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PRE- BUDGET REPORT: 2020-21 BUDGET

I am grateful to the Committee for its comprehensive Pre-Budget Report, dated 14 October and the opportunity that was provided to discuss the report with the Committee in November of last year.

This year's Scottish Budget is taking place in exceptional circumstances caused by the UK Government. The significant delay to the UK Budget and the associated uncertainty have had a serious effect on the Scottish Budget, and its introduction has been delayed as a result.

As a consequence, the Scottish Parliament's time for consideration of the Scottish Budget will be reduced if a new Budget Act is to be in force for 1 April 2020, which the Government considers essential.

Scottish Ministers are appreciative of the Scottish Parliament's understanding and flexibility in these circumstances. In keeping with this, I am providing this response to the committee's pre-budget scrutiny report today, on the day that the Scottish Budget is published, to inform the committee's consideration of the Budget.

In responding, I have noted the Committee's observations and request for future updates and provided comment where a specific recommendation or concern has been made. These comments are attached at Annex A.

I hope that the Committee finds this information helpful and I am looking forward to discussing the 2020-21 Budget with the Committee on 18 February.

A handwritten signature in black ink, appearing to read "R. Cunningham". The signature is fluid and cursive, with a large initial "R" and a long, sweeping underline.

Roseanna Cunningham

**ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM COMMITTEE
PRE BUDGET REPORT: 2020/21 BUDGET**

SCOTTISH GOVERNMENT RESPONSE

EU Exit : Funding levels

The Committee asks the Scottish Government for re-assurance that funding levels in the Budget for environmental objectives will be maintained. The Committee also asks the Scottish Government to provide detail of work, underway and planned, to ensure that replacement funding will be in place for 2020/21 and beyond. It would be helpful if this includes information on how the Scottish Government has engaged with the UK Government on the development of a Shared Prosperity Fund.

Response:

We share the Committee's concerns regarding the loss of these vital funding streams and the lack of clarity regarding future arrangements now that the UK is exiting the EU. We continue to push the UK Government on this, and have been clear that the UK Government must replace all lost EU funding in full.

Both the European Social Fund (ESF) and European Regional Development Fund (ERDF) have played a significant role in developing Scotland's economy for many years. This provides investment for key policies such as our Modern Apprenticeship schemes and our Low Carbon Infrastructure Transition Programme. The loss of this funding will have a significant impact on the ability of local authorities, community groups, funding bodies and enterprise and skills agencies to deliver the kinds of initiatives that will drive inclusive economic growth and promote wellbeing and cohesion in communities across Scotland.

Moving forward, it is essential that Scotland is in a strong position to receive at least the same level of funding through the replacement as is currently received from European Structural and Investment Funds (ESIF) – currently over £750 million for the ESF and ERDF programmes.

It is absolutely vital that Scotland is closely involved from the outset in the design, roll-out and allocation of the UK Shared Prosperity Fund, acting as equal partners and not consultees. In developing the fund, flexibility and simplicity should be key watchwords as everyone knows that the complexities of compliance associated with the current funds have proved a significant deterrent to some sectors.

SG and devolved administration officials have continually pressed the UK for a more meaningful role in the consultation than simply that of a consultee. No further detail has been provided by the UK despite SG officials pressing on this point.

In light of the lack on information from the UK government on the Scottish Government has published its own consultation on the replacement for the EU structural Funds to give stakeholders the opportunity to input their experience and expertise to the development of any successor funding vehicle. The consultation was launched on 5 November 2019 and will close on 12 February 2020. The work will be overseen by a Steering Group, chaired by Professor David Bell of the University of Stirling and the lead Minister is Ivan McKee. To accompany the written consultation, stakeholder engagement events will be held across the country. A report with recommendations will be made in Spring 2020 to the Minister and Cabinet.

Environmental governance

The Committee is concerned that in delivering the repatriated functions and responsibilities of the EU there are issues of capacity and readiness. The Committee asks the Scottish Government to set out the associated costs of replacing the governance, adjudication and enforcement functions, relating to the environmental implications of the UK withdrawal from the EU, and set out how the 2020/21 Budget and future annual Budgets will account for this.

Response:

We are taking a systematic approach to identifying longer term environmental governance needs in Scotland and cannot recreate the enforcement role of the European Court of Justice in a domestic setting. The future governance function must have a range of actions it can take that are proportionate and fit with the existing roles of the Scottish Parliament and Courts.

Through the new Continuity Bill, we will legislate to ensure that the four core EU environmental principles continue to guide the development of policy and law in Scotland, and for new domestic environmental governance arrangements. We are considering a range of institutional models to ensure government can be held fully to accountable to its environmental obligations and will be assessing the financial implications as part of the legislative process.

National outcomes and indicators: the National Performance Framework

The Committee recommends that the Budget provides clear information on the desired outcomes from the proposed expenditure, how this contributes to delivering the National Outcomes and the climate impact of that spend. The Committee would welcome further discussion with the Scottish Government on this.

Response:

Building on the approach taken last year to better link spend to the National Outcomes, this year's budget preparation has invited all Scottish Government Portfolios to provide explanation and evidence how these priorities will progress the National Performance Framework outcomes.

The Spending Review Framework, published in the Medium-Term Financial Strategy in May 2019, sets out our approach for resource and for capital multi-year reviews of spending. This prioritises climate change spend, alongside child poverty, inclusive growth and wellbeing spend – these are in line with the National Performance Framework.

Given the concerns expressed by the Committee on Climate Change (CCC) that current policy is insufficient to meet current and revised targets the Committee is interested to understand how the Scottish Government plans to address those performance indicators that are described as ‘performance maintaining’ and how it plans to make greater progress on those which have been recorded as “improving,” albeit by small margins.

Response:

The forthcoming Climate Change plan will set out further steps in response to the revised targets which will, in part address the concerns raised by the Committee on Climate Change.

The Committee also notes that there is outstanding work to finalise the indicators that will effectively measure Scotland’s biodiversity. The Committee understands that the results of the research project (commissioned from the RSPB) will be reported in autumn 2019 to take account of the State of Nature Report which was published in September 2019. The Committee asks the Scottish Government to confirm when this work will be complete.

Response:

There are a number of biodiversity indicators and the research to examine the feasibility of a combined terrestrial and marine biodiversity indicator is on track to be finalised in 2020. This is a feasibility study and the Scottish Government and its partners will consider whether to implement the proposals when the report is finalised. The current indicator for biodiversity uses the Terrestrial Breeding Birds Index.

Medium Term Financial Strategy (MTFS)

The Committee is concerned that the most recent MTFS fails to address the carbon impact of spend, as previously recommended. The Committee would welcome an explanation as to why the MTFS provides no detail on Scottish spending priorities or plans as this appears to be contrary to the original purpose of the document, as recommended by the Budget Process Review Group. The Committee would welcome further detail on: what work is underway to ensure that the MTFS addresses the carbon impact of spend; when the Scottish Government will report on that work and; what improvements will be in place for the 2020/21 Budget.

Response:

The Medium Term Financial Strategy (MTFS) is an integral part of an improved Scottish Budget process. It sets out the key financial challenges that lie ahead as context for the upcoming Spending Review and the Scottish Budget. In particular it clearly lays out the consequences of UK choices on Brexit and austerity on our public finances.

I can understand concerns about lack of detail in the MTFS on spending plans. However, the Budget Process Review Group's report noted that "it is important to recognise that a MTFS is not the budget itself" and should be based on existing policy. Given that purpose, and the absence of a multi-year UK Spending Review since 2015, I do not believe that it is reasonable to expect the MTFS to have set out detailed spending plans, or the carbon impact of such plans.

The 2019 Medium-Term Financial Strategy did include frameworks for Scottish capital and resource spending reviews but refrained from setting out spending plans that would have anticipated decisions made during those processes. The UK Government's decisions to scrap plans for a full three year spending review, and to delay its Budget, means there is continuing uncertainty on the funding available for public services in Scotland.

The carbon impact of the Budget

The Committee remains convinced that that climate change considerations need to be embedded in the system from the earliest consideration of policies and actions. The Committee is keen to ensure that the approach, funding allocation and information on the carbon impact of the Budget is appropriate and parliamentary committees are enabled to effectively scrutinise progress towards targets.

Response:

The Spending Review Framework, published in the Medium Term Financial Strategy in May 2019, prioritises climate change spend, alongside child poverty, inclusive growth and wellbeing spend in line with the National Performance Framework.

As previously agreed, a joint working group between the Scottish Government and the Parliament will be established in February 2020 to review the Budget as it relates to Climate Change. The aim of the Review is to identify proportionate steps which can improve budget information related to climate change in order to support consistency between spend and policy goals and to facilitate meaningful scrutiny.

Short-term information in the annual carbon assessment

The Committee supports the publication of the annual carbon assessment, but it does not believe the assessment by itself provides sufficient information on the carbon impact of the budget.

Response:

In line with the requirement in Section 94 of the Climate Change (Emissions Reduction Targets) (Scotland) Bill (2019) we will publish an assessment of the impact of the budget on Scottish emissions alongside the 2020-2021 Scottish Budget. However we agree that there may be scope to improve budget information related to climate change and will be looking at this in the joint working group with a view to developing recommendations for improvement.

The Committee also considers there is scope to make better use of the data provided in carbon assessment. The Committee recommends that the format of future carbon assessment is changed to more clearly highlight the 'carbon intensive' budget lines and provide commentary on these.

Response

The Joint Working Group will consider how information about climate impacts of government policy and spending is currently collected, evaluated and used with a view to streamlining or improving these.

Long-term effects of infrastructure

As stated in previous correspondence, and in the context of the climate emergency, the Committee considers that Scotland needs to 'lock in' the transition to a zero-carbon future now. This will require a substantial shift in the proportion of investment that is spent on infrastructure that does not contribute negatively to climate change.

Response:

Delivering Scotland's climate targets will require the reinforcing of existing infrastructure as well as developing wholly new infrastructure. It will also require a much more efficient and 'smart' use of available infrastructure, facilitated by new digital communication tools and data management. That's why the Infrastructure Investment Plan and Capital Spending Review will reflect this Government's commitment to delivering those infrastructure projects which actively support our transition to a net-zero emissions economy.

The Committee believes that all new infrastructure must demonstrably fit into a net-zero emissions economy. To facilitate this, the Committee recommends that:

- the next infrastructure plan should model or map Scotland's infrastructure needs in a 2045 net-zero economy and describe a pipeline to get there (i.e. where and when investment is needed). The Committee recommends that for each infrastructure project or programme the infrastructure plan should include a description of the role this infrastructure will play in 2045's net-zero economy.
- there should be a formal environmental assessment of the infrastructure plan to ensure coherence with other environmental objectives such as biodiversity.

Response:

The Infrastructure Investment Plan aims to cover the period up to 2025-26 and the projects and programmes that Scottish Government will be delivering at its own hand to meet requirements over that period. Officials and Ministers are also working to ensure close alignment between the update of the Climate Change Plan and the Infrastructure Investment Plan to ensure we are identifying the right projects at the right time to achieve our net-zero ambitions.

To understand the impact of the individual projects in the infrastructure pipeline, the Committee recommends that:

- the next infrastructure plan and future bi-annual updates to the infrastructure pipeline include GHG emission impact estimates for all projects (i.e. an expansion of what is already done for major transport projects in Transport Scotland's Carbon Account). Programme pipeline updates should include broad GHG assessments. The Committee recommends that if the reporting on major capital projects changes as a result of the Infrastructure Commission for Scotland recommendations, GHG assessment should be built in to any new reporting framework.

Response:

Future Infrastructure Investment Plans (IIP) are required to be accompanied by an assessment of how they are expected to contribute to meeting the new targets. Scottish Government is about to undertake new research to explore alternative methodologies to feed into the carbon assessment of the Infrastructure Investment Plan. Until this research is completed, and the Infrastructure Commission has provided its report, it would not be prudent to commit to new reporting approaches.

On the work of the Infrastructure Commission for Scotland, the Committee:

- welcomes the Commission's updated remit following the adoption of a net zero GHG emissions target by 2045 as Scottish Government policy.
- recommends that natural capital/green infrastructure should be considered by the Commission as investment in this will be vital to Scotland meeting its wider economic, health and environmental policy objectives. The Committee seeks further detail from the Commission on how it plans to consider this.

- understands that the Scottish Government has not pursued the recommendation of the Low-Carbon Infrastructure Task Force to establish a low-carbon infrastructure commission in Scotland (providing independent scrutiny as to whether the Scottish Government's long-term investment plans are fit for a low or zero-carbon future, where that infrastructure need is most pressing and where the gaps are). The Committee recommends the remit of the Infrastructure Commission for Scotland is extended to provide this independent scrutiny.

Response:

The remit of the Infrastructure Commission for Scotland has been informed by the Scottish Government's outcomes-based National Performance Framework, Economic Strategy and Economic Action Plan. It includes the consideration of strategic drivers such as Place-making, Inclusive Growth as well as the transition to a more resource efficient, lower carbon economy.

The Cabinet Secretary for Transport, Infrastructure and Connectivity wrote to the Infrastructure Commission in May in order to provide further information to inform their Call for Evidence. This letter also updated them on the Committee on Climate Change's recommendations and the Scottish Government's response to those.

The Infrastructure Commission is operationally independent of the Scottish Government, and therefore I cannot pre-judge their approach. We will consider the Infrastructure Commission's recommendations very closely in due course.

On the Scottish Government's internal Infrastructure Investment Board (IIB), the Committee:

- considers that the IIB's remit should explicitly include reducing future emissions and recommends that the outcomes and indicators of Scotland's environmental performance should be central to measuring the effectiveness of the Board.

Response:

The IIB is an internal advisory group of officials who aim to ensure best joined-up advice to ministers. "Managing the transition to a more resource efficient, lower carbon economy" is part of the IIB's vision and remit and consideration of the implications of the 2019 Climate Change Act and net-zero emissions targets has formed an important part of the IIB's work in the past year.

One of the measures of the Board's effectiveness is that it maximises relevant National Outcomes and an improving trend in related indicators. This would include all relevant National Outcomes/indicators including low carbon ones.

“High, neutral, low” analysis

The Committee welcomes the commitment to increase the amount of low-carbon capital spend throughout the Parliament’s lifetime. However, the Committee remains concerned that the infrastructure pipeline appears to have a low proportion of low carbon projects and it seeks assurance that the current infrastructure pipeline is consistent with the Scottish Government’s commitments and with the current (and potentially extended future) climate change targets.

Response:

Our commitment to year-on-year increases in low carbon infrastructure investment demonstrates the Scottish Government’s strong commitment addressing climate change and transitioning to a low carbon economy.

This Scottish Government has so far met this commitment, with an increase in 11 percentage points between 2017-18 and 2019-20. In line with approach last year, we will write to the committee to provide detail on the percentage of low, neutral and high carbon infrastructure investment

We publish a Infrastructure Investment Pipeline of major projects valued at over £20 million. SPICe has previously completed analysis on this showing a low proportion of future investment in low carbon projects. However, the pipeline only represents a portion of our wider capital investment programme. Our commitment to year-on year increases covers our entire capital spend, not just major projects.

The Scottish Government is currently commissioning research into how we can best measure our low carbon infrastructure investment. This research will feed into a wider review of climate change budget information and the carbon assessment of the Infrastructure Investment Plan in 2020.

Capital Spending review

The Committee recommends that the Capital Spending Review should explicitly demonstrate how capital spending plans for the period of the Review are consistent with a pathway to a net-zero economy in 2045.

Response:

The forthcoming Infrastructure Investment Plan and the Capital Spending Review will set out how we will support our transition to a net zero emissions economy and fund and finance our projects and programmes.

The Capital Spending Review framework will be set in the context of the National Infrastructure Mission set out in the 2018 Programme for Government. This will steadily increase annual investment, rising by 1 per cent of current (2017) GDP by the end of the next parliament, 2025-26, compared to 2019-20.

The work of the Infrastructure Commission will help inform investment priorities over the 30 years ahead, and also in the more immediate period covered by the National Infrastructure Mission.

The Commission will consider a number of key drivers to inform their work – including how to prioritise investment to deliver inclusive economic growth and low carbon objectives.

The Committee also recommends that the Capital Spending Review sets out how any new private financing models will provide finance for projects where, for example, capital costs may be higher than market standard because of low carbon requirements (but revenue cost may be lower), for example, public buildings with district heating schemes.

Response:

Fiscal Framework constraints and tight limits on Scottish Government capital borrowing make revenue finance a necessity to build the infrastructure we need. Were broader borrowing powers available to the Scottish Government, we could re-visit use of private finance consider under the Mutual Investment Model.

Scottish Government has been transparent, in the Medium-Term Financial Strategy, about all investment approaches and their costs. We continually seek ways to deliver best value for the public purse and are open to engaging with all stakeholders about how best to provide infrastructure.

We have also introduced Growth Accelerators and, together with COSLA, a new mechanism to deliver outcomes through investment in the learning estate. An important aspect of our intention to support the net zero targets will be our Green Growth Accelerator (GGA) which is in the early stages of development.

The GGA will extend the current Growth Accelerator model to unlock additional investment for infrastructure projects which support our transition to a net zero emissions economy.

Aligning the Budget and the Climate Change Plan (CCP)

The Committee strongly recommends that this previously established practice of publishing a “budget summary” document on funding for climate mitigation measures is reinstated in future Budgets.

Response:

This will also be a consideration of the Joint Working Group to identify proportionate steps which can improve budget information related to climate change in order to support consistency between spend and policy goals and to facilitate meaningful scrutiny.

To improve alignment, the Committee recommends that future “budget summary” documents include commentary detailing specifically what CCP policies each Budget line supports.

Response:

The joint review of climate change budget information will have within its scope existing non-statutory outputs, and will take account of the Committee’s pre-budget recommendations. The review will necessarily take some time, but we expect it to be able to inform the 2021-22 budget and as part of that we will consider the role of the annual climate change plan monitoring reports, as well as relevant budget documentation.

Following review of the current progress report, the Committee considers that the focus on SMART indicators in the Climate Change Plan and progress report is positive; but notes that data coverage is poor with only six out of 29 indicators having sufficient data. The Committee expects data availability to improve and strongly recommends that the new net-zero Climate Change Plan maintains the rigour of setting SMART indicators in its performance and evaluation framework.

Response:

We agree that there are limitations around the data available. For the 2nd monitoring report (Dec 2019) it was possible to make 10 “on track” assessments, although 14 remained “too early” and 4 had insufficient data. The monitoring framework is being systematically reviewed and updated as part of the Climate Change Plan update.

The Committee notes that the lack of policy cost estimates in the Climate Change Plan remains a significant barrier to aligning the Budget and the Climate Change Plan. The Committee continues to recommend further budgetary information is included in future Climate Change Plans.

Response:

As recommended by the Committee, the 2019 Act requires that new Climate Change Plans include estimates of the costs and benefits of policies. The next new Plan will be required within 5 years of the Act being commenced.

Climate Change Governance

The Committee would welcome an update from the Scottish Government on the remit, membership and the proposed timeframe to establish the governance body for delivery of the Climate Change Plan (CCP).

Response:

The timing of the budget this year and the speed at which the Climate Change Plan Update has to be produced to meet the timescale for this to be laid in Parliament in April, makes it challenging to fully align our 2020-21 budget proposals with the Update. However the 2019 Climate Change Act requires that future full new Climate Change Plans include estimates of costs and benefits of the policies therein. The next full plan is due to be completed by Spring 2025 at latest.

Preventative Spend

The Committee would welcome confirmation from the Scottish Government that preventative programmes and services are achieving the right outcomes, how resources are being allocated effectively across portfolios, how this is demonstrated and how the Scottish Government plans to consider the balance of reactive and preventative spend as part of the financial choices it has to make.

Response:

The Budget supports preventative action, to enable a greater awareness of nature, help people to enjoy nature responsibly, and promote the sustainable use of natural assets.

There is strong evidence of the health and wellbeing benefits of 'green exercise' such as walking, cycling, gardening, volunteering, outdoor learning and play, as well as just enjoying being out in green environments and nature. Weekly visits to the outdoors have grown by around 10% in the last decade, with the strongest growth in visits to local greenspace and countryside.

Our National Parks are providing woodland expansion and providing renewable energy through hydro and biomass, and use their planning function to support community growth and resilience.

Scottish Natural Heritage run Green Infrastructure Strategic Investment Fund is delivering transformative change to some of Scotland's most deprived urban areas through the creation and improvement of green spaces.

The Committee recommends that the Scottish Government assess, attribute and report on the impacts, effects and benefits of cross-cutting expenditure, particularly in considering preventative spend on outcomes that cross portfolios and that assessment is included in the Budget documentation.

Response:

We are actively enhancing the evidence base on a wide range of areas, and we are working with the Office for National Statistics again this year to produce a

further set of natural capital accounts for Scotland - which we anticipate will be published in March 2020.

In the first set of Natural Capital Accounts, Scotland's natural capital was estimated to be valued at £291 billion in 2015, 37% of the UK total. Within this estimate, there are a range of services provided by Scotland's natural capital which can be considered as preventative spend as it captures the cost of avoiding future damage, such as the benefit of avoided health costs due to the absorption of the most harmful air pollutants by Scottish vegetation.

More generally, our substantial investment in the 2016-2021 Strategic Research Programme includes work on the multiple benefits that our natural assets provide, with the aim of supporting the development of our understanding of natural capital and its accounting.

The Committee remains of the view that there is significant scope to extend the funding for the environment and natural capital and realise greater benefits for health, wellbeing and the economy. The Committee recommends that the Scottish Government consider what more can be done to extend support to environmental programmes delivering health, wellbeing and economic benefits.

Response:

Our spending plans ensure that our resources are focussed on delivering sustainable and inclusive economic growth and supporting wellbeing.

There is strong evidence of the health and wellbeing benefits of 'green exercise' such as walking, cycling, gardening, volunteering, outdoor learning and play, as well as just enjoying being out in green environments and nature.

Weekly visits to the outdoors have grown by around 10% in the last decade, with the strongest growth in visits to local greenspace and countryside. In addition to having a positive impact on wellbeing it has wider benefits for the economy (through visitor and tourism spend) and climate change (by increasing active travel through walking and cycling). Spending plans will enable us to keep investing in this area, for example, maintaining funding for the Central Scotland Green Network Trust which coordinates work to deliver Europe's largest greenspace project.

Last March, the Natural Capital Accounts for Scotland were published which for the first time estimated both the quantity and value of the services supplied by Scotland's natural capital. The accounts set out the benefits Scotland receives from nature, both to the economy and to wellbeing. Scotland's natural capital was estimated to be valued at £291 billion in 2015, 37% of the UK total. We are working with the Office for National Statistics again this year to produce a further set of natural capital accounts for Scotland - which we anticipate will be published in March 2020.

Reflecting the impact of expenditure across portfolios

The Committee would like to see more evidence in the Scottish Government's Budget of the breakdown of portfolio 'silos' and how all Cabinet Secretaries are working together to push forward the environmental and climate change agenda. Despite the recent focus on, and commitment to, tackling environmental issues and climate change, the Committee is not convinced that these issues are yet fully mainstreamed across portfolios and reflected in the Budget documents.

Response:

The Spending Review Framework, published in the Medium Term Financial Strategy in May 2019, prioritises climate change spend, alongside child poverty, inclusive growth and wellbeing spend in line with the National Performance Framework. This approach will ensure that tackling environmental issues and climate change are at the forefront of portfolio considerations.

The Committee considers that there should be a change in the spending and priorities associated with promoting the environment and the associated and cross-cutting benefits to society. The Committee would welcome the view of the Scottish Government on how this information can be more easily and effectively tracked and scrutinised, reflecting the move to a more holistic approach to tackling climate change issues.

Response:

As previously agreed a joint working group between the Scottish Government and the Parliament will be established in February 2020 to review the Budget as it relates to Climate Change. The aim of the Review is to identify proportionate steps which can improve budget information related to climate change in order to support consistency between spend and policy goals and to facilitate meaningful scrutiny.

Biodiversity

The Committee is concerned that Scotland is not on track to meet the 2020 Aichi target. The Committee asks the Scottish Government to confirm what is currently being done to assess where Scotland will be in terms of the 2020 Aichi biodiversity milestone.

Response:

The Aichi targets are challenging, but meeting 7 of 20 compares favourably with the global picture of progress on only 4 of 20. We are not complacent and recognise that more needs to be done.

- ***Our latest Programme for Government announced we would extend the Biodiversity Challenge Fund by £2 million over this year and next. Additional***

funding has been announced in the draft budget to provide an overall package of £5 million since publishing our latest Programme for Government. In addition to funding for biodiversity through programmes such as the Agri-Environment Climate Scheme, this will increase action for priority habitats and species, deliver additional improvements in ecological connectivity and help to deliver the Aichi targets and combat the contributors to biodiversity loss highlighted by the IPBES report (on which the Committee received a letter dated 20 December 2019).

- *The Programme for Government included a commitment to a Central Scotland Green network ‘blueprint.’*
- *The ‘blueprint’ will be a targeted map that identifies where greenspace projects could bring the biggest climate change and biodiversity benefits.*
- *The CSGN directly benefits biodiversity, including pollinators, and climate change actions such as active travel and sustainable flood management.*
- *We also committed in the Programme for Government to seek to phase out horticultural peat by increasing uptake of alternative growing media substrate.*
- *Our peatlands need to be healthy to realise the benefits of reducing emissions and to improve water quality, biodiversity and flood alleviation.*
- *We have already restored almost 20,000 ha of peatland through our Peatland Action initiative, but many of Scotland’s peatlands are not in good condition.*
- *This year we are investing a total of £14 million to restore up to a further 8,000 hectares and build capacity for future areas to be restored, and in the draft budget we are allocating £20m for peatland restoration and a commitment to long-term funding of more than £250m over the next ten years.*

The Committee seeks assurance that adequate funding to halt biodiversity loss ahead of the 2020 Aichi biodiversity target milestone will be made available in the final push to meet these targets. The Committee also notes that 2020 will entail significant work in developing and defining post-2020 biodiversity targets. The Committee asks what additional activity and funding is required to ensure that there is a step change in action.

Response:

This year will indeed be a significant year for the environment, with the Convention on Biological Diversity (CBD) holding a major Conference of the Parties (COP15) in Kunming in China in October and the Climate Change COP (COP26) being hosted by the UK in Glasgow in November. It is anticipated that the CBD COP15 will agree a new post-2020 Global Biodiversity Framework which, based on the ‘zero draft’ of the framework published by the CBD earlier this month, is likely to include a number of long-term goals for 2050 along with associated outcomes and targets for 2030. We are actively contributing to this international activity, as part of a wider programme of biodiversity activity, details of which were set out in the letter to the Committee dated 20 December.

The Committee also asks the Scottish Government to prioritise resources to fund biodiversity work as a matter of urgency, give further consideration as to how funding

can be committed and sustained over multiple years and set out the anticipated level of funding for biodiversity over the next 5 years (year on year).

Response:

The funding of improvements in biodiversity is complex and inter-connected as there are a number of budgets which contribute, including those which draw on European funds (such as the Agri-Environment Climate Scheme and the Forestry Grant Scheme within the Scottish Rural Development Programme, the Green Infrastructure Strategic Intervention which is part of the European Regional Development Fund and projects supported by EU LIFE) as well as a range of nationally-funded programmes and projects and a wide range of activity delivered by public bodies, local authorities and partners in the private and third sectors.

As the Committee is aware, the decision by the UK to leave the European Union has introduced considerable uncertainty on future funding and it is not possible at this point to set out funding over the next 5 years.

Education

The Committee continues to encourage the Scottish Government to provide enhanced funding to support outdoor access and learning. The Committee also recommends that the Scottish Government give further consideration as to how climate change issues can be mainstreamed across the National Curriculum. The Committee would welcome further information on this.

Response:

Outdoor learning is key to our expansion of Early Learning and Childcare and a vital aspect within the school curriculum. The Scottish Government has provided Inspiring Scotland with £862,000 of funding to support eight local authorities to increase and improve their outdoor learning.

Education Scotland continues to promote the core guidance publication 'Curriculum for Excellence Through Outdoor Learning', and continues to engage with a National Network for Outdoor Learning.

The Scottish Government funds and disseminates the 'Going Out There' guidance, providing much needed practical advice to schools and will continue to ensure that practice "on the ground" takes full advantage of the flexibility within the curriculum. In the coming months this will include further advice to schools on how to integrate outdoor learning across subject areas.

Climate change-related issues are already "mainstreamed" across the curriculum via the cross-curricular theme of "Learning for Sustainability". Our focus is not on disrupting that approach but on taking further steps – through

our Learning for Sustainability action plan – to improve awareness and practice across many more schools.

Air Quality

The Committee notes that the Cabinet Secretary for Environment, Climate Change and Land Reform has said that the Scottish Government “will now take the time to consider the review’s recommendations in detail”. The Committee would welcome an update at the earliest opportunity on how the Government intends to take forward the recommendations in the report and any funding implications.

Response:

The Government has begun the process of developing a new air quality strategy taking into account the review’s conclusions and recommendations. The draft strategy will be issued for public consultation later in 2020. Our assessment is that the funding implications for 2020-21 can be accommodated within the existing air quality budget envelope. Implications for future years will be further assessed as part of the development of the new strategy.

Agriculture

The Committee again asks the Scottish Government to provide assurance that the expected reduction in agricultural emissions (as set out in the current Climate Change Plan and likely requirements of the updated plan) are achievable within the identified budget. The Committee would also welcome further detail on the Scottish Government’s plans for the future of agricultural funding following the UK exit from the EU.

Response:

Within agriculture support is provided through a range of actions that provide positive climate benefits. Climate and the wider environment are an integral part of the various streams of agricultural support offered by the Scottish Government. This includes for example the Greening element of direct support and high quality information/advice and free carbon audits provided by the Farm Advisory Service.

With regards to the future, the long-term Agricultural Transformation Programme set out in the recent Programme for Government (PfG) will bring forward a coordinated series of projects and actions in order to help us achieve our targets, both in shorter and longer terms. This will include the delivery of the range of actions put forward in the PfG as well as the development of upcoming items such as the statutory agricultural modernisation fund. Funding will of course continue to be considered as part of the on-going work and development of future rural support.

Agriculture and related land use has seen a reduction of almost 30% on base year levels and it has continued to see reductions in emissions annually. We understand that changes are required and support will be needed, but we must make sure that we do not risk unintended consequences or simply export our emissions elsewhere. When dealing with our food production system we are dealing with living ecosystems and the ability to change and the timings of it are not solely dictated by funding.

Peatland restoration and other natural carbon sinks

The Committee welcomes the additional funding announced in June but urges the Government to prioritise peatland restoration funding in order to commit sufficient funding at the point of the Budget to enable effective project pipeline planning and delivery and associated investment, which the Committee heard is significantly hampered by year to year uncertainty.

Response:

The Scottish Government has recognised in the Climate Change Plan the important role that peatland restoration (as a nature-based solution) can play in responding to the global climate emergency and also in delivering what the Committee on Climate Change describe as ‘co-benefits’ such as improved water quality and also improved biodiversity. This is why, in addition to the funding increase in 2019/20, we have allocated £20 million in the draft budget for 2020/21, which will result in significant restoration activity leading to reduced carbon emissions from degraded peat. This, together with the commitment to invest more than £250 million in peatland restoration over the next ten years, will send a strong and clear signal to our delivery partners in the public, private and third sector, including landowners and contractors, that we are committed to substantially enhancing our efforts on peatland restoration. This commitment will enable large-scale restoration projects to be developed, enhancing biodiversity, supporting jobs in the rural economy and delivering significant greenhouse gas emission reductions.

The Committee also notes the publication of the IPBES report on global biodiversity in May 2019, and the recognition by Scottish Government that tackling the climate emergency and biodiversity crisis are inter-linked challenges. In light of that, the Committee urges the Scottish Government to prioritise funding for natural carbon sinks including peatland restoration and native woodlands.

Response:

The Scottish Government values the benefits to biodiversity from peatland restoration, supporting our internationally important habitats whilst helping to mitigate the effects of climate change. The substantial budget for peatland restoration will help to maintain and enhance biodiversity in some of the most important and fragile habitats in Europe.

Peatland restoration also has many other benefits, such as improving water quality, reducing flood risk and helping as a natural defence against wildfires.

The Committee asks the Scottish Government to provide an update on achievement of the peatland restoration targets for 2017/18, 2018/19, 2019/20 and provide detail on how the restoration targets will be achieved within the 2020/21 Budget.

Response:

To-date, almost 20,000 hectares of degraded peatland has been restored since the dedicated peatland restoration project started in 2012. Challenges such as weather impacts and contractor capacity have played a significant role in what can be delivered from year-to-year.

Scottish Natural Heritage, our two National Parks and Forestry and Land Scotland (which manages Scottish Ministers' national forest estate) have increased their efforts this year to restore peatlands and build capacity for delivery in subsequent years. It is anticipated that up to a further 8,000 hectares will have been restored by the end of 2019/20.

We continue to review the approach to delivering peatland restoration, to ensure we maximise efficiencies and continue to increase the rate of restoration of degraded peat to maximise emissions reduction. The substantial budget being made available in 2020/21, together with the commitment to invest over £250 million in restoration over the next ten years, will help provide landowners and contractors with the confidence to invest in building capacity to assist with increased delivery of this vital programme in the coming years.

Research, analysis and other services

The Committee urges the Scottish Government to focus on the strategic value of investing in research and development, to ensure funding for research and development is prioritised and 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.

Response:

While the Scottish Government recognises the constraint that single year budgeting can place on research providers, we value our investment in research and development over the longer term.

In many cases, particularly with long term strategic science projects, funding will stretch over a period beyond a single budget. The Strategic Research Programme, which covers a 5 year period, sets out the pathway for the significant multi-million pound investment we are making in research.

The Committee previously encouraged 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 would welcome an update from the Scottish Government on this exercise.

Response:

As indicated previously, It is the responsibility of the respective Boards and management of the institutes to ensure that when bidding for funding they determine the total direct and indirect costs of the proposed activities so that they can be undertaken in a manner that is financially sustainable. The level of full economic cost attributable to the research we fund should include monies needed to maintain the research-related infrastructure required to undertake the research that we commission.

Despite this expectation, in recent years Rural and Environmental Science and Analytical Services (RESAS) has been able to continue to provide some small separate capital monies for essential maintenance of buildings owned by Scottish Ministers.

The Committee would also welcome an update on the progress of and plans for SEFARI, plans to establish a Plant Health Centre of Expertise and the potential to establish a centre focused on biodiversity and ecosystem health. The Committee asks the Scottish Government to provide an update on the timescale, scope and remit of the Committee's recommendation to commission a related independent assessment of this.

Response:

In 2018 we conducted a mid-programme review of our research investment 2016-21, and will be using the outcomes of that review to inform the future shape of both the research we fund and the number and scope of Centres of Expertise.

The Plant Health Centre of Expertise was launched in February 2018. Further information is available on their website here:

<https://www.planthealthcentre.scot/>

Prof Andrew Millar, the Scottish Government's Chief Scientific Adviser for the Environment, Natural Resources and Agriculture, chairs a Strategic Advisory Board (SAB) for science who were tasked with improving the Scottish Governments understanding of the strategic context within which its funding would operate beyond March 2021; and to have more regularised, independent advice on strategy. A copy of the Report by SAB can be found here:

<https://www.gov.scot/publications/report-strategic-advisory-board-resas-funded-science-supporting-evidence-commentary/>

Land Reform

The Committee asks the Scottish Government to provide detail on any underspend in 2018/19 and anticipated underspend in 2019/20. The Committee continues to encourage the Scottish Government and the Scottish Land Commission to pro-actively promote the Fund and the use of it to support land reform and community right-to buy and assist and facilitate knowledge of and access to it.

Response:

There was no underspend in the Scottish Land Fund in 2018/19. To date in 2019/20, over £9.2 million has been already been committed, against a budget of £10 million. Given the number of applications and level of funding requests due to come before the Committee by the end of the financial year, no underspend is anticipated.

Scottish Natural Heritage

The Committee continues to urge the Scottish Government to review the budget of SNH to ensure that budget adequately meets the demands to be made of it.

Response:

I am confident that SNH has the necessary resources to fulfil its statutory functions (including on wildlife management) as well as support a number of national outcomes. Over recent years we have protected the SNH budget which, following in-year transfers, has increased. This year we have again protected the level of funding.

The Committee asks the Scottish Government and SNH to provide an update on detailed actions to address this concern as a matter of urgency and before the Exit date of 31 October 2019.

Response:

As noted previously, I remain deeply concerned about the lack of detail regarding replacement arrangements for EU funding streams, given their importance to individuals, businesses and communities across Scotland.

Without information on the design or quantum of replacement funding we are unable to plan and design future investment strategies and therefore share the ECCLR and Finance and Constitution Committees calls for the UK Government to establish successor arrangements for EU funding that must be based on genuine engagement and fully respect the devolution settlement.

Marine Scotland

The Committee would welcome detail on what funds are currently made available, and will be included in the 2020/21 Budget, to support the development of Regional Marine Plans.

Response:

Scottish Ministers' are aware of the funding challenges that exist to support the roll-out of Regional Marine Planning Partnerships. We are though making good progress towards developing marine plans for the Clyde and Shetland regions and looking to formally delegate the Orkney Marine Planning Partnership in the coming months and are currently considering the potential for further partnerships going forward.

Officials are currently exploring the opportunities for securing additional monies for the 2020/2021 financial year.

The Committee continues to seek assurance from the Scottish Government that the resource of Marine Scotland is, and will be, adequate to meet current and predicted needs – including development of the MPA network, research and protection vessels – and that this supports ecosystem-based implementation through surveying, research, monitoring and reporting.

Response:

Marine Scotland remains committed to the areas of activity that have been identified, they are key spending areas and available budget will be prioritised to them.

The Committee asks the Scottish Government to confirm what the annual assessment of need is, for each year looking forward over the next 5 year period, what the anticipated shortfall is as a result of the UK exit from the EU (year on year) and what additional funding will be required in 2020/21 and in future years, to support monitoring and surveillance post EU exit.

Response:

We are currently working through the monitoring and surveillance requirements post EU exit and will look to secure funding to ensure that the requisite resources are appropriately assigned, in doing so building on new technologies.

The Committee also notes that there is research showing that coastal and marine habitats have significant potential to contribute to climate mitigation and adaptation. The Committee encourages the Scottish Government to continue and extend the programme of blue carbon research focused on the scope for carbon sequestration and seeks an update on how blue carbon strategies can be funded as part of the climate-biodiversity challenge.

Response:

The Scottish Government is committed to better understanding blue carbon and how it can help us mitigate and adapt to climate change. Our blue carbon research programme's current focus revolves around measuring the ability of various habitats to sequester carbon, understanding how it is stored for the long term, and building an evidence base on the effects that human activities may have on these process.

We are committed to evidence led policy development, built on sound science and have committed to begin publishing the results of our blue carbon research programme in 2020. These results will build an evidence map of blue carbon research, informing policy development and identifying knowledge gaps.

In recognition of the importance of the marine environment for naturally storing carbon, in October 2019 we committed a further £20k to researchers in the Scottish Blue Carbon Forum. This funding will help to further the blue carbon research programme and fill identified knowledge gaps. This brings total funding commitment to our blue carbon research programme to over £432,000.

The Committee asks the Scottish Government how the 2020/21 budget will take the loss of funds from the EMFF into account what funds will be directed to replace the gap in EU funding in 2020/21 and in the coming years.

Response:

We have during 2019 been working with stakeholders to develop a SWOT and future needs analysis on the basis that the EMFF scheme was coming to an end, and the UKG had signalled that new long term arrangements would be put in place. This was expected to be dealt with through the UK 2019 Spending Review, which has now been moved till late 2020.

Given the Spending Review delay and the fact that Scotland has all but fully committed its discretionary EMFF funding, with the sea fisheries measures being heavily over-subscribed and closing to new applications in 2018, the UKG has accepted the need for further resources.

Further budget cover of £16.5m has therefore been provided to Scotland by HMT for the 3 financial years to 21/22 - £3m in 19/20, £7m in 20/21 and £6.5m in 21/22. This funding will be delivered through the Fisheries Block Exemption Regulation which is State Aid compliant and mirrors EMFF in many areas.

Ministers will consider the priorities for funding based on the wider work being undertaken. Work is already underway to make investments in a suite of projects in this financial year and to invite proposals for further investment in 2020/21 and 2021/22.

In the meantime, we are also looking to build on the £7.5m of funding for coastal community benefit that was announced in September through future allocations from the net revenue of Scottish Crown Estate marine assets out to 12 nautical miles. We are also working with Crown Estate Scotland to maximise opportunities for the assets to be managed for the future benefit of Scotland and communities, including delivery of environmental benefits.

Public Bodies

The Committee recommends that the Scottish Government prioritise the provision of guidance and support to public bodies on the reduction of their carbon footprint and in their carbon accounting. The Committee considers that there need to be clear mechanisms to provide this.

Response:

Scotland's public bodies have a crucial role to play in delivering on Scotland's net-zero ambitions through direct emissions reduction, and influencing and enabling positive behaviours; driving change and acting as an exemplar of climate action and low carbon innovation. To date ten local authorities have declared a Climate Emergency (Glasgow, Edinburgh, Moray, Dundee, North Lanarkshire, Dumfries & Galloway, Highland, Renfrewshire, Orkney Islands, West Dunbartonshire) and we will all benefit from the commitment to early 'net-zero' emissions dates set by Glasgow, Edinburgh, Dundee, Highland, Moray, Dumfries and Galloway, and Clackmannanshire local authorities, alongside NHS Scotland.

The plan is to set up a network of high ambition public bodies to provide strong leadership to others: senior leaders taking responsibility for tackling climate change is exactly what's needed if we're to see a step-change in action. The High Ambition Climate Network will be formed of Chief Executives and Elected Members in those Public Sector Bodies who are committed to leading the way to a net-zero Scotland.

The network will be focussed on making strategic connections across the most ambitious Public Sector Bodies, maximising the economic and social opportunities of reducing emissions, and tackling the challenges of emissions reduction in a way that makes action easier for all public bodies, communities and businesses.

We are currently consulting on the role of the public sector in responding to the global climate emergency, including what additional training, information or guidance Public Sector Bodies need to help them increase their action on climate change. As well as seeking views on the proposed structure of the high ambition network.

Following the updated Climate Change Plan, we have also committed to establishing a National Forum to continue the conversation among businesses, public sector and communities.

We are consulting on the role of the public sector in responding to the global climate emergency, including a proposal that, following the update to the national Climate Change Plan, all bodies set dates to achieve zero emissions. Our proposals also include all public bodies, including councils, making both their targets and their progress toward them publicly available, so residents can see how well their council is performing. As well as establishing a High Ambition Climate Network to bring together Chief Executives and Elected Members of the most ambitious public bodies committed to leading the way to a net-zero Scotland.

Waste Treatment

The Committee recommends that the Budget includes information on how the Scottish Government plans to use fiscal measures to bring about behavioural change to meet environmental targets. The Committee also recommends that the Budget includes information on changes in spending priorities and plans to offset a reduction in anticipated revenue due to success in meeting the policy objectives underpinning the fiscal measures.

Response:

The consultation on the Circular Economy Bill sets out proposals to introduce powers to require a charge to be applied to single use items, with an initial focus on disposable beverage cups. This is intended to promote greater use of reusable alternatives.

As the Committee is aware, the Scottish Government requires the agreement of the UK Government to introduce new environmental taxes. We keep the operation of existing devolved taxes under review and are currently considering how landfill tax can be used to incentivise progress towards the revised date for banning biodegradable municipal waste going to landfill.

The Scottish Government, alongside the UK and other devolved governments, has consulted on major reforms to the packaging producer responsibility regime. These are projected to deliver a significant increase in the contribution of producers to waste management costs. Further detail of the operation of the reformed scheme is currently being developed.