



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Rural Affairs and Islands Committee

**Wednesday 27 September 2023**

**Session 6**



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**Wednesday 27 September 2023**

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**RURAL AFFAIRS AND ISLANDS COMMITTEE**

**24<sup>th</sup> Meeting 2023, Session 6**

**CONVENER**

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

**DEPUTY CONVENER**

\*Beatrice Wishart (Shetland Islands) (LD)

**COMMITTEE MEMBERS**

\*Karen Adam (Banffshire and Buchan Coast) (SNP)

\*Alasdair Allan (Na h-Eileanan an Iar) (SNP)

\*Ariane Burgess (Highlands and Islands) (Green)

Jim Fairlie (Perthshire South and Kinross-shire) (SNP)

\*Kate Forbes (Skye, Lochaber and Badenoch) (SNP)

\*Rhoda Grant (Highlands and Islands) (Lab)

\*Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

George Burgess (Scottish Government)

Erica Clarkson (Scottish Government)

Mairi Gougeon (Cabinet Secretary for Rural Affairs, Land Reform and Islands)

Craig Stewart (Scottish Government)

**CLERK TO THE COMMITTEE**

Emma Johnston

**LOCATION**

The Sir Alexander Fleming Room (CR3)



## Scottish Parliament

### Rural Affairs and Islands Committee

*Wednesday 27 September 2023*

*[The Convener opened the meeting at 09:08]*

#### Decision on Taking Business in Private

**The Convener (Finlay Carson):** Good morning, and welcome to the 24th meeting of the Rural Affairs and Islands Committee in 2023. Before we begin, I remind those members who are using electronic devices to please switch them to silent. We have received apologies from Jim Fairlie.

Our first item of business is a decision on whether to take item 3 in private. Are we agreed to do so?

**Members indicated agreement.**

## Pre-Budget Scrutiny 2024-25

**The Convener:** We now have an evidence session on pre-budget scrutiny for 2024-25. I welcome Mairi Gougeon, the Cabinet Secretary for Rural Affairs, Land Reform and Islands. I also welcome, from the Scottish Government, Erica Clarkson, the islands lead; Rebecca Hackett, the deputy director, corporate and strategy, marine directorate; George Burgess, the interim director of the agriculture and rural economy directorate; and Craig Stewart, the head of agriculture and rural economy financial management and controls—that is a mouthful. *[Laughter.]*

I invite the cabinet secretary to make an opening statement.

**The Cabinet Secretary for Rural Affairs, Land Reform and Islands (Mairi Gougeon):** I am delighted to be here today. This session comes ahead of the 2024-25 annual Scottish budget, and I welcome the opportunity to hear the views of the committee as we begin that process.

The policy prospectus, which was published in March, introduced my expanded portfolio, which encompasses rural affairs, land reform and islands, and my responsibilities as set out in the mandate letter from the First Minister. The 2023 medium-term financial strategy sets out a credible approach to delivering fiscal sustainability over time, which is anchored in three pillars that illustrate the need for tough and decisive action to ensure that our finances are on a sustainable path to deliver our three central missions of equality, opportunity and community. The medium-term financial strategy, the mandate letters and the programme for government 2024-25 will shape the Scottish budget process.

We continue to feel the impacts of severe economic conditions and inflationary pressures, which are affecting households, businesses and public services. Similarly, the fiscal outlook for the Scottish Government is expected to remain challenging and subject to the considerable volatility that is arising from uncertainty around the block grant and the income tax net position. Where we have been able to do so, we have taken action to prioritise support for the most vulnerable in our communities, to attract investment, to grow our economy and to respond to the climate crisis.

My priorities in that process are clear, too. The budgets that are allocated to my portfolio will continue to make a vital difference to our nation's wellbeing through the protection, nurture and restoration of our natural assets, ensuring that they sustain our people, our businesses and communities both now and into the future.

Although addressing, mitigating and adapting to climate change and protecting and restoring

nature are challenges, they also create opportunities. The spend across my portfolio supports our rural and blue economies to make them more sustainable, productive and prosperous. Scotland's agriculture, forestry, fishing and aquaculture sectors are at the heart of many of our communities and, when combined, contribute around £2.6 billion to the Scottish economy. Our food and drink industry is still Scotland's largest manufacturing sector, with exports that are worth £8 billion annually.

We will continue to work to deliver more fishing opportunities and prosperity for Scotland's coastal communities and to transform how we support farming and food production, working with the agricultural sector to co-develop and deliver on the agricultural vision. We have committed £250 million over 10 years to restore 250,000 hectares of degraded peatlands by 2030, which will support new green jobs in the rural economy and is critical to delivering Scotland's just transition to net zero.

We are continuing to invest in the skills and infrastructure that are needed to ensure that the forestry sector can continue to grow, too. This year, we have—yet again—introduced agricultural payments to aid vital cash flow into the rural economy. The first tranche has exceeded forecasts and we have paid nearly £300 million in basic payments in the first three weeks. We have increased the Scottish land fund, providing up to £11 million to enable more communities to own land, buildings and other assets in urban and rural areas.

I hope that you can see that I am continuing, and will continue, to prioritise that direct injection into the economy for rural, agriculture, marine and island communities. That prioritisation provides much-needed economic stability locally and nationally. Our commitment to supporting the ambitions for our islands remains strong, too. We will award up to £14 million of grant funding through the marine fund Scotland to support projects in line with our blue economy vision.

Those key pieces of work demonstrate the significance of the environment around climate change mitigation and nature restoration alongside the importance of people, communities and the economies that they support. Although there are many challenges to overcome as we look to the future, I will continue to work across the Scottish Government and with our partners across Scotland to support the resilience and strength of our rural, coastal and island communities.

**The Convener:** Thank you very much, cabinet secretary. We will kick off with questions specifically on the islands. We are now halfway through the current islands programme. Can you update the committee on where we are, what progress has been made, how much funding has

been committed and how you are assessing whether those projects are good value for money?

**Mairi Gougeon:** Yes, I would be happy to. I am aware that I recently sent the committee a letter, which outlined the progress of various projects to which we had committed in the islands programme.

We had £4 million of budget allocated to the islands programme this year, and that is supporting a number of projects across our islands, which are progressing. In a moment, I will ask Erica Clarkson to give you more information on some of the projects that we have on-going there. It is, of course, a hugely important programme that we know is making a significant difference in our island communities as well as delivering against the objectives that we have set out in the national islands plan.

09:15

In terms of value for money, it might be helpful to talk about how some of those applications are scored and about the different factors that are taken into consideration. When it comes to spend, not just in island areas but in our rural economy as a whole, we cannot look at it purely on the basis of best value and economic value in its simplest sense. We have to take into consideration the wider impact that funding in rural and island communities has. In the islands programme, there are some projects that, in the grand scheme of things, could be considered small projects but that have a disproportionately big impact in island communities. One example is the investment that we have made in an old school building in Eriskay. It is really important to bear that in mind.

On the factors that are taken into account in scoring applications, 40 per cent of the scoring is about how a project is delivering against the objectives that we have set out in the national islands plan, but a huge element of the process is about the community impact. How have communities been involved in the project? How will they be included? What will be the impacts on the community throughout? It is right that we put value on those particular areas and that we have that strong community focus, as well as ensuring that projects are delivering against the national islands plan.

Erica Clarkson will be able to provide more information.

**Erica Clarkson (Scottish Government):** Good morning, everyone. We have provided some of this information previously to the committee, so I hope that I am not repeating myself.

Since the launch of the islands programme, which is the £25.8 million investment to support

delivery of the national islands plan, we have invested more than £12 million in total, with £4 million invested in this financial year. The projects that are being supported through that funding include, as the cabinet secretary said, the Eriskay school project, and there is some exciting work going on in Tobermory, on Mull, to create accommodation for workers, so that they find it easier to move to and remain on the island. We are also doing some work with Canna to create a digital hub, and there are various other projects similar to that—for example, the community hub on Tiree, which will make it easier for people to access healthcare services. There will be some respite beds within that, and it is a complete modernisation and reconfiguration of the existing facility. All of those projects add up to great value for the communities in which we are investing.

The committee will be aware that, under the Islands (Scotland) Act 2018, the national islands plan has to be reported on to Parliament every year, so members will be able to access our progress report online, if they wish to do that, and see where we are with delivery. Most or, I think, all of the commitments within that plan are either on track or have already been delivered.

**The Convener:** When we look at the capital spending plans over the next few years, we see a decrease of £4.2 million. Given the knock-on effects of the additional cost of living, along with the extra costs of building or whatever, did you expect a fall-off in the predicted spend? Where does that come from? Why are we seeing a drop over the four years?

**Mairi Gougeon:** Are you referring to the resource spending review and the capital spending review?

**The Convener:** Yes—the capital spending plan supported by the islands plan is set to decrease by £4 million compared with plans published in 2021. Is that just about not being able to deliver projects, or what does that figure suggest?

**Mairi Gougeon:** Those figures relate to what has been set out in the resource and capital spending reviews. They are the overall funding envelopes, not budgets in and of themselves. We will be working through the budget process. There is no capital funding associated with the islands programme for the coming financial year, but we are working through the budget process, so that could change. That is the expected funding envelope, although resource funding is expected.

I emphasise that the islands programme is not the only means by which there is investment in islands. Investment outwith the islands programme has a strong and positive impact on our islands, which has been shown through some of the projects that have taken place. We cannot forget

about other Government investment that takes place in our islands, including in housing, digital, health and social care. We must also bear in mind the islands growth deal, which is £50 million of investment from the Scottish and UK Governments over the course of the next 10 years for a number of pieces of work. It is important to bear that other spending in mind.

**Alasdair Allan (Na h-Eileanan an Iar) (SNP):** On the final point that you raised, how will you manage to achieve that? How do you co-ordinate the spending in the islands programme with that wider spending? A subject that I never stop speaking about and will not stop speaking about is housing, because there are acute housing needs in many areas. How do those two areas of budgeting activity tally?

**Mairi Gougeon:** I am happy to provide more detail. I will bring Erica Clarkson in, because the islands team in the Scottish Government works closely with other departments across the Scottish Government on the funding. At a ministerial level, we ensure that we have engagement across the piece. For example, you will be aware that we are developing the remote, rural and islands housing action plan. There has been strong engagement between our teams on the actions that will come forward as a result of that.

I know that the committee has raised concerns, via local authorities and other bodies, about all the different strands of funding that exist across the piece and how they could be better aligned. The islands team works to ensure that we meet our obligations under the Islands (Scotland) Act 2018, but those other funds also help us to deliver against our strategic objectives in the national islands plan. For example, the islands team works closely with the Scottish Futures Trust to look across Government and make sure that we avoid crossovers on deadlines when it comes to applications to the islands programme and to other funds. We are trying to minimise the impact on bodies that apply to the various funds.

I will hand over to Erica, who might want to add some more information to that.

**Erica Clarkson:** I will add a little more information. Earlier, I missed out saying that we have invested in 61 projects in 44 islands, which is a significant amount of work. As the cabinet secretary says, there are many examples of cross-Government spending across portfolios, not just in housing. We work very closely with our colleagues in the population team to develop the addressing depopulation action plan. My team is taking forward the rural and islands elements of that. We also work with the islands strategic group and our colleagues on the senior officers group, which feeds into the islands strategic group, to identify where priorities need to be considered. We will

then actively go out across Government to access funding to support those priorities.

**Ariane Burgess (Highlands and Islands) (Green):** I am interested in the value-for-money aspect. It is great to hear of the number of projects that have been undertaken so far, but is the islands team working with the Scottish Futures Trust to look at the community wealth building aspects of these issues? Is there a focus on projects that have the potential to build community wealth? For example, if one island in an island grouping had a wind turbine but another could not have one, would work on community wealth building be done on the other island because it could not have a wind turbine?

**Mairi Gougeon:** Applicants are specifically asked how they will implement the community wealth building principles into projects and ensure that they are considered and built into the process.

**Ariane Burgess:** Do you have examples of that? I am aware of the nursery in Kirkwall, which involves quite a big amount. I could extrapolate that out to community wealth building, but a wind turbine that generates money would be a better example.

**Mairi Gougeon:** Do you have any specific examples, Erica? Community asset transfers have been an example of that.

**Erica Clarkson:** I think that you are probably talking about the Tiree wind turbine, Ms Burgess, and perhaps the wind farm on Gigha. The communities benefit hugely from those projects.

We are always looking to take the learning from islands to other communities. That is a big part of our work. The Scottish Futures Trust is tuned in to where we might be able to do that better, so we work closely with it.

I am struggling to think of examples off the top of my head, but I reassure the committee that we take a place-based approach to all the work that we do in islands policy development and implementation. Community wealth building is clearly a big part of that.

**Kate Forbes (Skye, Lochaber and Badenoch) (SNP):** I am fairly new to the committee, but I understand that, off the back of last year's engagement with local authorities, it was largely felt that this year's application process was much better, so taking on board the feedback from the committee and the local authorities has been positive. Thanks for doing that, cabinet secretary.

Two themes came through in the response that we got when we wrote to the six island local authorities, which had said that the process was much better. One was that applications are resource intensive. It always concerns me when it costs a lot of money to access a lot of money.

What is your response to that? How can you reduce the onerous burden on already stretched local authority staff when they make applications?

The second theme, which we have heard about for the past few years, is the cluttered nature of our funding landscape. Local authorities are trying to cobble together different funding options for investment, but that makes it cluttered. Have you considered the scope for combining schemes under the heading of the islands programme?

**Mairi Gougeon:** You raise some important points, which came out clearly in the evidence that the committee heard previously. I welcome the work that the committee did, which is, I hope, reflected in the feedback that the process this year has been more straightforward and more streamlined than it was previously. Getting that feedback helped us to make those changes to the application process for the islands programme.

The work that the islands team has been doing with the Scottish Futures Trust has been helpful in trying to minimise the burden of the islands programme as much as possible. Over the past few years, we have made refinements to the application process for the programme. In and of itself, that has helped, because everybody is becoming more familiar with the process of applying to it. I would like to think that that, in a sense, eases the pressure on local authorities. The SFT also provides guidance, help and support through the process, which local authorities have broadly welcomed, too.

The cluttered funding landscape is a difficult issue to resolve because I do not hold all the levers in my portfolio for the other funds that impact islands. We have talked about the remote, rural and islands housing action plan as well as other schemes that are funded through other portfolios. I reflect back on the response that I gave to Alasdair Allan about the work that the islands team and the SFT are doing together to minimise the clutter as much as possible. That has involved working with other policy teams across the Scottish Government to ensure that there are no conflicting deadlines, because we recognise the pressures that local authorities are under when it comes to applying to the funds and we want to ease that burden as much as it is within our power to do and make the process as easy as we can.

Is there anything that you want to add, Erica?

**Erica Clarkson:** It is great to hear that the situation has improved for our local authority partners, because we are mindful in the team of the resource pressures on them. We have worked hard to streamline the system and make it a bit simpler for local authorities to make their applications.



That also gives us an opportunity to identify more strategic and larger-scale projects through the process, which is useful. Although I know that the process is resource intensive, it provides an evidence-based decision-making approach for us to use when we look at the impact on communities as we consider applications.

It is important that we keep listening and continue to review the process to see what more we can do on it.

**Kate Forbes:** I have just one small follow-up question about the extent to which you have reviewed the criteria. There is always a trade-off between being too rigid in saying what the money can be used for and giving local authorities a lot of freedom and flexibility. Do you think that you are getting that right?

09:30

**Erica Clarkson:** We probably need to do a little bit more work on that, if I am completely honest, because the flexibility that our local authority partners would like perhaps needs to be a bit more embedded. We have to ensure that islands programme funding matches the strategic objectives of the national islands plan, though, because that is what the money is there for, so the criteria are generally associated with those objectives in the plans, so that we can support delivery of the plan.

**Beatrice Wishart (Shetland Islands) (LD):** Good morning. My question will just expand a bit on the previous one. When the committee heard from North Ayrshire Council, it said that

“any competitive process requires the diversion of resource from other activities”

and direct awards to councils

“would increase efficiency and speed of project delivery”?

In its submission, Shetland Islands Council said:

“Should an Islands Programme budget be made available in the future, Shetland Islands Council would strongly favour a model which removes the need for competitive funding bids, and is instead based on locally developed investment plans which articulate local priorities over the short to medium term.”

Can you respond on those points?

**Mairi Gougeon:** No problem. As I said, during the past couple of years of the programme we have been learning as we went and have been trying to modify the process. I remember from discussions that we have had about the islands programme that it is always difficult to look at the pros and cons of a direct award versus a competitive bid, and that is why it was interesting to hear the evidence from local authorities that the committee received about that.

There are drawbacks with direct award because, if we did that, the allocations could be a lot smaller for some areas, which means that they would not be able to take forward some of the larger projects that we have been able to fund.

On the competitive bid process, we have already said that we have made various changes to the guidance and to the process to streamline it. We have also removed the ceiling on applications so that local authorities can decide whether they want to take through a large project or would prefer to submit applications for a number of smaller projects. That process gives us overall strategic oversight. As Erica Clarkson outlined, we can also ensure that we are delivering against the objectives of the national islands plan.

Ultimately, we would not have been able to fund some of the big projects that have been part of the programme during the past couple of years if it had not been for the competitive bid process. Therefore, although I understand the calls for direct award, I think that we have greater flexibility in a competitive bid model.

**The Convener:** There is a limited amount of money, so there will always be an element of competitiveness around funding, but is there an intangible from a competitive process that allows local authorities to see plans that other local authorities have submitted in detail, so that lessons can be learned from that that are perhaps not quantified?

**Mairi Gougeon:** As Erica Clarkson said, we are always keen to learn from what is happening on other projects elsewhere, but I do not know whether that is what you meant about sharing the learning from projects.

**The Convener:** I suppose that the competitive process will have winners and losers, but there is a benefit to be derived for the losers, because lessons will be learned by them and by other local authorities. What involvement will the Scottish Futures Trust have in the competitive process? We have heard that capacity is limited in local authorities, so how much support will be provided so that we share the good and everybody benefits from the competitive process?

**Mairi Gougeon:** The point about the lessons learned from projects that have not been successful through the competitive bid process is important. It has allowed us and the SFT to work with the projects that have not been successful to ensure that it is not necessarily the case that the project cannot ever happen, because it can be worked into a space where it can potentially be submitted in a following year. The role of the SFT has been critical in that. We have worked with it for a long time. It is an infrastructure expert, and I think that it has been mentioned to the committee

before that the SFT has been critical for support and advice—even in informal conversations about applications, which local authorities have found invaluable when going through the process.

**Ariane Burgess:** Obviously, one of the reasons why we have an islands plan is that the experiences and challenges of people living on islands are extremely different from those of people living in mainland Scotland.

We are aware of the great work that is happening through the island team being based on islands, which is very helpful, but last year we heard concerns from Argyll and Bute Council that the members of the investment panel felt “remote from the islands”. The SFT then updated the committee to say that only one member was based on an island. Could the cabinet secretary update us on the changes to membership and how the panel engages with local authorities and island communities?

**Mairi Gougeon:** Yes, I am happy to do that. We were happy to receive that feedback, and the one point that I will make in response is that members of the investment panel had experience of living and working on islands, so it was not necessarily as straightforward as saying that only one member was based on an island. However, we listened to that feedback from the committee and, as a result, we appointed five new members to the investment panel, who are largely islands based. The challenge in that was trying to find members who would not have a conflict of interest in relation to the projects.

Two members of the investment panel are from the young islanders network, which is very important, and the chair of the panel just so happens to be sitting to my left, so I am sure that she can give more detail about it.

**Erica Clarkson:** Yes, absolutely—if it will be helpful. We expanded the membership of the investment panel based on the feedback that we got from our local authority partners, and the last time that the panel met to consider this year’s applications, it was clear that doing so was for the good. The input of our young islanders has been fantastic. I would say that they are the most vocal members, and they make great contributions. We now have a lot more lived experience on the panel than we had previously, and it is more effective for that.

**Ariane Burgess:** For clarity, how many members of the panel are there now?

**Erica Clarkson:** There are 12.

**The Convener:** We have touched on the role of the SFT in supporting local authorities. How will the forthcoming budget help island communities develop and retain the skills and workforce

needed to deliver projects into the future? How will it help communities to build capacity to do that?

**Mairi Gougeon:** I am aware that skills are an issue across our islands, and we outlined in the national islands plan annual report some of the actions that are being taken; a number of different projects are under way.

In relation to the delivery of the islands programme and some of the challenges that projects have come up against, there is a particular issue with construction skills and ensuring that we have a construction workforce. Work on that is being done nationally, and work has been undertaken to get the Scottish vocational qualification on a par with other SVQs that we have in place. The Minister for Higher and Further Education has been leading that work, and he had a round-table discussion with all the interested stakeholders just last month to look at how we can do work on that and address some of the challenges with it.

A pilot project took place in Uist earlier this year, which was about retaining skills. Erica Clarkson may be able to give an update on that, and I would be happy to provide further information to the committee on it. That was a specific skills pilot, and we are keen to take learning from it. Mapping is being done of the skills that will be needed for the industries that we will need for the carbon-neutral islands project as well.

We have focused on the infrastructure and capital spend of the islands programme, but it is important not to forget that we also have resource spending, which funds other important projects. For example, the islands scholarship scheme is about how we attract and retain students who live on our islands and make sure that we match them to the skills that we need for the future. There are a number of strands in that. There is also work through the islands growth deal.

**The Convener:** What influence do you have to ensure that Skills Development Scotland creates enough apprenticeships that are appropriate for those who live on islands and that it provides the funding for students in developing the young workforce? Should part of the budget be for that, or should we expect more budget from other portfolios to ensure that those skills are developed and that we retain the workforce that we need to do the construction, for example?

**Mairi Gougeon:** I am not responsible for SDS, but it is important that we work together across Government to address such challenges. In my previous response, I did not mention our establishment of the commission for the land-based learning review. Other reviews have taken place around the skills landscape, including the Withers review. I will work with my colleagues to

consider the outcome and recommendations of each of those reviews to see how we can address those issues as a whole. It is not as if portfolios will work in isolation, because we know that we need to address particular gaps in our islands and rural areas. We want more people to come into the sectors that are important for those areas.

**Ariane Burgess:** I have a couple of supplementary questions. The first is about childcare, because that is connected to the workforce. Over the summer, I visited islands and I was at a meeting on the challenges around childcare at which there were critical public sector workers who had young children and who could not get back into the workforce. The challenge was that childcare piece. I am aware that the Scottish Government is working on childcare, but do you also take that issue on board in your thinking on the islands plan?

**Mairi Gougeon:** Absolutely. Childcare is a big issue even in terms of the wider challenges of child poverty and fuel poverty on our islands, where people are disproportionately affected because the cost of living is so much higher. We have funded a specific childcare pilot with the Mull and Iona Community Trust to see how we can address those problems and develop solutions that work for our island areas. We will be keen to take any learning from that.

**Erica Clarkson:** As the cabinet secretary said, it is about taking the learning and seeing what we can map across to other islands, where that is appropriate—obviously, each is unique, and they all have very different population mixes, so the demographic is not the same on every island, as you will know.

It is very heartening to be able to invest in such major projects as the Kirkwall nursery. We know, even just anecdotally, how many families that will benefit. We are working very closely with the local authority on that project, with the help of the SFT. Childcare is identified as an issue in the national islands plan, and we are doing all that we can to work with colleagues to support communities where possible.

**Ariane Burgess:** Great—thanks for that.

You mentioned the carbon-neutral islands initiative. I have met some of the project officers, who do incredible work. What they do is amazing. They really get down into the detail and are getting a lot of buy-in from the residents on the island. One thing that they raised with me was funding. There were two aspects. First, there was a bit of a time gap in which they did not know whether they were going to get the funding. I think that the funding was coming but, in some cases, there had to be a bit of bridging by the host organisations to fill that gap. It was fortunate that they had the

resource to do that, but the point that was expressed to me was that that should not have to happen.

The other aspect is about having general long-term certainty. What is the long-term future of the carbon-neutral islands plan? People who are involved in the project raised with me the fact that not having certainty means that they cannot plan for their lives. They cannot even plan to have a family, because they do not know whether they are going to be in a job. That is challenging. I understand that funding for carbon-neutral islands lasts until 2026, and I do not know whether we can see beyond that. Obviously, the carbon issues are not going to go away. The communities in those pilots are just getting started, and there is quite a long way to go to fully understand what they need to do.

09:45

**Mairi Gougeon:** I will turn to Erica Clarkson in a moment to talk about the specific issue of funding.

I absolutely echo what you said at the start about the contribution that is being made by the development officers, because they have been doing fantastic work. They are embedded in the communities, and that has been fantastic. I have had the chance to meet them and speak directly to them and it has been great to see the work that they are undertaking. The carbon-neutral islands project takes a bottom-up approach, ensuring that communities are involved and are part of the process from the very start.

Regarding the long-term funding, you are probably aware that we provided an update on the project in January this year. We have undertaken the carbon audits and, following on from that work, each island involved in the project has published a climate change action plan.

The next stage in the process is to look at the investment strategies for the future. Public funding will never be able to fill all the gaps in the work on climate and nature, much as we might want it to, which is why private investment and other sources of investment will be important. The work that is taking place on those investment strategies will be critical for the future. From a budgetary perspective, we want to enable the process and will continue working with communities so that that work can happen.

Erica, do you want to add more?

**Erica Clarkson:** We are mindful of the funding issue that is raised in your question and have learned from that. We were trying to find the most pragmatic and efficient mechanism to get the money to the heart of communities so that they could use that in the best way.

Thank you for mentioning the development officers, who are wonderful. They have a lot of energy and bring the project to life. Each island also has a steering group and it is worth mentioning their efforts in the project. We will take feedback from the steering groups, our development officers and the communities that they are working with to ensure that, when we have capital to invest in the future, there is a more efficient mechanism.

There are some really good projects out there. I believe that they are all on track for spend and we will be able to report to the committee on those in due course.

**Alasdair Allan:** You mentioned childcare. Through this project, and in other areas of its activity, the Government is putting a lot of effort into childcare. I have one comment, which I am sure is not unique to my constituency. In huge swathes of that constituency, there is not one childminder available for anyone in the community at all. I know that I keep going on about that, but some of that is related to demographics and to the fact that there is no housing that people who might want to do that job can live in. Is it likely that policy will focus on some of the demographic problems that have an impact on childcare?

**Mairi Gougeon:** You raise a vitally important point about housing. Wherever I go, and whoever I speak to, that is one of the top issues that gets raised. We must undoubtedly ensure that we are providing affordable housing to enable people to live in communities, which will enable us to tackle the issues that you have raised.

Earlier this year, £25 million-worth of funding was announced to try to address the issue of accommodation for key workers. That funding is mostly focused on looking at how we can bring vacant or derelict properties back into use. It is up to local authorities to determine how many key workers live in their areas. Initiatives such as that one can go some way towards addressing those problems.

I return to the pilot that we are undertaking on Mull and Iona. It is important that we look at that work to see what lessons we can take from it and apply elsewhere.

I absolutely take your point: we need the basic infrastructure to be able to tackle some of those challenges.

**Beatrice Wishart:** Can we move on to discuss future spending plans? Some local authorities expressed surprise and disappointment at the planned reduction in the islands programme. How has that been communicated to stakeholders, and what reassurances can be provided to the six local authorities affected?

**Mairi Gougeon:** I will reflect back on the response that I provided earlier about the information that has been set out so far in the resource spending review and the capital spending review. They set out broad funding envelopes, but those are not budgets in and of themselves. Because we are at the start of the budget process, I am not in a position to say right now what the budget will be for the forthcoming financial year. Those are the broad funding envelopes that have been set out, but they are not the actual budget at the moment. That could change, so I cannot give any assurance in relation to that at the moment.

**Beatrice Wishart:** Shetland Islands Council set out its concerns that

“The lack of capital funding for 2024-25 will reduce the capacity of the Council to support local community infrastructure projects.”

In the previous two years, the council had been able to draw in funding from other agencies such as Highlands and Islands Enterprise and Historic Environment Scotland. What would you say about that?

**Mairi Gougeon:** I understand the concerns about that, because we want to make sure that there is a pipeline of projects going forward. Of course, we continue to work closely with other bodies, and we are aware that the islands programme can be used as an enabler or stepping stone for other funds. It also funds things in relation to enabling infrastructure for housing that the more homes fund would not fund in and of itself. It is hugely important in that regard. If the situation remains as it is at the moment and the capital funding is not there, it gives us a couple of opportunities to further refine the application process. Of course, we will continue to work with the Scottish Futures Trust to ensure that that pipeline of work continues. We cannot forget that the delivery of on-going projects still has to be undertaken, so we will continue with that work as well.

To go back to what I said previously, I know how important the islands programme is, but it is not the only capital or infrastructure spend that happens across our islands. There will be continued investment, whether that is in housing or in other areas across Government. There is also the funding that is coming through the islands growth deal. We need to remember all of that other spend in the round when we think about the spend that takes place in our islands.

**Alasdair Allan:** I will return to a familiar theme. You will be aware that, in my constituency, the population drop has been 5.5 per cent between the past two censuses. In some communities in my constituency, the population has halved since the 1960s. What I am driving at is that I am very

conscious that, through your programme and the work on which you co-operate with other departments, a lot is happening on the housing front to tackle depopulation but there is an elephant in the room, which is that housing is disappearing in the islands at a rate that no Government could possibly make up for by building social housing. In some places, housing is disappearing into Airbnb or second homes, or it is simply being bought up by wealthy people to the extent that, in some communities, nobody local can possibly compete. Valuable as all the activities that we are talking about are, how can they be married up with some attempt in the most fragile communities to deal with the problem of the vanishing housing stock?

**Mairi Gougeon:** There is no one simple solution to address all of that, especially when it comes to depopulation. It is about the action that we take on a number of different fronts to address that.

Thinking about other parts of the portfolio, there could be opportunities in relation to what we take forward with land reform. We want to see more community ownership, engagement, involvement and transparency throughout the whole process. I think that there will be opportunities within that. I also mentioned the remote, rural and islands housing action plan, which is under development and should be published soon. I hope that the funding that I announced for key workers will have a positive impact in rural and island areas as well. That is not to forget the wider work that we are doing to address some of the issues through the addressing depopulation action plan.

We have undertaken a number of other initiatives, the funding for which has come from the islands team as well as from the population team in the Scottish Government, and we have seen a positive impact there, which it is important to highlight. Together with local authorities—and, I think, with HIE, although Erica Clarkson will correct me if I am wrong—we have been co-funding community settlement officer posts, and we have seen an impact of that in relation to Uist. Some 200 families were looking to move there, and the settlement officer has helped about 25 families to relocate there so far. I know that that might not seem like a huge number in the grand scheme of things, but it is hugely important to the island.

We are seeing positive work through those actions, and it is important that, where we see the positive impacts of initiatives, we continue and embed that work as we tackle depopulation challenges.

**Alasdair Allan:** All those projects are valuable and have an important impact. As you say, relocating 25 families to Uist is very important for that island. I suppose that I am looking at the other

end of the pipeline. Will there come a time when it will be necessary to make some of those projects more effective in order to ensure that the housing market is not completely unregulated and that there is not a situation whereby there are no houses available to live in?

**Mairi Gougeon:** Yes, it is important that we look at all the other methods that we can use to tackle some of those issues in the islands. I could mention a number of different projects. Maybe the approach comes across as a bit piecemeal, as though we are not thinking across the piece, but, through the action plan, we have the opportunity to bring all of that together in one strategic plan. Again, whether it is Airbnb properties or second homes, which you spoke about, we need to tackle all of that as well as building new houses. I do not know whether that answers your question.

**Alasdair Allan:** That is great. Thank you.

**Ariane Burgess:** On housing—the hot topic of the day, which I thank Alasdair Allan for bringing to our attention—the Government has a commitment to build 110,000 houses by 2030, 10 per cent of which will be rural and island housing, which is 11,000 houses. I want to ensure that we hold on to that figure of 11,000. We need to remove the 10 per cent requirement and just say, “We need 11,000 houses,” because, from talking to people, I understand that that number is not really sufficient. It would be great to look at the value added per house for an island community versus an urban area, in terms of all the things that we have been talking about with regard to depopulation, key workers and the whole-system effect on a community of ensuring that those houses exist. Do you have thoughts about ensuring that there is a commitment to building at least 11,000 houses by 2030?

**Mairi Gougeon:** Yes, absolutely. As I said in response to Alasdair Allan’s point, housing is, without a doubt, one of the key issues that I hear about whenever I visit islands. There are job opportunities—sometimes plenty of them—on islands, but the lack of infrastructure to allow people to live there is what holds people back. It is a huge issue that we must address.

I do not want to pre-empt what will come through the remote, rural and islands housing action plan, but it will give a real focus to that work. I want to ensure that, across our public bodies, we are making the most of our estate.

I think that I have spoken in the committee before about the visit that I undertook to Colonsay, which had a partnership with the company Mowi, which was looking to invest in housing there. I think that the idea was to build six houses, which is huge for the island and really important. I spoke to people there who work in the aquaculture

industry, which is based in some of the most remote and rural parts of Scotland and which can have a big economic impact in those areas. It is really important that, where we see those emerging industries, we continue to work in partnership with them to see what more we can provide.

10:00

We also should not underestimate the power and potential of initiatives that are undertaken by the community, and a number of projects are under way to enhance that work. For example, going back to land reform and community ownership, the work that has been undertaken through the community ownership of Ulva has had an impact—its population has doubled. All of that is community driven, and we should not underestimate such huge opportunities.

**Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con):** Good morning, cabinet secretary. There has been a worrying trend of depopulation of the islands, particularly in places such as Argyll and Bute. You said that some of the budget that we discussed in the previous session—the £5 million for the islands bonds—would be for tackling island depopulation. Where is that budget targeted? Would the Scottish Government consider a redistributive effect for that budget—giving more money to the areas that are experiencing higher levels of depopulation?

**Mairi Gougeon:** Do you mean giving it directly through the islands programme?

**Rachael Hamilton:** You have an addressing depopulation action plan.

**Mairi Gougeon:** Yes.

**Rachael Hamilton:** I do not think that that has been published yet.

**Mairi Gougeon:** It has not been published yet.

**Rachael Hamilton:** What budget will be allocated when you know the recommendations of that action plan? Considering that some islands are experiencing a higher depopulation rate than others, will that budget be targeted and distributed according to the issues that are faced by some local authorities rather than others?

**Mairi Gougeon:** It cannot be seen in such a straightforward way, because, right now, there are huge population disparities even between islands. The Orkney mainland saw the biggest increase, and the Shetland outer isles saw a decrease. You are absolutely right that there are problem areas, and it is important that we work with the economic agencies and local authorities in those areas through the convention of the south of Scotland and the convention of the Highlands and Islands.

I mentioned community settlement officers, who have been based in areas where there are particular problems. We have part-funded that initiative, together with HIE and the local authorities. Again, not all of that funding comes from my budget—there is a role for the population team in that. It is about how, together, we best utilise that funding.

I cannot pre-empt what is going to come through the addressing depopulation action plan, but it will look at the actions that we are already taking, potential new actions that could make a big impact going forward, and, importantly, how we are working at a local level to tackle the issues in specific areas. I hope that that answers your point.

**Rachael Hamilton:** Would it be possible to give the committee an update on the island profiling that you have been doing? Maybe Erica Clarkson could help to answer that.

**Erica Clarkson:** I am not sure—

**Rachael Hamilton:** In the previous committee session, we heard that the Scottish Government was carrying out an island profiling exercise on demographics.

**Mairi Gougeon:** Did that relate to the national islands plan? We talked about data collection as part of that. I think that there were five on-going pieces of work. In addition, we are still awaiting island-specific regional information from the census.

Sorry, Erica—I do not know whether you want to add more.

**Erica Clarkson:** We are also about to repeat the national islands plan survey. It will be the second time that we have run it. We can write to the committee, if the cabinet secretary is happy for us to do that, to give you some information on the findings.

**Rachael Hamilton:** I am also interested in your current and on-going consultations across the islands. Will some of what you have said today, or have a rough plan of, change because of those?

**Erica Clarkson:** Are you referring to the consultation process that we are currently undertaking for the review of the national islands plan?

**Rachael Hamilton:** Yes.

**Erica Clarkson:** If that indicates that we need to review and redraft the national islands plan, that is absolutely the advice that we will give to the cabinet secretary.

It is early days for face-to-face consultations. We started them on Eigg this week, and some of the team were in the Western Isles today and yesterday. We are starting to see a steady trickle

of written consultation responses as well, and we are starting to do some early analysis of them.

The consultation ends on 7 November. We have extended it to give more people an opportunity to contribute, and we will have three online events, the first of which will be held tomorrow evening. Once we have completed the consultation, we will start to pull out some themes that we need to focus on in a future iteration of the national islands plan, if that is what we need to do.

**Mairi Gougeon:** I would also be happy to send on the consultation information for the different events, if the committee would find that helpful.

**Erica Clarkson:** We can do that. We have that to hand.

**Rachael Hamilton:** My very last point is that—again, referring to the previous committee session and to what committee members have said today—addressing issues with housing, depopulation, skills shortages, issues with transport for islanders and all the rest of the challenges that they face is key to ensuring that people can live and work in the areas that they choose. Cabinet secretary, your commitment was to work with other portfolio holders on that. If you do not have time to tell us about that now, it would be great if the committee could have an update on how that work is progressing.

**Mairi Gougeon:** Absolutely. I stress that work on that is going on all the time. The islands team engages with other portfolios across Government all the time, on different aspects of the work.

**Erica Clarkson:** I can offer reassurances that we reach out across all the relevant portfolios in the Scottish Government—whether it is the Gaelic team, crofting colleagues or colleagues in housing—and we are working closely with population colleagues on the development of the addressing depopulation action plan.

I wonder if it is also worth reiterating the role of the islands strategic group, which the cabinet secretary chairs. We have a senior officers group that comprises us and officers from all the local authorities, and we meet before the islands strategic group to set the agenda for it so that we can fully understand what its priorities are and bring them to the cabinet secretary and her colleagues. They attend the meeting and hear at first hand from our local authority partners about those issues.

Based on feedback and better understanding, we have also started to co-author papers with our local authority partners so that we can identify tangible actions that we can take with them to help to solve some of the issues that they have.

It is quite common for Ms Gougeon's colleagues to attend the islands strategic group to speak to those agenda items that we are co-creating.

**Mairi Gougeon:** In fact, the Minister for Transport also attends some of those meetings. There used to be a transport and islands group, and it makes sense that we do not do that work in isolation, so her attendance has become a regular part of those meetings. I want to provide reassurance about that.

**The Convener:** When should we expect the action plan? Will it be published in the next three months—the commitment was made to publish it in 2023—and will there be any additional budget from the rural affairs and islands portfolio to support it? Also, will you seek additional budget commitments from other portfolios, given how cross-portfolio the problem will be?

**Mairi Gougeon:** We are still in line with the commitment and we still intend to publish the action plan this year.

As I said, we have been looking at the on-going commitments that we already have, and we have resourced those through the islands programme resource funding, community settlement officers and various other projects and pilots. I am not going to pre-empt what will come out of that, but we will also work jointly with the population team.

**The Convener:** We have one final question about the islands plan. I am aware that there are some supplementary questions, but I will bring those in at the end of the session if we have time.

**Rhoda Grant (Highlands and Islands) (Lab):** We all know that the cost of living is much higher for island communities—it can be 20 to 65 per cent higher than for those on the mainland, even during good times—and we also know that the level of fuel poverty is higher in the islands and the Western Isles. Shetland Islands Council told us that the rate of fuel poverty there is running at something like 96 per cent and that people need to earn more than £100,000 to lift themselves out of fuel poverty—which is nigh on impossible. That is as much because of climate change and the quality of the housing stock as it is because of the cost of fuel, which obviously also plays a part.

Other members have asked about housing. How confident is the cabinet secretary that programme money is being spent in a way that tackles the issues that are important to Highland communities?

**Mairi Gougeon:** I am confident that that is happening, because, as we have said in relation to the guidance and what we look for in project applications, we have a strong weighting towards projects that deliver against the national islands

plan's objectives, of which addressing fuel poverty is one.

We know that there are significant issues there, but I highlight that there is funding available other than through the islands programme. For example, we supported a number of recent initiatives through the islands cost crisis emergency fund. We provided £1.4 million of funding last year and supplemented that with another £1 million this year to address the most critical need, because we know about the increased costs that people who live on our islands face. If it would be helpful, I would be happy to provide a breakdown to the committee of how that funding is being spent.

In essence, we wanted to make sure that we got that money to local authorities as quickly as possible, for them to spend as they saw fit. In Shetland, it has been used to fund free school breakfasts, and it has been used to continue or supplement existing work in other island areas. I am happy to provide more information on that, if it would be helpful.

**Rhoda Grant:** That would be helpful. Perhaps you could provide some information on how we can install insulation in those homes, because people cannot switch off their heating over the summer. We hear of people being encouraged to switch off heating to save energy, but you cannot switch off the heating in those climates.

**Mairi Gougeon:** Absolutely.

**Rhoda Grant:** The less heating they need to use, the better.

**Mairi Gougeon:** I also highlight the funding for energy efficiency measures of up to £38,000 in the croft house grant this year. That is particular to crofting, but such measures are important. A number of other Government-led schemes are also happening, such as the fuel insecurity fund area-based schemes. I am more than happy to provide further information on those schemes to the committee.

**The Convener:** We will move on to questions on agriculture. I will kick off. Will you share your initial thoughts on how the agriculture budget might be divided between different schemes, activities and outcomes, and how you intend to decide what those outcomes are?

**Mairi Gougeon:** Sorry—do you mean in relation to the future framework, once it is fully in place?

**The Convener:** Yes.

**Mairi Gougeon:** There have been various calls from different organisations on what should be more heavily weighted, but the fact is that we have committed to a process of co-development with our farmers and crofters. I will not pre-empt the discussions that we will have on that, but we do

not have any certainty on our future budgets in that regard.

You will, no doubt, be aware of the other commitments on maintaining direct payments. We know how important it is to continue that support for our farmers and for food production, which we have previously stated. We have not yet come to a decision on an overall budget split, because it is an important part of the co-development process.

**The Convener:** Over the past few years, there has been what most people would suggest is a historic injustice in Scottish agricultural funding. There was convergence funding of £160 million, but, more recently, the Bew review suggested that Scottish agriculture should receive in the region of an additional £60 million over two years, and that money has come into the agriculture pot. Has all that money been ring fenced for agriculture? Where has that £60 million of additional funding gone?

**Mairi Gougeon:** The Bew review funds are ring fenced for agriculture. You will be aware that we set out in the overall programme how the £51 million of funding over three years was going to be returned to the portfolio. I do not know the specific figure that you refer to, or in what year that became apparent. Is that in relation to the figures that we discussed previously?

**The Convener:** We touched on it in the previous committee meeting. The Bew review suggested that there was an injustice in agricultural funding across the whole of the UK, and that was addressed by Scotland getting an additional £60 million, or thereabouts, over two years. The Scottish Government got that money and it was ring fenced, but what happened to it? What is the timescale for that money coming back into the agriculture budget? Will it be backdated?

10:15

**Mairi Gougeon:** You can see from the published budget how our spending for agricultural funding is used. George Burgess may have information about the specific £60 million.

**George Burgess (Scottish Government):** The Bew money that, as you say, came to the Scottish Government is in the agriculture budget for the current and future years. We no longer identify that as a separate line in the budget. As the cabinet secretary said, that money is ring fenced. As was discussed at a previous meeting, although some savings have been made within that ring fence, there is a strong commitment that that money will be returned to the portfolio in future years, although precisely when happens will be a matter for the budget.



**The Convener:** Will that be cumulative? Will it be backdated so that the additional funding that has come and has been identified as a saving—despite that being, as you said, ring fenced—will come back? If we have missed out on £60 million because of savings during the past two years, will that £60 million come back in 2025 or 2026?

**Mairi Gougeon:** That is the point that George Burgess is making. The way in which that money is returned to the portfolio would be subject to my discussions with the Deputy First Minister. We are yet to discuss that. The £33 million that you refer to came up in a previous discussion. We are still to agree on how that will be returned to the portfolio. Because ring-fenced funding is ring fenced, it must be returned to the portfolio.

**The Convener:** To be clear, the Bew money is now part of the agriculture settlement and, as such, it is ring fenced and is not subject to the Barnett formula.

**Mairi Gougeon:** Yes.

**The Convener:** Okay. Thank you.

**Ariane Burgess:** My question is also about money in the budget. In the previous budget, £35.8 million was allocated to the agri-environment climate scheme—or AECS—while £485 million went to direct payments in pillar 1. That means that less than 5 per cent of the agricultural support-related services budget went to the scheme that is dedicated to tackling the climate and nature crises.

It is great to see that the Government has consulted on being able to cap direct payments, which would free up more money to support climate and nature measures in farming, but what can be done before the new framework is brought in to direct more public funding to public goods?

**Mairi Gougeon:** We know that the agri-environment climate scheme largely delivers on its objectives. It has been a really important scheme for our farmers. I emphasise that that is where we are currently working. The national test programme is in place to offer an incentive for businesses, if they are not doing so already, to look at their performance in relation to carbon audits and soil testing. We have also provided funding this year for animal health and welfare plans, and we want to expand that in the future. It is important that individual businesses get their own baseline information to see how they can improve from that point.

Funding does not come only from that scheme. You will be aware, as I am when I visit farms and crofts across the country, of the different actions that are being undertaken and the work that is already under way to reduce emissions and enhance nature. The coming agriculture bill will set

out the overall powers that are needed to establish a framework for future payments, and there is more detail to come about that.

**Ariane Burgess:** I understand that the framework will set that out and will provide the powers. When I visit farms and crofts, I hear about the need for certainty. We have a tricky situation: it takes time to take a bill through the legislative process, but we must take action sooner rather than later. I hear about the national testing programme, but it seems that we are still not hearing a message that brings certainty. People are getting stuck on the idea of the agriculture bill. Can we get payments in place sooner to move people in the right direction?

**Mairi Gougeon:** I point to what we have already published on that. We do not have the exact details of what will be involved in a future scheme, but we have tried to share our thinking in that regard, which gives a general direction as to the measures that we will consider, including in future support. We have also set out the route map and timeline for when more information will become available to people.

Alongside the route map that we published earlier this year, we published the list of measures, but it is by no means a definitive list and it is not final. I think that there are links in the online publications for people to provide us with feedback and information. The list sets out some examples of how the different measures can interact and what that would mean for different types of business. It also outlines some of the measures that we might include as part of final support. It does not cover all sectors, because we know that more work needs to be done.

I emphasise that, as I have already stated, there will be no cliff edges in support. We have said that the schemes that people are currently on will continue until we transition at various points. That is all set out in the route map.

Although we cannot set out the detail of a scheme, we have set out what our thinking is at the moment in order to give some clarity and direction so that people know what we are considering for the future.

**Alasdair Allan:** The Scottish Government faces a pretty impossible task of trying to second guess what the UK Government might be doing on the matter. We do not appear to have much information from the UK Government about what will happen beyond 2025. Is one of the things that you are having to second guess whether the UK Government will choose to Barnettise agricultural support, which would be difficult, given the different agriculture profiles in Scotland and England?

**Mairi Gougeon:** Those are huge concerns going forward, because we have no certainty on what the funding will be beyond 2025. As much as we can set out our thinking about what a future framework might look to deliver, we do not have clarity about the funding for various schemes in the future. We are still trying to engage with the UK Government in that conversation in order to get clarity and certainty but, unfortunately, those discussions have not taken place.

**The Convener:** The agriculture bill will be coming sometime soon. The Welsh have already put in place the Agriculture (Wales) Act 2023, under which the Welsh Government has made a commitment to make a plan for multiyear funding and how that could deliver on its priorities. What are your views on the inclusion of a multiyear obligation in the agriculture bill?

**Mairi Gougeon:** As we have discussed, when we get only an annual allocation of budget, it is difficult to plan for multiyear funding. The measure that the Welsh have introduced makes sense. I will not pre-empt what will be published in the agriculture bill, but I will of course keep the committee informed of that.

**Kate Forbes:** I have a series of short questions on workers. First, as a brief aside, I note that it is somewhat fortuitously exactly a year since you published the proposals for a bespoke rural visa. I mention that in the context of the National Farmers Union saying that about £60 million-worth of food was wasted last year as a result of labour shortages. Have you had a response from the UK Government yet to the proposal for a bespoke rural visa?

**Mairi Gougeon:** No, we have not.

**Kate Forbes:** On your concerns about the number of workers that we have in the agriculture sector, do you feel that we face another challenging year?

**Mairi Gougeon:** Yes. I hear the concerns about the seasonal agricultural workers scheme. I do not think that it has ever produced the numbers that we need for the industry in Scotland. From the discussions that I have had, it seems that the availability of workforce continues to be an issue, as well as the various issues with the scheme itself.

**Kate Forbes:** My final question is about support, advice and training for workers who are currently in the sector—I mean crofters, farmers and farm workers. In 2022, there was a PFG commitment to invest more in skills and advice for farmers and crofters, not least to support the just transition. Can you tell us a little about the funding that has been allocated to that and the progress that has been made in supporting those workers?

**Mairi Gougeon:** No problem—I am happy to do that. We have £5 million in the budget to support the work of the Farm Advisory Service, which provides that kind of bespoke advice as well as more generic advice. It has been really important with regard to the advice that it can offer farmers and crofters.

However, it is not only the Farm Advisory Service that is important here. We know that peer-to-peer learning, knowledge transfer and innovation are really important, too, which is why we have put in place the knowledge transfer and innovation fund—or KTIF—to support various knowledge transfer projects. For example, we have supported the funding of monitor farms, which we know are very well received. Sharing that experience and learning is important for the businesses involved, and we are addressing the issue through a variety of funds.

I also emphasise that we know how important skills advice and continuous professional development are. That came through strongly in the consultation on the future agriculture bill. Earlier this year, I announced that work would be undertaken by the James Hutton Institute and Scotland's Rural College on what a future system of agricultural knowledge and innovation might look like. They published their research at the start of the summer, and we are keen to see what we can take from it and what options we can develop as part of the future framework.

**Kate Forbes:** Thanks very much.

**The Convener:** Cabinet secretary, I am aware that our time is almost up. Do you have some time in hand? Would we be able to continue for, say, another 15 minutes?

**Mairi Gougeon:** I have a small amount of time, if that is okay.

**The Convener:** Thank you—I appreciate that. I call Rachael Hamilton.

**Rachael Hamilton:** I want to go back to the convener's question about the Bew funding. Can you define the term "ring fenced" here? Do you expect similar funds to be taken from the agriculture budget?

**Mairi Gougeon:** The term "ring fenced" means that the money must be spent on those specific areas—that is, agriculture, agricultural support and marine funding. I do not know whether Craig Stewart has any specific points to make in that respect.

As for what will happen with funding, we have to continually monitor our budget throughout the year. Obviously, I cannot tell you at the moment what will come along—after all, we are just at the start of this year's budget process—but there is no getting around the fact that we are in very

challenging financial circumstances. There are difficult situations that we will have to look at in my portfolio—and, indeed, in other portfolios across Government, because we have to present a balanced budget—and I cannot say definitively that we will not be making any savings from or adjustments to ring-fenced funding here.

However, I come back to my earlier point that anything that might be offered from ring-fenced funding has to be returned to the portfolio in future years. Indeed, the £33 million that we have already discussed will be the subject of discussion with finance on when it will be returned to the portfolio.

I do not know whether Craig Stewart or George Burgess wants to come in.

**George Burgess:** Perhaps I can supplement that response briefly. The cabinet secretary has outlined in broad terms what “ring fenced” means here; essentially, the money replaces the funding that came from Brussels. The most helpful thing might be to see whether we have a definitive expression of that term, perhaps from the Treasury, that we can share with the committee.

**Rachael Hamilton:** Is there a statutory obligation to prove that the money has been ring fenced or spent in a certain timeframe?

**George Burgess:** No. None of the ring fencing is statutory at all; it is simply part of the agreement between the United Kingdom Government and the Scottish Government.

**Rachael Hamilton:** So, the money would not have to be returned if it was not ring fenced and spent on agriculture.

**George Burgess:** That would be a matter for our central finance colleagues and the Treasury. It is certainly the expectation of the Treasury that it will be spent in these areas.

**Rachael Hamilton:** It would be useful if you could come back to the committee on this, perhaps in writing, along with the definition of ring fencing. Could you also confirm that that money has not been put into plugging a black hole in finance? Is it being used to plug the £1 billion black hole in the Scottish Government’s budget?

10:30

**Mairi Gougeon:** The whole of the Scottish Government has to present a balanced budget. I reiterate what I have said previously about the decisions that we have to take in this portfolio, and in others across Government: we have to ensure that we have a balanced budget at the end of the day. That is incumbent on all of us and we all share that challenge. We had the emergency budget review last year because we had to take

emergency measures to ensure that we were helping people and using resources as best as we could, especially as the cost crisis was affecting people in our communities.

**Rachael Hamilton:** I suppose that what you are saying is that ring fencing does not really mean anything.

**Mairi Gougeon:** Well, it does. In particular, the £33 million must be returned to the portfolio so the ring fencing does mean something.

**The Convener:** I am sorry to interrupt, but I want to get this on the record. At the moment, the Scottish Government receives in the region of £620 million from the UK Government, which is made up of £595 million plus £25.7 million from Bew funding in additional support. The Scottish Government then puts in additional funding, which takes it up to about £680 million in total, of which 80 per cent is paid out in direct payments. Going forward, is the ring-fenced figure for agriculture £680 million? Is that what we should expect to see in the agriculture budget next year?

**Mairi Gougeon:** Again, I cannot tell you what will be in the budget next year, because we have not started that process yet.

**The Convener:** So, it could be that that ring-fenced £680 million actually is not £680 million.

**George Burgess:** The figure that is ring fenced would be for a specific year, so we will need to see what the ring-fenced part of the budget is for next year. Just as happened in this year, part of the budget is ring fenced and part of it is not. There will be a set of numbers for next year. At this stage, we cannot say what those will be.

**The Convener:** Okay, but it is clear from what you have said previously that £680 million is ring fenced. It is either the agriculture budget or it is Bew money, which you have said was ring fenced. If that ring fencing is intact next year, we will have £680 million, but there might be savings from that. The cost saving that you had previously was the £33 million that you said would come back to the budget. The figure that we are looking at is £680 million, but that would be subject to money being taken out of that budget for overall Government savings.

**Mairi Gougeon:** No, because it is not possible to say that. Without having a budget and without knowing what will happen over the course of the next year, we do not know what those potential savings might be.

**The Convener:** So, it is all based on the savings that you might decide to take out of that ring-fenced money.

**Mairi Gougeon:** Craig, do you want to come in?

**Craig Stewart (Scottish Government):** I will come in for a second. We have a guarantee from the UK Government on the ring-fenced funding. We mentioned the £595 million for crofters and farmers and also the Bew money. We have that guarantee again for 2024-25, so that money will come into our budget. The extra money that is spent from Scottish Government money is the bit that will come out in the wash, if you like, through the budget process. If there are any savings to be made, it is the balance that will be reviewed. That is all part of the budget process. At this point, we have a guarantee from the UK Government that the ring-fenced funding will flow into our budget next year.

**The Convener:** Which is approximately £646 million.

**Craig Stewart:** For agriculture, the figure is £595 million plus the Bew funding of £25.7 million.

**The Convener:** Okay. Thank you—that makes it a bit clearer.

Before we move on to fisheries, Alasdair Allan has a supplementary question.

**Rachael Hamilton:** I had not finished my line of questioning, convener.

**The Convener:** I beg your pardon. I am sorry—I did interrupt you. My apologies.

**Rachael Hamilton:** It has been reported today that the European Commission has imposed a fine of £5.6 million following a 2020 audit's uncovering of failures in how the Scottish Government was administering common agricultural policy fund payments to Scottish farmers. Where will the money to pay that fine come from?

**Mairi Gougeon:** Again, because that relates to on-going court action, we are not able to comment on it.

**Rachael Hamilton:** Okay, but if, hypothetically, you had worked out that you might be fined and it was not part of court proceedings and it was not that particular issue, where would that money come from?

**Mairi Gougeon:** I understand the point that you are trying to get to, but I hope that you understand why I would be uncomfortable about saying anything in that regard, given the action that is currently on-going. Once that action is complete, I will be happy to write to the committee with full information.

**Rachael Hamilton:** Okay. Thanks.

**The Convener:** Do you have a float or a contingency fund? Historically, the European Union was pretty good at fining us. We are not talking about that specific case, because it is something that happens on an annual basis. We

know that farmers get penalised, and those penalties can go back as far as 10 years. The fines go into a pot of money. If there is to be a UK Government or a European fine, where would that money come from? Would it come out of next year's budget? Is there a contingency for those situations?

**George Burgess:** There is no contingency fund as such. When cases are raised, we make an assessment of the likelihood of success or otherwise, as we have done for many years. We often make provision in our accounts, and, because those cases can drag on for several years, that money will accrue. Ultimately, the money comes out of the rural affairs budget, although not necessarily in the year in which the case settles.

**The Convener:** Thank you. That is helpful.

**Alasdair Allan:** When you are offering advice or speaking to the farmers and crofters of Scotland, do you have to second guess the likelihood of whether the UK Government might invoke the UK Internal Market Act 2020 in some of that? Do you have to second guess the extent to which the UK Government will be tolerant of difference? I am thinking, for instance, of the continuation of direct payments in Scotland or the continuation of less favoured area support scheme payments in Scotland. Is that something on the horizon that you have to anticipate—whether the UK Government will take a benign or other attitude towards difference when it comes to UKIMA?

**Mairi Gougeon:** Yes. It will be on the horizon, particularly in relation to the Subsidy Control Act 2022 and any potential impacts of that. Obviously, we are not yet at the point of bringing forward the detail of future schemes, but we will need to have those discussions further down the line. That has continued to concern us from the start of the Subsidy Control Bill process and right through it. A lot of our concerns were not really resolved during the passage of that legislation, so those concerns very much remain.

**The Convener:** We will move on to the theme of fisheries, and the first question is from Karen Adam.

**Karen Adam (Banffshire and Buchan Coast) (SNP):** Good morning, cabinet secretary. The programme for government said that a science and innovation strategy for marine and freshwater environments will be published. Will that have budgetary implications for Scottish Government-funded science?

**Mairi Gougeon:** It is not anticipated that it would have any funding implications at the moment, because the strategy would not, in and of itself, require to be funded. It is more about how we better utilise the resource that we already have

available in relation to science and how we use it in Scotland. Ultimately, the science and innovation strategy is about how we can work more collaboratively across the piece in Scotland.

Within the marine directorate, we have a fantastic marine science resource. We also have the aquarium and the marine lab. It is about how we can better utilise the assets and people that we have by working with other institutions and academia across Scotland. We really want to ensure, as far as we can, that Scotland becomes a global leader in marine research. It is only by collaborating better and using those resources more wisely right across the piece that we can hope to achieve that.

**Karen Adam:** What is the current state of play with marine funding after Brexit?

**Mairi Gougeon:** We believe that we have not received resource that we should, and would, have received had we remained members of the European Union. We currently have £14 million a year as part of the marine fund Scotland. However, we might consider what other nations in the EU receive through the new strand of EU funding, which is the European maritime, fisheries and aquaculture fund.

We can look, in particular, at nations that are similar in population size to Scotland—one of the better comparisons is Denmark, which has the same population but a smaller marine area, and a smaller marine industry and sector as a whole. On average, Denmark is receiving £25 million a year in comparison with what we receive. It also has seven-year continuity for that funding—it is £25 million each year over seven years, whereas we do not have multiyear funding. We simply receive the £14 million allocation, so we believe that we are being significantly short-changed in that regard.

**The Convener:** I have a question on science, technology and innovation. We now have technology that uses artificial intelligence to identify different fish stocks when they are brought on to boats. That is a fantastic opportunity for accurate monitoring of the populations of cod, herring or whatever in our seas, but some fishing fleets are reluctant to have that technology on board because of the discard ban. Currently, it is almost certain that some species of fish will be landed that are not the target species, and those fish are not able to be discarded, so there could be implications in terms of fines or quotas.

Is there any potential for a moratorium on that so that we get a real sense of what our fishermen are catching and what the implications are for stock calculations? An investment from the Scottish Government in that type of technology

might go a long way towards baselining what is actually in our seas and where it is.

**Mairi Gougeon:** On the point about AI and how we utilise new technology, you are absolutely right; I am sure that that will be part of the consideration that is happening right now in relation to the science and innovation strategy and how we can utilise the advances in technology.

We are not currently considering a moratorium, because we have undertaken the work on the future catching policy and published the outcome of the consultation, and I think that we have opportunities through that route. Tackling discards is a complex issue—there were around 385 exemptions to the initial rule that made it hard to comply with. In the future catching policy, therefore, we set out what was essentially a way of tailoring the policy to the different parts of our fishing industry in order to simplify it and make it more transparent and easier to comply with. That piece of work has been important, and I think that it will make a significant difference.

I believe that that work is currently being undertaken by the fisheries management and conservation group, which is considering in more detail how we can develop the policy and take it forward. I think that that will be the key to getting to grips with those issues.

**The Convener:** I call Ariane Burgess.

**Ariane Burgess:** Actually, my question has been answered, convener.

**The Convener:** Okay—that brings us to the end of our session. I very much appreciate your giving us a bit more of your time, cabinet secretary—the session has been most helpful.

That concludes our business in public and we move into private session.

10:43

*Meeting continued in private until 12:28.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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