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The Scottish Parliament  
Edinburgh  
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Dear Edward

At the Rural Economy and Connectivity Committee session on the draft budget 2018-19, a number of questions were raised which officials and the Cabinet Secretary for the Rural Economy and Connectivity and Minister for Transport and the Islands undertook to reply to in writing.

The questions raised and answers provided are attached at Annex A. I have agreed the answer on Prestwick Airport with the Cabinet Secretary for Economy, Jobs and Fair Work, for which he is responsible.

I trust that the Committee will find this additional information helpful in scrutinising the draft budget for 2018-19.

**FERGUS EWING**



## Rural Economy and Connectivity Committee Questions on 2018-19 Draft Budget

### General

- Can information be provided on the circa £60 million reduction in Rural Economy and connectivity Spending Plans (Level 2). The total in 2017-18 is £2,866.6M and in 2018-19 the total is £2,806.4M.
- A Over the decade between 2010-11 and 2019-20, Scotland's discretionary budget allocation will be eight per cent – £2.6 billion – lower in real terms. Over the next two years alone, our Block Grant from the UK Government for day-to-day spending in Scotland is projected to fall by over £500 million in real terms.

As part of our priority investments we will continue to choose to invest in the NHS but, with the additional tax revenues that we have raised, we will be able to do so and also invest in our economy, childcare, school education and in the range of public services that people the length and breadth of Scotland rely upon. On CDEL there is also a reduction, but the uneven nature of capital projects means that the budget requirement will vary from year to year dependant on which stage each project is at whether that be planning and preparation or construction.

In addition we have to work with a finite level of capital resources and also therefore need to prioritise projects within that total and you will therefore see increases and decreases in different portfolio capital budgets across different years. Some of the main areas where budget reductions (compared to the 2017-18 position) can be seen are:

- CAP compliance capital down £11.2 million reflecting the profile of expenditure on the IT system;
- Digital Strategy down £76.5 million reflects the profile of expenditure on digital connectivity projects. This will increase again in future years as part of our commitment to invest £600m;
- Motorway and Trunk Road Capital Land and Works down £176.7 million reflects the profile of expenditure on road construction, in particular the anticipated completion of AWPR and completion of the Kincaig to Dalraddy dualling project on the A9;
- Forth Replacement Crossing down £69.8 million reflects the completion of the project and on-going contractual commitments; and
- Travel Strategy and Innovation down £34.9 million reflects the profile of Glasgow subway modernisation funding agreed as part of our £246m total commitment to the project.

### Food and drink

- Can further detail be provided on any changes to the food and drink budget for 2018-19?
- A Since 2014 the food and drink budget has been maintained at £5 million and has been set at this level again for 2018/19. The exception to this was in 2017/18 where an additional £1 million of capital was allocated to the budget increasing the overall line to £6 million. This capital element has not been directly allocated this year as there is sufficient provision elsewhere to support capital projects through the EU Support and Related Services line and the Fisheries Grants line. Annex B provides

details of the food and drink budget and a note of the range of wider budgets that support the food and drink industry.

### EU Support and related systems

- How much of the 16.4% increase in RPID and SASA staff costs is due to CAP IT?
- A As noted in the budget material previously provided to the Committee, expenditure funded from this budget supports the costs of over 1000 staff across Scotland in a range of service delivery roles. Actual expenditure in each year is subject to fluctuation in response to, for example, staff turnover, pay inflation and delivery priorities. It is currently estimated that approximately 25% of the budgetary increase of the RPID and SASA pay costs in 2018-19 relates to the design, delivery and maintenance of CAP IT.
- What is the depreciation cost of the stud farm?
- A The annual depreciation cost of the stud farm is £101k.

### Rural Services

- Spend on the Public Good Advisory Service is to fall because planned schemes will not now come to fruition. Which schemes will not come to fruition and why is this the case?
- A During the development of the draft Climate Change Plan, and in consultation with stakeholders, a wide range of proposed mitigation measures for agriculture were discussed. At the time of the previous draft budget discussions with stakeholders were on-going. Two potential measures were later deemed to have a very high cost to low mitigation potential and were thus discounted and not included in the draft Plan. These were a support scheme for controlled release fertilisers and a scheme to support the purchasing of equipment. It is an important point and worth noting that these schemes were proposed in the development stage but did not make it into the draft plan for agriculture and therefore should not be regarded as planned schemes that will not come to fruition.
- The climate change initiatives of the Public Good Advisory Service have 'yet to be determined'; when will these be decided upon?
- A Once the final Climate Change Plan has been published, which is due to be February 2018, my officials will meet and discuss delivery priorities with stakeholders. I strongly believe that working with the industry is how we can generate the cultural and behavioural shift towards low carbon farming that we are looking to achieve, and our use of this approach in the development of the draft Climate Change Plan was well received by stakeholders.

Forestry

- How will we meet targets on woodland creation without sizeable increases in budget? For example, CONFOR identified that in order to meet the 10,000ha/year target the budget would need to be increased by £15M, whereas the draft budget for 2018-19 has increased spend by only £5M.
- A The proposed £46m woodland grant scheme funding is sufficient to pay for the cost of delivering 9500ha of grant funded woodland creation in 2018/19. Forest Enterprise will deliver around 650 hectares which is funded separately. Of the £46m, £40m will be used for woodland creation which is sufficient to fund the initial planting costs for 9500ha of new woodlands in 2018/19 and the maintenance grant costs for new woodlands that have been planted since 2008.

The £40m for woodland creation is split as follows:

- £31m is required to fund the year 1 initial planting costs for 9500ha which are expected to average £3260/ha
- £9m is required to fund the on-going maintenance costs for areas planted since 2008.

By way of comparison in the 2017/18 budget, £34m was allocated for woodland creation and this was sufficient to support approx. 8000ha of new planting plus on-going maintenance costs. (The remaining £6m will be used to fund the management of existing woodlands, including for example restocking, native woodland restoration, public access, red squirrel conservation and tree health measures.)

- Where are the costs of the Forestry and Land Management Bill in the budget? Specifically, the costs of an IT system and rebranding, which will be required if the Bill is passed.
- A The costs relating to the Forestry and Land Management Bill are set out in the Financial Memorandum that accompanies the Bill. As stated in the Financial Memorandum the costs arising from the Bill will be subsumed within the overall budget provision for Forestry Commission (FCS and FES). FES secures the majority of its funding from trading activity. As a Public Corporation FES is carrying forward trading reserves to fund cost of change associated with the agency – this represents the largest part of the Finance Memorandum costs for IT and branding.
- The existing Forestry Commission IT systems are no longer fit for purpose and the Forestry Commission in Scotland is already taking action to ensure business continuity and protection against system failure. The cost of this and other IT work will be spread over a number of financial years and has been built into the budget.
- Rebranding costs will be kept to a minimum and in order to ensure that this is the case a proportionate approach to rebranding will be taken and opportunities to use regular replacement cycles for rebranding purposes will be taken.

Connecting Scotland

- Broadband voucher system - how much has been allocated to it? What is the value?

A No budget has yet been allocated. We anticipate that our record £600 million investment through the initial R100 procurement will deliver a fantastic coverage outcome across Scotland, pushing new fibre into remote rural areas. However, we are also planning for the possibility that this may not entirely complete the job and are scoping options for future phases, including a superfast voucher scheme. We will confirm a budget for future phases once we know the outcome of the initial procurement process and are able to precisely map out what is left to be done. The commitment to reach 100% superfast access will be delivered by the end of 2021.

Prestwick airport

- Is Prestwick Airport any closer to attracting a buyer, given the current levels of loan funding? Will the Scottish Government absorb the airport's losses or will a new buyer take these up?

A It is the Scottish Government's intention to return the airport to the private sector when the time is right, however no timescale has been set for this. Both the Scottish Government and Prestwick Airport have received and considered a number of approaches from parties expressing an interest in purchasing or investing in the airport. We welcome such expressions of interest, however given commercial sensitivities it would not be appropriate for the Scottish Government to comment on these. We have always made clear that we expect to receive a return on our investment in the airport. The optimal outcome would obviously be full repayment of the loans plus interest.

- What monies have been put aside for investment in the Airport in the budget for the coming 2018-19 year?

A The draft budget for 2018-19 allocates £7.9 million of loan funding to Glasgow Prestwick Airport.

## OVERALL PUBLIC SECTOR SPEND TO SUPPORT THE FOOD AND DRINK SECTOR

**Direct Spend** – there is a broad range of organisations supporting the food and drink agenda through a mix of funding schemes or core activity – all of which are supporting the growth of the industry. This was recently summarised by SPICe to help the Committee understand the quantum on funding - headlines are below:

Funding Source	2017/18*
	*Some funding schemes, particularly EU ones, are multi-year and demand-led so we have highlighted the total allocation but then averaged out to give an annual figure
Scottish Government	<ul style="list-style-type: none"> <li>• £5m: Industry support Programme</li> <li>• £66m: FPMC (Food, Processing, Marketing, Cooperation Grant scheme) – covering 2014-2020</li> <li>• £14m: EMFF (seafood processing) – covering 2014-2020</li> <li>• £8m: Strategic Research Programme</li> </ul>
Scottish Enterprise	<ul style="list-style-type: none"> <li>• £2.7m: Account Management service to 315 businesses</li> <li>• £3.9m: Regional Selective Assistance Grants</li> <li>• £3m: Investment support</li> <li>• £3m: Project support</li> </ul>
Highlands & Islands Enterprise	<ul style="list-style-type: none"> <li>• £1.8m: Account Management service to 112 businesses</li> <li>• £100k: Project spend</li> </ul>
Skills Development Scotland	<ul style="list-style-type: none"> <li>• £2m: Modern Apprenticeship training programme</li> </ul>
Scottish Funding Council	<ul style="list-style-type: none"> <li>• £37m: Teaching support provision for 7,000 FTE in colleges and 708 FTE in Universities</li> </ul>
Food Standards Scotland	<ul style="list-style-type: none"> <li>• £15m approx. of operating costs</li> </ul>
<b>TOTAL SPEND</b>	On average, around <b>£100m per annum</b> is spent by the public sector supporting the food and drink industry

**Indirect Spend** – other public funds are being used to support the wider industry, namely the support to the farming and fishing industries through:

CAP: Pillar 1	<b>£437m</b> per annum
EMFF: fishing fleet and aquaculture	<b>£40m</b> during the programme period 2014-2020

**SCOTTISH GOVERNMENT: FOOD AND DRINK BUDGET: £5 MILLION (2018/19)**

Below is a summary of the Scottish Government's Food and Drink budget.

<b>Food and Drink Budget</b>	<b>2017/18 (current) £6m*</b>	<b>2018/19 £5m*</b>
*In 2017/18, for the first time, we were allocated £1m of Capital budget – due to pressure on wider capital budgets in 2018/19 we do not have any capital allocation this year. The FPMC grant scheme provides an alternative mechanism to support capital projects		
Industry Support: £3.2 million (approx. allocation)	<ul style="list-style-type: none"> <li>£2m to support delivery of Ambition 2030</li> <li>£800k to the Export Plan, including in-market specialists</li> <li>£400k to Connect Local, the advisory service supporting local producers</li> </ul>	Budget as 2017/18
Livestock Policy: £150k	<ul style="list-style-type: none"> <li>£100k Dairy Growth Board</li> <li>£50k Dairy Hub</li> </ul>	Budget as 2017/18
Food Education: £700k	<ul style="list-style-type: none"> <li>£450k grant programme for schools</li> <li>£100k – dedicated resource to embed food across the curriculum</li> <li>£150k supporting initiatives</li> </ul>	Budget as 2017/18
Good Food Nation: £300k	<ul style="list-style-type: none"> <li>£100k for Organics action plan</li> <li>£150k to support Grow Your Own initiatives</li> <li>£50k for Good Food Nation Bill development work</li> </ul>	Budget as 2017/18
Public Food Procurement: £400k	<ul style="list-style-type: none"> <li>Food for Life Programme operating in schools across Scotland to support more local sourcing and healthier, fresher meals</li> </ul>	£100k re-profiled to expand programme to target more local authorities (money previously for a secondee – person now embedded in Scotland Food and Drink)
Project Funding: £250k	<ul style="list-style-type: none"> <li>Used to support a range of bespoke projects and any emerging priorities or unexpected pressures</li> </ul>	Budget as 2017/18
Capital Projects: £1 million	<ul style="list-style-type: none"> <li>£275k for the new Capital Investment Programme for the convenience sector to introduce Food to Go stations</li> <li>Other projects currently being considered</li> </ul>	N/A