



The Scottish Parliament  
Pàrlamaid na h-Alba

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Committee

***By email only***

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Dear Bruce,

**Environment, Climate Change and Land Reform (ECCLR) Committee Report on the Scottish Government 2018-19 Draft Budget**

The ECCLR Committee welcomes the opportunity to report to the Finance and Constitution Committee (FCC) on the Scottish Government 2018-19 Draft Budget.

This year the Committee continued its focus on the outcomes of the work of the agencies within its portfolio (Marine Scotland, Scottish Natural Heritage and the Scottish Environment Protection Agency) and reviewed the budget for Research, Analysis and Other Services. The Committee considered the extent to which the outcomes achieved have met the Scottish Government's national objectives.

The Committee wrote to the key research bodies, stakeholders, public bodies and executive agencies and issued a call for evidence. 18 submissions and five follow up [submissions](#) were received.

The Committee also took oral evidence over three meetings and heard from: Marine Scotland; Scotland's Rural College (SRUC); Scottish Natural Heritage (SNH); the Scottish Environmental Protection Agency (SEPA); the Centre for ClimateXChange; Food Standards Scotland; the James Hutton Institute (JHI); the Moredun Institute and the Scottish Environment Food and Research Institutes (SEFARI) before hearing from the Cabinet Secretary for the Environment, Climate Change and Land Reform on 19 December.

The discussions with agencies, stakeholders and the Cabinet Secretary were set within the context of the UK withdrawal from Europe and the impact of this on funding for environmental and climate change outcomes, securing staff and expertise and international collaborative working.

In responding to the FCC the ECCLR Committee comments on: the recent Budget review process; expenditure on measures to address climate change across the Budget and; on the financial allocations for the Environment and Climate Change and Land Reform Portfolio. The key findings and conclusions are set out below and expanded on in greater detail throughout this letter.

### **Budget Review Process:**

- The Committee supports the shift in focus from reviewing annual changes to financial inputs to focusing on the difference spending makes
- The work of the Budget Review Group highlighted that one of the challenges Parliament faces is how to address the inter-dependency of many of the policies and objectives which inform the Budget. Many of the outcomes in the National Performance Framework, such as addressing climate change, span the remit of a number of committees. However, the Committee is concerned that not all Committees will consider and report on climate change expenditure the 2018-19 Draft Budget
- The Committee considers that a more joined-up approach between the Scottish Government Draft Budget and the forthcoming annual monitoring framework for the Scottish Government's Climate Change Plan will be necessary in order to dovetail scrutiny and ensure that this is a key part of climate change monitoring in the future
- The Committee also believes that a review of the parliamentary processes for considering the financial allocations to meet climate change objectives and the engagement of relevant committees is now required

### **Expenditure to Address Climate Change:**

- The Committee welcomes the overall increase in spending on climate mitigation measures from £463.7m in the 2017-18 Draft Budget to £558.1m (an increase of 20%) as set out in "Details of funding for climate change mitigation measures 2018-19"
- However, the Committee has concerns about the reduction of particular budget lines and the impact of this in meeting the emissions targets (detailed later in the letter)

### **Allocation to the Environment, Climate Change and Land Reform portfolio:**

- The Committee welcomes the marginal increase in the proposed budget allocation for 2018-19 to the Environment, Climate Change and Land Reform portfolio. However the Committee is concerned that the budget for this portfolio, for the relevant agencies and for research, has been declining for a number of years. The Committee is of the view that the impact of this is now becoming apparent when considered against the performance of the relevant national indicators which are declining or at best flat-lining
- The Committee is particularly concerned about the long term impact of the decline in the research budget and the decline in the budget of SNH over recent years, and the impact of this on delivering key environmental outcomes
- The finance received from Europe for environmental objectives is considerable and a significant part of the budget of Marine Scotland, SNH, Zero Waste Scotland and SEPA. The research institutes and stakeholders also rely heavily on EU funding. There is no certainty as to what will replace

this. **The Committee is gravely concerned by this and recommends the Scottish Government work closely with agencies and partners and the UK Government to identify possible replacement funding streams, as a matter of extreme urgency**

## **The Budget Review Process**

### *Outcomes based scrutiny*

In considering the Draft Budget in 2017 the Committee looked at outcomes achieved to date and looked forward to the 2017-18 spending period. The Committee continued this approach in considering the Draft Budget for the 2018-19 spending period. The Committee welcomes the work of the Budget Process Review Group in its fundamental review of budget scrutiny and the proposed strategic approach focused on early scrutiny, to influence and inform the budget, once published. **The Committee supports the shift in focus from annual changes to financial inputs, to focusing on the difference spending makes.**

However, when using the National Performance Framework as a baseline for assessing outcomes, it is not always clear how the performance of organisations is directly linked to the national indicators they are associated with, particularly in complex, cross cutting policy areas. **The Committee recommends the Scottish Government considers how the impacts, effects and benefits of cross cutting expenditure can be assessed, attributed and reported on, particularly in considering preventative spend on outcomes that cross portfolios. The Committee seeks dialogue with the Scottish Government around the scope for more innovative thinking and focus on preventative spend and the wider benefits to other portfolios of environmental expenditure. Examples of this are spend in the ECCLR portfolio on encouraging engagement with nature and on improving air quality, both of which have significant health benefits. The Committee encourages discussion around this and the scope for leveraging additional funds into the ECCLR portfolio by looking at the positive impacts of spend to other budget areas such as health.**

In exploring the relationship of the Budget and outcomes the Committee was concerned to hear the Cabinet Secretary for Environment, Climate Change and Land Reform state that she did not think there is a direct relationship between the Budget and the performance indicators. **The Committee considers there should be a strong link and would like to see a more quantifiable link between the National Performance Framework and the work of public bodies.**

The Committee is disappointed to note that of the thirteen ECCLR indicators none are deemed to be improving, eleven are maintaining and two identified as worsening (to reduce waste generated and to increase renewable energy production). There is a shift in the performance of the national indicators for (i) improving the condition of protected nature sites and (ii) increasing the abundance of terrestrial breeding birds. Last year these indicators were deemed to be improving and they are now flat-lining. **The reduction in performance of these key national indicators is a concern to the Committee and raises the question of whether there is a direct linkage between this and the decline in the budget for the ECCLR portfolio, for the relevant agencies and for environmental research, over a number of years.**

### *Interdependent Policies*

As the focus on preventative spend and delivery of cross cutting issues across projects extends there are challenges for the Scottish Government and Parliament in managing and scrutinising this and challenges in ensuring accountability. The work of the Budget Review Group highlighted that one of the challenges Parliament faces is how to address the inter-dependency of many of the policies and objectives which inform the Budget. Many of the outcomes in the National Performance Framework, such as addressing climate change, span the remit of a number of committees. The Committee understands that the Budget Review Group has recommended that the FCC continues to identify a small number of interdependent policy challenges and objectives in its annual Budget guidance to the subject committees. **The Committee asks that the FCC continues to ensure that consideration of climate change impacts is highlighted in its guidance to committees.**

### *Scrutiny of climate change expenditure within the Scottish Government Budget*

In June 2016 the FCC wrote to all committees with its budget process guidance ahead of the Draft Budget 2017-18. This highlighted the requirement for all committees to consider climate change issues when scrutinising their own relevant Scottish Government portfolios and to report to the FCC accordingly. It also said that the ECCLR Committee would reflect upon the progress made by all committees following the 2017-18 budget process with a view to informing future engagement and proposals for climate change scrutiny ahead of the 2018-19 Budget.

Of the committees who reported on the Draft Budget 2017-18, three, in addition to the ECCLR Committee, commented on climate change spending. The other committees made no mention of climate change. Of those that that referred to climate change within their portfolio, they acknowledged that given the time available, their scrutiny would not permit them to adequately consider climate change in detail. While the Committee fully recognises the challenges in considering climate change issues within the budget scrutiny process, the extent of committee engagement has been disappointing. While the Committee wrote to all relevant committees ahead of the budget process to encourage them to consider and report on climate change expenditure the Committee is aware in considering the 2018-19 Draft Budget only a limited number of other committees are likely to consider and report on this. **The Committee is of the view that under the current system of budget scrutiny, with the limited time available to parliamentary committees following publication of the budget, the consideration of climate change spending is failing to adequately review the Scottish Government's spending plans to address this vital issue.**

### *Approach to future scrutiny of climate change expenditure*

The Committee has committed to reflect upon the progress made by all committees following the 2017-18 budget process with a view to informing future engagement and proposals for climate change scrutiny ahead of the 2018-19 budget. In its report on the Scottish Government's draft Climate Change Plan (RPP3), the Committee stated it would welcome further discussion with the Scottish Government on issues around the content and timing of publication of the annual summary monitoring reports on climate change mitigation measures and the alignment of these with other key documents such as the Draft Budget. The Budget Review Group considered the implications of the Budget in terms of climate change and referred to the plans for

Scottish Government reporting on the Climate Change Plan from 2018 onwards. At the time of reporting the Group stated “it is not clear at this stage whether the annual reporting against the framework could form a useful additional element to the pre-legislative phase of the budget scrutiny process but the Group believes that this should be considered by the Scottish Government as it develops its climate change reporting approach”. **The Committee considers that a more joined-up approach between these two important documents can help dovetail scrutiny to ensure that this is a key part of climate change monitoring in the future. The Committee is currently pursuing a meeting with the Cabinet Secretary for Environment, Climate Change and Land Reform to discuss this.**

**The Committee comments later in this letter on its concerns in relation to the governance of the process for setting the Budget, assessing its carbon impact and ensuring the intended outcomes are delivered. The Committee also has concerns in relation to the ease of scrutiny across Cabinet Secretary portfolios and considers and the Scottish Government and Scottish Parliament need to take account of these concerns in the new Budget process.**

## **UK Exit from the EU**

There are a number of potential impacts of the UK exit from the EU that are overarching and were highlighted in the evidence received by the Committee and in its discussions with stakeholders and the Cabinet Secretary. These are outlined below and considered in greater detail throughout this letter:

*Funding:* the Committee is gravely concerned about the loss of EU funding for the environment, climate change and related research and the huge impact of this on the operation of and outcomes of the work of the environmental agencies and organisations post 2020. This cannot be over stated. While the percentage of funding coming from EU sources is varied, it remains, for most, the second largest source of funding after the Scottish Government. Its “replacement” is a major concern. When questioned, the Cabinet Secretary stated “at the moment there is no answer to the question what will happen when EU funding ceases....no contingency plan can be put in place because we have no certainty about what will actually happen”. **The Committee recommends the Scottish Government work closely with agencies and partners and the UK Government to identify possible replacement funding streams, as a matter of extreme urgency.**

*Staffing:* Marine Scotland, the agencies and all the SEFARI and Centres of Excellence noted that they currently recruit staff including researchers/scientists from EU countries. **The Committee recognises the need to be able to recruit & retain the highest calibre staff worldwide including from the EU and EEA, specifically in research/science. The Committee heard the impact of a restriction on this was a significant concern with some organisations already experiencing staff losses and recruitment issues.**

*Networks:* concern was expressed at the possibility of reducing access to EU research and science networks and what might replace such networks. Some submissions noted reduced participation in EU bodies/networks would impact on the

Scottish Brand as a leader in environmental research. There is widespread concern in relation to the replacement of the research programme post Horizon 2020.

*Governance, adjudication and enforcement:* **The Committee is concerned that loss of the European Commission and the European Court of Justice and their role in environmental governance, adjudication and enforcement of environmental legislation will leave a gap in oversight and require a replacement governance and regulatory function (either at a UK or Scottish level), operating outwith and separate from Government.** The Committee will be considering this and other issues, including the associated costs of replacing the governance, adjudication and enforcement functions, relating to the environmental implications of the UK exit from the EU in the early New Year.

## **Climate Change Expenditure**

Details of how the Draft Budget supports measures aimed at reducing greenhouse gas emissions are set out in the document “Details of funding for climate change mitigation measures 2018-19” produced by the Scottish Government. This highlights an overall increase in spending on climate mitigation measures from £463.7m in the 2017-18 Draft Budget to £558.1m in the 2018-19 Draft Budget (an increase of 20%). **The Committee notes the Cabinet Secretary’s view that climate change is one of the biggest challenges facing Government and therefore is a core area of Government expenditure. The Committee welcomes this focus and the additional expenditure on measures to address emissions.**

The most significant change is an increase in spending measures to address emissions from the transport sector (from £153.3m in the 2017-18 Draft Budget to £249.8m in the 2018-19 Draft Budget). This comprises: an increase in support for sustainable and active travel (from £34m to £79m); an increase in the Future Transport Fund for infrastructure that supports electric and ultra-low emission vehicles (from £25m to £60m) and; support for the implementation of low emission zones (£10.8m).

The climate change document also includes details of a number of smaller changes in expenditure on climate change mitigation measures between the 2017-18 Draft Budget and 2018-19. These include: an increase of £6m to support woodland creation; a reduction in the funding available for peatland restoration of 40% (from £10m to £6m) and; a reduction in funding to support emission reductions in the agricultural sector of 30% (from £8.3m to £4.6m). The budget attached to the Public Good Advisory Service is set to reduce by over 50% from £6.5m to £3.2m and the element of this aimed at climate change measures has yet to be determined. The Land managers renewable fund has also declined by 50% from £2m to £1m. Overall the total agriculture budget has declined by almost 50%.

In September, the UK Committee on Climate Change reported on Scotland’s climate ambitions stating that “there have not been significant emission reductions in most sectors outside electricity generation in recent years. More needs to be done, especially in sectors such as transport, agriculture and heat for non-residential buildings in which little progress is currently being made otherwise, Scotland’s ambitious targets will be at risk”. **The Committee agrees with the Committee on**

**Climate Change that more needs to be done in key sectors where there is little progress. The Committee is concerned that without a concerted effort and direction of resources Scotland will struggle to meet its ambitious emissions reduction targets.**

**While the Committee welcomes the additional expenditure on transport measures it is interested to understand what further opportunities there are for reducing emissions in this sector. In particular it is unclear from the information available to the Committee whether the budget for addressing the issues relating to air quality and delivering the Scottish Government's objectives is adequate. The Committee seeks additional detail on the Budget related to this across all relevant portfolios. This is particularly timely as the Committee will shortly be reporting the outcome of its recent inquiry on air quality.**

**The Committee is concerned that Scotland may not be investing sufficiently in low carbon infrastructure and is concerned about the potential difficulties in meeting the current (and potentially extended future) climate change targets. The Committee encourages the Cabinet Secretary for Environment, Climate Change and Land Reform to actively engage with colleagues in the Cabinet on the capital infrastructure programme to ensure that this does not lock Scotland in to higher than necessary carbon emissions as we go forward to 2040 and 2050. The Committee considers effective governance of the process for setting the Budget, assessing its carbon impact and ensuring the outcomes are delivered is vital. The Committee remains unclear of this process within Government and would welcome further detail on this and on the interaction between Cabinet Secretaries and portfolios in the development of the annual Budget.**

**The Committee would also welcome further detail on how Scotland's infrastructure investment plans align with Scotland's emission reduction targets including the more ambitious goals proposed in the Climate Change Bill and delivery of Scotland's Climate Change Plan. The Committee further recommends the Scottish Government provide information on an annual basis, alongside the Budget, that enables a detailed assessment of the carbon impact of the infrastructure spend as set out in the Budget, including, for example the balance of infrastructure spending directed to low vs high carbon investments. This would enable a year on year assessment and comparison between budgets.**

**The Committee is unclear as to how the substantial proposed reduction in funding to support emissions reductions from the agricultural sector will impact the delivery of the Climate Change Plan. Given that agriculture and related land use is the third largest source of emissions in Scotland there is significant potential for abatement. The Committee believes farmers should be supported in their efforts to reduce emissions and the provision of advice, support, technology transfer and take-up is vital to this. The Committee asks the Cabinet Secretary for Rural Economy and Connectivity for assurance that the agricultural emissions reduction targets are achievable within the identified budget. If following review, there is any doubt that this may not be**

the case, the Committee recommends the budget to support emissions reductions in the agricultural sector is increased accordingly.

The Committee has significant concerns that the proposed reduction in funding to peatland restoration will hamper the achievement of the goal set out in the Climate Change Plan to increase the rate of peatland restoration from 10,000 hectares in 2017-18 to 20,000 hectares per annum thereafter. The Committee asks the Cabinet Secretaries for Environment, Climate Change and Land Reform and Rural Economy and Connectivity to provide clear detail on how the restoration targets will be achieved within the identified budget. If following review there is any doubt that this may not be the case the Committee recommends the budget for peatland restoration is increased accordingly.

There is a significant reduction in the funds available for renewable and community energy (From £9.2m to £7.1m) which appears to be a result of reclassification of R&D costs to the capital budget and the energy capital budget has also decreased from £30m to £23.5m. Overall the renewable and community energy and energy capital budget has declined by £8.6m (22%) from 2017-18 to 2018-19. Enterprise agencies investment in renewables has also declined from £16.8m to £13.3m (a reduction of 21%). There is no explanation as to the impact of these significant reductions. **The Committee is concerned that there is a substantial reduction in the renewable and community energy and energy capital budget. The Committee would welcome further detailed explanation from the Scottish Government on the impact of this proposed reduction.**

The Sustainable Action Fund which funds a wide range of activities to support the Scottish government's Greener Scotland strategic objective and deliver essential progress towards sustainability and climate change outcomes (including community empowerment, wider engagement, implementation of the Public Bodies Duties provisions of the Climate Change (Scotland) Act 2010 and supporting research on blue carbon) has declined from £14.7m to £13.7m, a reduction of 7%. **The Committee is concerned that the budget for sustainable action has been reduced at a time where it is increasingly critical. This fund supports a number of new and innovative actions that will underpin much of the necessary success in driving behaviour change and action in new and challenging areas. The Committee asks the Scottish Government to reflect on this.**

In considering the Budget for climate change adaptation and mitigation the Committee questioned the Cabinet Secretary for Environment and Climate Change. This is vitally important as spend on climate change objectives across all Cabinet Secretaries' portfolios supports the delivery of the Climate Change Plan. **The Committee has responsibility for governance in relation to climate change across the Parliament and in its Budget scrutiny is concerned that there is insufficient clarity as to where in the Scottish Government the overall responsibility and oversight of climate change action lies. Clarity on this is vital to ensuring direction and sustained momentum of action within the Scottish Government in order to ensure climate objectives and targets are met.**



**The Committee found it difficult to secure answers to vital questions in relation to climate change expenditure and was constrained in its scrutiny by the absence of detailed explanations to a number of questions related to climate measures across portfolios. It is apparent to the Committee that the current Budget process does not easily lend itself to this scrutiny. The Committee is clear that the Scottish Government and Scottish Parliament need to take account of these concerns in the new Budget process.**

## **Research, Analysis and Other Services**

The Research Analysis and Other Services budget funds scientific research to support the Scottish Government and its advisory bodies. This includes funding for the Main Research Providers (MRPs) and the Royal Botanic Garden Edinburgh.

This budget has decreased from £74m to £64m since 2013-14, with a £1.2m reduction in 2017-18 and a proposed reduction of £0.36m in 2018-19. The Committee is concerned with the overall reduction of funding for research in recent years given that it will underpin future policies and proposals in relation to the environment, rural affairs and climate change. In the past year there has been a significant reduction in the resource programme of the research budget (from £43.5m to £38.6m).

### *Implications of EU exit*

In addition to the challenges of a declining research budget there is a significant reliance on funding from the EU across all of the research bodies. The Committee heard that exiting the EU will greatly increase the risk to funding that can be levered from European research programmes and knowledge exchange from participation in cross-country collaborations. It will also create difficulty in attracting and retaining international scientists as a result of the uncertainties.

### *Application and outcomes of research*

The research budget line impacts a number of the national indicators across the ECCLR portfolio. The Committee heard many examples of this from the research providers. However, there can be a time lag between expenditure on research and realisation of outcomes and impacts of that research. The Committee also heard of the significant multipliers from research expenditure e.g. The James Hutton Institute (JHI) indicated that between £10 and £12.75 is generated for every £1 invested and for every 1 job another 6 jobs are supported/created. The Committee recognises that the research budget underpins the delivery of a wide range of outcomes (directly and indirectly) and generates significant additional benefit to the Scottish economy. **The Committee is keen to ensure that programmes of agri-environment research are being disseminated and applied by practitioners and the benefits fully realised. The Committee would welcome further information from the Scottish Government and the main research providers on the programme for dissemination, support for practical take-up and scope for enhancement of this activity.**

### *Overall Budget*

Every submission from the SEFARI institutes and from the Centres of Expertise as well as many of the other written submissions refer to the negative impact of years of

flat line budgets and decreasing budgets coupled with inflation, salary adjustments and pension changes. Stakeholders highlighted a number of challenges for the research community in Scotland including continued decline in Scottish Government investment in strategic research, innovation and capacity building and amount of research undertaken and deterioration in the science infrastructure required to underpin the strategic programme and attract inward investment from a wider range of funding sources. **The Committee is concerned that the overall budget for research has been declining steadily and significantly for a number of years. The Committee agrees that there needs to be a long term commitment to investment and capacity building in the science led by the main research providers that helps underpin public goods, services and benefits that are dependent on Scotland's natural assets and capital.**

#### *Five-year programme & annual budget*

Many submissions, particularly from the Centres of Expertise, noted the issue of having a 5-year programme but an annual budget. This has created deep uncertainty for staff, with, for example, the ClimateXChange having to issue redundancy letters while awaiting the contract letter from the Scottish Government. The Centres of Expertise and main research providers noted that this creates difficulties in retaining and recruiting staff. Specific reference was made by various Centres of Expertise to issues around planning and procurement, and flexibility in responses to requests from the Scottish Government. Research providers highlighted the benefits of the previous 5 year rolling programmes which enabled them to plan with a degree of certainty and allowed scope for more flexibility, to be excellent and creative. For some organisations the impact of this is significant as key staff move to more secure positions elsewhere and their expertise is lost. **The Committee is concerned that the main research providers and Centres of Expertise are faced with real constraints and significant negative impacts of single year budgeting. While recognising that there are difficulties associated with the uncertainty of the annual Scottish settlement the Committee urges the Scottish Government to focus on the strategic value of investing in research and development and providing an enhanced degree of security and certainty of funding. The Committee is aware of examples of multi-year budgeting and asks the Scottish Government to look innovatively at ways in which it can move to multi-year budgeting for its research programmes to provide greater certainty and secure the associated long term benefits.**

#### *Balance of funds between resource and capital*

The Committee understands there has been a transfer of funds from the resource to the capital programmes of the research budgets, which may reflect the need for investment in aging capital infrastructure. The Committee is concerned that the capital budgets of the main research providers are increasingly coming under pressure as capital infrastructure ages and maintenance costs increase. The Committee is aware that institutions will also be increasingly required to think innovatively to maximise the value of their assets, maximise the returns from a wide range of sources and work collaboratively, sharing facilities, backroom functions and infrastructure where possible. **The Committee welcomes the Scottish Government's stated approach to research funding on a full economic cost basis. However, there is clearly a challenge to maintain and improve infrastructure to ensure it is fit for purpose in the longer term. The Committee**

would welcome detail from the Scottish Government on its approach to assessing the “full economic cost” of research projects including any attribution to overheads and maintenance.

The Committee encourages the Scottish Government to engage with the research institutions to see what more can be done to maximise the value of and return from their assets. The Committee also asks the research institutes for further information on their assessment of the requirement for infrastructure investment over the coming 5 years and plans to fund that requirement.

The Committee is concerned that the overall reduction in resource funding for research programmes will have a significant impact of the scope and scale of research activity that can be undertaken and this is unlikely to be fully met through efficiency savings. The Committee is aware that there have been reductions in frontline staff and changes to terms and conditions and remains extremely concerned about this. The Committee seeks further information from the Scottish Government on the annual research resource allocation over the past 5 years and the related impact on the research programme on an annual and long term basis.

*Balance between longer term strategic research and immediate needs/policy led research*

The Committee heard that Scotland is at the forefront of a number of world leading policies and research programmes including work on soils; development of opportunities and innovations in agri-tech and; it is one of the first nations to have a national asset register. However, the Committee heard that there has been a reduction in funding to long term ‘mission driven’ research and long term data sets with subsequent risks to the opportunities from big data and disruptive technologies to address future challenges. Others stated there needs to be a continued focus on translating science into policy and practice and a greater need to engage end users in this process from the outset to ensure that the knowledge exchange process is well designed and has real impact.

Many submissions mentioned the requirement to balance research that meets Scottish Government Policy needs, while allowing scientific freedom; and many considered the content of the Strategic Research Programme should not be overly prescriptive. There appears to be some tension between meeting academic metrics and policy needs for timely applied solutions to quickly emerging and changing problems. One Centre of Expertise expressed concern that the policy requests from the Scottish Government can be poorly defined and blur lines between quick response, and longer term work. **The Committee understands there will always be tensions between immediate and long terms needs but remains concerned that budget reductions may have impacted on long term research and data sets and is concerned to maintain an appropriate balance between the funding of research to address immediate challenges, and longer term strategic and innovative research.**

The Committee supports the establishment of SEFARI and its work in enhancing knowledge exchange and impact from the collaborative, transdisciplinary research

undertaken by the main research providers. This mechanism for improving the translation of science into policy and practice is welcomed by the Committee. The Committee will follow with interest the work of SEFARI in seeking to create a one-stop-shop into the collaborative research undertaken by the main research providers improving its relevance and accessibility to end users.

#### *Development of Centres of Expertise*

The Rural Affairs, Food and Environment Research Strategy 2016 – 2021 refers to the continuation of the three existing Centres of Expertise and the establishment of a new Centre of Expertise on Plant Health by 2021. Many of the submissions confirmed the need for the Plant Health Centre of Expertise and the Scottish Wildlife Trust (SWT) considered its absence a significant gap given the rise in the number of pests and diseases affecting agricultural, forestry and environmental interests. SWT also considered there to be a gap in relation to biodiversity and ecosystem health. In their view such a Centre could help address some of the challenges identified in the Scottish Biodiversity Strategy and the RouteMap 2020 and help inform priorities beyond 2020. However, the submission from the Scottish Government referred to plans to undertake an “internal evidence need review” to inform decisions on the existing and any future Centres of Expertise and suggested funding for any new Centres of Expertise would need to come from existing budgets. **The Committee is supportive of the concept and benefits that can be derived from the establishment of Centres of Expertise and has been impressed with the work of the existing Centres. The Committee notes the plan to establish a Plant Health Centre of Expertise by 2021 and can see the merit in this. The Committee is also interested in the suggestion that there could be merit in the establishment of a centre focused on biodiversity and ecosystem health. The Committee encourages the Scottish Government to undertake early consideration of the need for and benefits of the Centres of Expertise, including the issue of plant health and biodiversity and ecosystem health via an independent assessment. The Committee looks forward to exploring the timescale, scope and remit of the assessment with the Scottish Government.**

#### *Contract Research Fund*

The Committee received evidence from stakeholders that the decline in the contract research funding (CRF) has affected the ability of the Scottish Government and its agencies to respond to immediate policy-related questions, impacting their ability to respond to sustainable deer management, climate adaptation and land and marine planning. Stakeholders considered the CRF should be more strongly aligned to supporting the work of the CAMERAS partnership and could be used, if adequately funded, to address the gap in funding long term monitoring and development of a broader suite of ecosystem health indicators. **The Committee would welcome further information from the Scottish Government on the approach to the contract research fund over the past five years and future plans for this fund. In particular the Committee is interested in the Scottish Government’s assessment of the impact of the decline in this fund and plans to address any negative impacts.**

#### *Reporting requirements*

A number of the main research providers considered there is a need to streamline the research reporting mechanisms which were considered to be complex,

cumbersome, time and resource consuming. The research providers stated a lighter touch would free up staff time and be more efficient. **The Committee recognises the importance of monitoring and evaluation of outcomes and ensuring value for money, however it is concerned to ensure that this does not impact negatively on the research programmes and individual projects. The Committee encourages the Scottish Government to review its research reporting requirements to ensure they are appropriate, effective and not over-burdensome for the research providers and individual researchers.**

## **Scottish Natural Heritage**

Scottish Natural Heritage's statutory purpose is to: secure the conservation and enhancement of nature and landscapes; foster understanding and facilitate their enjoyment of them and; advise on their sustainable use and management. The relevant national indicators for SNH are to:

- Improve access to local greenspace is measured by % of adults within 5 minutes walking distance of their nearest local greenspace. **This indicator is maintaining**
- Increase people's use of Scotland's outdoors is measured by proportion of adults making one or more visits to the outdoors per week. **This indicator is maintaining**
- Improve the condition of protected nature sites is measured by the proportion of protected nature sites which are in satisfactory condition; or are recovering, with the necessary management measures in place. **This is rated as maintaining which has shifted downward from last year's status as improving**
- Increase the abundance of terrestrial breeding birds: biodiversity is measured by an index of abundance of terrestrial breeding birds. **This is rated as maintaining which has shifted downward from last year's status as improving**

Since 2010-11, SNH's budget has declined from £67.9m to £46.2m in 2018-19, amounting to a 32% decline in cash terms over the past 8 years. Its 2018-19 budget has fallen slightly by 0.5%, against the previous year's figure.

The Committee is aware that none of the four key national indicators associated with SNH are improving and two have shifted since last year from improving to maintaining. While SNH has made progress in redirecting resources, improving the efficiency of processes and has engaged in preventative spend (including the development of Scotland's Natural Health Service and its approach to tackling ecosystem degradation) the Committee is concerned that the pace of development of much of SNH's preventative spend work is continuing to be constrained by a lack of staff capacity and budget resource and it may become increasingly difficult to meet its objectives in the face of a continually declining budget. The Committee is of the view that continued cuts to SNH's budget will continue to compromise its ability to meet biodiversity targets, deliver peatland restoration and improve the condition of designated areas and consequently impact the delivery of the relevant national objectives.

The Committee is also aware that a significant element of SNH's overall budget and monies to deliver natural heritage benefits in Scotland are derived from EU funding. Last year the Cabinet Secretary for Environment, Climate Change and Land Reform said that for her portfolio it is approximately £100 million over a five to six year period. The Committee is concerned while there is an acknowledgement of the potential impact of both a reduced budget and the removal of EU funding for SNH and Scotland's landscapes, habitats and wildlife there is a continuing lack of clarity as to the detail of this and what urgent work is underway to identify and access alternative funding streams for SNH and its partner organisations.

**The Committee is concerned that the significant national indicators relating to Scotland's environmental performance are either flat-lining or declining. It also notes that there has also been a reduction in the budget of SNH over recent years. Given the current and anticipated commitments of SNH the Committee urges the Scottish Government to ensure that the budget of the organisation adequately meets the demands to be made of it. The Committee understands there is a shift in emphasis in this years' corporate plan and is keen to ensure that this does not negatively impact SNH meeting its existing priorities. The Committee welcomes the assurance from the Cabinet Secretary that SNH's fundamental activities have to be continued and it shares her desire to see a turn-around in the indicators that are "falling back". The Committee will continue to monitor this with interest.**

**The Committee urges the Scottish Government to work with SNH and partner organisations to prioritise planning to meet the anticipated funding gap for environmental projects post the UK exit from the EU. The Committee asks the Scottish Government and SNH to report on detailed actions to address this concern as a matter of urgency.**

The Committee received evidence that NGOs working on delivering aspects of the Scottish Government's biodiversity strategy through grants have been informed that SNH 'framework' grant structures (which have been in place for over 10 years) will be replaced as of 2018 by three challenge funds. SE Link highlighted a 'notable lack of funding support for biodiversity in general and the delivery mechanisms to halt biodiversity loss' and raised concerns about the need for adequate funding to halt biodiversity loss ahead of the 2020 Aichi biodiversity target milestone. In their written submission SE Link also note that under the SRDP spend on protected areas, excluding 2016 management payments under the Agri-Environment Climate Scheme, decreased by 46% between 2012 and 2016 and spend on SNH management agreements decreased by 49% over that period. SE Link also note that site condition monitoring has seen substantial consecutive cuts to its annual spend over its three monitoring cycles. **The Committee is concerned about the decline in funding to deliver on Scotland's biodiversity commitments, including site condition monitoring, improving the condition of protected species and the management of protected sites. The Committee encourages the Scottish Government to consider what more needs to be done to ensure Scotland meets the 2020 Aichi biodiversity milestone and, if required, direct additional resource to this. The Committee looks forward to receiving an early update on this.**

## **Marine Scotland**

Marine Scotland is responsible for the integrated management of Scotland's seas. Its purpose is to manage Scotland's seas for prosperity and environmental sustainability. Key actions include the introduction of Scotland's Marine Plan and the development of a network of Marine Protected Areas.

The national indicator associated with Marine Scotland is to improve the state of Scotland's Marine Environment. This is measured as the proportion of key Scottish commercial species landed by Scottish fishing vessels where the Total Allowable Catch limit is consistent with the scientific guidance, calculated over a centred three year average. This is currently rated as performance maintaining which is a downward shift from last year's performance as improving.

Marine Scotland has experienced a falling budget over the previous five years with the exception of last year where the budget increase was primarily to manage "one-off" pressures. In the 2018-19 draft Budget Marine Scotland has a budget of £52m, a slight decrease (1%) from the previous year. There is an expectation that a reduction in the resource budget will be met through achieving additional efficiency savings and pursuing greater income streams.

**The Committee is concerned that the performance of the Marine Scotland indicator is declining from improving last year to maintaining this year. The Committee is also aware that Marine Scotland is looking at its overall performance measures as the national performance measure is focused on the health of commercial fish stocks. The Committee is supportive of the development of a wider range of measures around the environment and healthy seas and encourages the Scottish Government to broaden the indicators for Marine Scotland, and ideally to have these in place for the next Budget cycle.**

In evidence last year the Committee heard that the budget cuts Marine Scotland had faced prior to 2017-18 did not allow for sufficient investment to realise Scotland's vision of 'clean, healthy, safe, productive, biologically diverse marine and coastal environments, managed to meet the long-term needs of people and nature' as articulated by the National Marine Plan. Last year the Committee also heard that there was a "big challenge" in meeting the resource demand associated with the research and protection vessels and concerns in relation to Marine Scotland's marine monitoring. This year SE Link members sought reassurance that Marine Scotland and statutory bodies are adequately funded to meet the legal requirements of the Marine (Scotland) Act 2010 and support ecosystem based implementation through surveying, research, monitoring and reporting particularly with respect to the introduction and management of Marine Protected Areas. In written evidence Marine Scotland stated that any future budget reductions may reduce the overall amount of monitoring and surveillance resource available.

**The Committee is concerned that Marine Scotland may need to be better resourced to meet the conservation and recovery objectives of the Marine (Scotland) Act 2010 and achieve good environmental status for Scotland's**

seas and seeks assurance from the Scottish Government that the resource of Marine Scotland is, and will be, adequate to meet current and predicted needs.

The Committee understands that four proposals for Marine Protected Areas (MPAs) remain outstanding. The Committee strongly supports the development of an ecologically coherent network of MPAs and encourages the designation, by Government, of the outstanding MPAs as quickly as possible, with the completion of that process no later than 2020.

The Committee also considers that adequate and continued long-term investment in monitoring and research of the natural marine environment is of paramount importance. In particular an up-to-date and scientifically robust evidence base is required to enable proper integration of the social, economic and environmental issues and resolve increasingly competing uses of limited space and resources. The Committee seeks reassurance from the Scottish Government that this investment will be provided.

The Committee heard that Marine Scotland has identified £300k to begin a programme of blue carbon research focused on the scope for carbon sequestration. **The Committee welcomes this initial investment and will continue to monitor the work of the Scottish Government on blue carbon, initially through its scrutiny of the Climate Change Plan.**

The Committee is aware that a number of challenges remain, including capacity building with Local Authorities, particularly in relation to marine planning; scope for introduction of a charging regime for offshore renewables; and managing the problems associated with marine litter. **The Committee would welcome an update on progress with this in the context of its anticipated work on the marine environment.**

The Committee welcomes the approach of Marine Scotland in seeking to promote a culture of compliance and understands that monitoring is increasingly being undertaken by NGOs and fishermen. However, the Committee is of the view that there will always be a role for Marine Scotland to ensure compliance. **The Committee encourages Marine Scotland to review its information and communications systems and approach to engagement with partners. Where Marine Scotland is relying on others it should ensure those individuals and organisations are adequately trained and equipped and recognised reporting procedures are in place. The Committee encourages Marine Scotland to continue to explore and test the use and application of new technologies to ensure their compliance work is as effective as it can be.**

Last year the Director of Marine Scotland stated there would be substantial implications for the organisation of the UK leaving the EU. The Committee understands the European Maritime and Fisheries Fund (EMFF) provides Scotland with approximately £96m over the current Programme period, which includes £30m of Marine Scotland's expenditure on science, data and compliance. Marine Scotland indicated there is no assurance that the £30m will be replaced by domestic funding and there is no certainty around long term replacement of the funding from



anywhere. The Committee also understands that 12% of Marine Scotland's scientific staff are EU nationals and mobility of labour post EU exit will be very important.

In addition to the financial and staffing implications the Committee is aware that Marine Scotland may also be faced with the considerable task of developing and implementing a new legislative framework for fisheries outside the Common Fisheries Policy. Stakeholders have indicated that this may lead to a significant shift in priorities for the directorate in the run up to an exit from the EU and as a consequence other functions are squeezed even further. **The Committee would welcome further detail from Marine Scotland on the actions it is taking to assess the impact of the UK exit from the EU and the plans to manage this.**

### **Scottish Environment Protection Agency**

SEPA has a statutory purpose to protect and improve the environment in ways that, as far as possible, also help create health and well-being benefits and sustainable economic growth. The relevant national indicators include: increase natural capital (measured by the Natural Capital Asset Index); reduce Scotland's carbon footprint, (measured in million tonnes of carbon dioxide equivalent) and; reduce waste generated (measured by the amounts of household waste arisings in million tonnes). The first two indicators are maintaining. However the indicator relating to the amount of waste generated is worsening.

SEPA's budget has also been declining over a number of years (by 6% from 2014-15). The overall funding in the 2018-19 draft Budget is £35.4m, a decrease of 1.3% from the 2017-18 draft Budget. As with SNH and Marine Scotland, SEPA also derives income from EU funding, although at a lesser level. SEPA recovers a substantial proportion of the costs of its regulatory activities via charging. The Committee understands that income from the charging regime is relatively static and neutral. **The Committee is concerned that a reduction in funding for SEPA may have contributed to the lack of progress in SEPA relevant national indicators. The Committee would welcome a view from SEPA and the Scottish Government on this.**

**The Committee also encourages the Scottish Government and SEPA to engage with Local Authority partners on the effective management and future planning for waste management.**

The Committee received evidence from SE Link suggesting there are opportunities to strengthen SEPA's role in delivering emissions reductions through development planning. **The Committee asks SEPA to reflect on this and respond, in due course with a view on the scope for a strengthened role and the related resource implications.**

### **Land Reform**

The budget for land reform has increased from £13.4m in 2017-18 to £17.1 in 2018-19. The Committee was advised by the Cabinet Secretary that the additional funding would support the establishment of the Register of Controlling interests in land (a requirement of the Land Reform (Scotland) Act 2016). The Committee understands

that the level of support for the Scottish Land Commission will remain constant from 2017-18 to 2018-19 and the Scottish Land Fund will remain at £10m.

**The Committee considers the establishment of the Scottish Land Commission to be a key provision of the Land Reform (Scotland) Act 2016 and it looks forward to reviewing the Commission's initial work in its the coming months.**

**The Committee welcomes the establishment of the Register of controlling interests in land and the increase in funding to support its development and delivery. The Committee looks forward to considering the secondary legislation on this in due course.**

**The Committee is keen to see the Scottish Land Fund resulting in progress on the ground, however it notes that there is likely to be an underspend in the Fund this financial year. The Committee understands that uptake of this Fund is demand led and there can often be a long lead in time for project development and for communities to come forward. The Committee also understands that there may be issues of capacity in some communities. The Committee is keen to avoid an under-spend of this Fund in 2018/19 and recognises the enhanced opportunities for urban communities and for abandoned and neglected land, with the forthcoming commencement of the provisions of the Community Empowerment (Scotland) Act. The Committee encourages the Scottish Government and the Scottish Land Commission to continue to pro-actively promote the Fund and the use of it to support land reform and community right-to buy and assist and facilitate community's knowledge of and access to it.**

The Committee welcomes the opportunity of reporting to you on the Scottish Government 2018-19 Draft Budget. We would also welcome further dialogue with you in due course on the future scrutiny of climate change spend in the Budget process.

Yours sincerely,



Graeme Dey MSP  
Convener  
Environment, Climate Change and Land Reform Committee