its objectives is considered, but business cases should also consider an asset's overall lifetime value for money. That is not just about using the cheapest option, which is perhaps how we have done it formerly; it is about the overall value for money of an option, in line with our strategic objectives.

The Convener: I have a quick question on EU exit. I know that nobody knows what that will look like, but to what extent do you think that the Scottish Government's new powers following EU exit will be funded by the block grant that is in place and the Barnett formula? Do you expect the new powers that will move here from the EU will come with the funding associated with them?

Kate Forbes: I do not know whether one of my officials will correct me, but I have seen no guarantee of additional funding. I am certainly not aware of any new funding commitments for new powers. We are in constant dialogue with, for example, the Treasury on aspects of the fiscal framework, in which it is clear that change and improvements are needed. Again, that is not just the Government's viewpoint. There is quite a body of evidence that identifies that we need more security, for example, on the fiscal framework and our financial arrangements.

However, we can look at this year as one great example of how uncertainty at a UK level has thrown the Scottish Government budget into challenging times, with all the implications that that has for timescales and how quickly local authorities and Government agencies get their budget allocations. One decision on an election

has thrown the whole process into challenging circumstances and shown the uncertainty of the reliance on UK Government processes.

The Convener: We were going to move on to questions from Rachael Hamilton, but she has gone. I did not realise that she had left. Finlay Carson can perhaps pick them up.

Finlay Carson: We have some questions that we asked the cabinet secretary. What work is being done to align the forthcoming budget summary document with the climate change plan?

Kate Forbes: First, as, I am sure, Roseanna Cunningham, the cabinet secretary, has already said, we thank the Parliament and the committee for the feedback on the draft terms of reference for the review of climate change budget information.

The first step is to carefully consider the committee's comments before the terms are finalised and the review is progressed. For that to be effective and to deliver real improvements, we need to stand back and scrutinise the process more generally. That is going to take some time, but we assume that it will inform the 2021-22 budget. On this year's budget, the carbon assessment will continue.

Finlay Carson: How should the budget process change to improve alignment?

Kate Forbes: We have accepted and agreed that improvements are needed. This time last year, Derek Mackay said that to allow for maximum scrutiny of the impact of the budget on our climate change targets, improvement is needed, which is why the review is taking place. It obviously has different elements. There is a piece on methodology, which I have already spoken about, and the piece on a joint review with Parliament. That needs to progress to make sure that, although I may have discussions about climate change featuring in our budget, people are actually given the tools to scrutinise whether that is the case.

Mark Ruskell: I am aware that your department hosts the wellbeing economy team, and the committee took some evidence earlier this year that examined how that group is looking at budgeting in slightly different ways. We were quite struck by the situation in New Zealand, where, in effect, the Government is taking a preventative spending approach and is top slicing some budget for real cross-portfolio work that delivers multiple objectives. Are you factoring that approach into your thinking? Based on the evidence that we have had this morning, we are still struggling to understand how Government works as a whole, when there are—I hesitate to say "silos"—different approaches within Government to some of those issues.

11:15

Kate Forbes: Wellbeing does feature and we see that most clearly in the national performance framework, which is essentially our wellbeing framework. In taking a wellbeing approach to the budget, we need to prioritise spend that delivers on multiple outcomes across the national performance framework. I think that this is the first year that that has been required.

We are building on last year's approach to link spend better to national performance framework outcomes. This year's budget preparation has required all Scottish Government portfolios to provide explicit explanation of and evidence on how their priorities are progressing the outcomes, thereby linking every element of priority, spend and decision making to them. Of course, the national performance framework outcomes are based on the UN sustainable goals, so I hope that they will progress the wellbeing economy.

Mark Ruskell: What about multiple objectives? You mentioned child poverty and climate change, for example. I can think of a number of policies that could impact positively on both of those objectives. How is the Government prioritising the real winners—the real policies—that can tackle multiple objectives? That seems to be what the New Zealand Government is doing by top-slicing the budget to fund the most impactful priorities.

Kate Forbes: It happens in two ways, the first of which is about the long-term objective. Climate change and child poverty, for example, involve long-term measures. The spending review is important because it looks at not only next year, as the budget does, but at the next three or four years, or more. I do not want to dwell on the infrastructure commission again, but that long-term view is important. The first answer to your question is therefore that because of those long-term objectives and the strategic focus of the spending review, we will most certainly take into account the way in which spending decisions meet multiple objectives.

The second answer to your question is about how we do that on an annual basis for each budget. As I said, this year, for the first time, building on what we have already been doing, cabinet secretaries' portfolios have to explicitly identify how they link to the national performance framework. Through that, we will see very quickly and easily how, perhaps unexpectedly, portfolio spend in one area leads to an outcome in a different area in a way that people might not have assumed was the case. That links the spending decisions with the outcomes much more neatly.

The budget-setting process includes bilateral meetings between Derek Mackay and every cabinet secretary at which they look at those

outcomes in order to determine what the priorities should be. At a time when there are limited finances and we cannot do everything, priority will be given to actions that meet the national performance framework outcomes.

Claudia Beamish: That is very interesting. On multiple benefits and the national performance framework, we can look at the benefits to mental and physical health of, for example, increasing the opportunities for not only disabled people but all of us to go outdoors. Could that, in any circumstances, have implications for budget requirements for, say, the health budget? I am trying to understand how those processes interlink, although I realise that because of confidentiality you can tell us only so much.

Kate Forbes: That goes to the heart of preventative spend, which is perhaps one of the most important areas of the budget and also one of the most challenging in terms of linking up different portfolios. We very much subscribe to the Christie commission principles, one of which is around prevention. The budget endeavours to support preventative action and that is certainly one of our decision-making commitments.

One of the challenges is around how we recycle savings, which was raised with me by the Local Government and Communities Committee last week, when we were undertaking pre-budget scrutiny. For example, if additional spend in health is needed to save money in another area, how is that identified and how are the savings recycled? This committee's remit perhaps offers the most obvious example: increased spend on active travel has significant implications for the health budget.

Members of the Local Government and Communities Committee asked me about accounting mechanisms in that regard. How we identify preventative spend is a challenging area—I do not know whether officials want to add to what I have said—and it is one that we try to take very seriously, particularly at a time when there are not unlimited funds.

Claudia Beamish: Is it something that we can scrutinise? Will such spend be transparent?

Kate Forbes: Yes and no. You can certainly scrutinise the budget from that perspective by taking not a single-portfolio approach, whereby you look at just one line of the budget, but an approach whereby you consider every line and think about how increased spend in a particular area will—we hope—generate savings in another area.

The challenge with single-year budgets is that the saving might not be seen for 10 or 20 years, so it is difficult to take such an approach on a single-budget basis. It is easier to do that through

a strategic review, but even then we are talking about the long term.

Finlay Carson: There is a climate emergency and the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 requires a new—or revised—climate change plan to be produced to a tight deadline. In relation to the outcomes that must be delivered if there is to be the accelerated rate of reduction in baseline emissions that will generate a 75 per cent reduction, can you give a commitment that the budget will not constrain the ambitions of the climate change plan?

Kate Forbes: We certainly do not want to constrain the ambitions and aspirations of the climate change plan, and I think that the work that we are taking forward demonstrates our commitment to ensuring that we not only integrate in the budget our commitments on climate change but give the Parliament and others more tools to scrutinise in that regard, to ensure that that happens. The review to which we have committed does exactly that.

Finlay Carson: Thank you.

Rachael Hamilton: This question is similar to one that I put to the cabinet secretary. Minister, in the context of the environment portfolio, if we can project strategic spending decisions in a no-deal scenario, are you considering projecting such spending decisions in a deal scenario?

Kate Forbes: We look at all scenarios from a spending point of view, because we need to be prepared. We are quite up front and clear in saying that we cannot mitigate all the impacts of no deal, but we must certainly ensure that we are prepared. Over the months that have led up to the various exit dates, an enormous amount of work has gone on to ensure that we are as prepared as possible, across all portfolio areas.

Of course, our preference is not to be in a no-deal-preparation scenario; we cannot mitigate all the impacts of no deal. However, we take very seriously our commitments to plan.

The Convener: The Scottish Government produced an assessment of the effects on the Scottish Government's budget of the deal that Boris Johnson brought back.

Kate Forbes: Yes. We look at the implications, which are far reaching. There are significant implications for everything from port infrastructure to medical supplies. An issue that I fear is often forgotten, and which I encounter time and time again, particularly in the context of the portfolio area that interests this committee, is the extent to which research and collaboration across Europe will be in jeopardy in a no-deal scenario and even in a deal scenario.

Our approach is to plan, to prepare and to ensure that as much funding as possible is set aside. However, we do not have a surplus; the way in which the fiscal framework works means that we ensure that the money is spent on an annual basis, so it is not as if we have been given vast sums for a no-deal scenario.

The Convener: Minister, I thank you and your officials for giving us your time this morning.

That concludes the committee's business in public. At our next meeting, on 3 December, we expect to hear evidence on the Animals and Wildlife (Penalties, Protections and Powers) (Scotland) Bill and to give further consideration to our draft report on proposed regulations for the deposit return scheme.

11:25

Meeting continued in private until 12:57.

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