



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 30 January 2024

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE

4th Meeting 2024, Session 6

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Ben Macpherson (Edinburgh Northern and Leith) (SNP)

COMMITTEE MEMBERS

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Monica Lennon (Central Scotland) (Lab)

*Douglas Lumsden (North East Scotland) (Con)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Kersti Berge (Scottish Government)

Simon Fuller (Scottish Government)

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

Alison Irvine (Transport Scotland)

Màiri McAllan (Cabinet Secretary for Transport, Net Zero and Just Transition)

Philip Raines (Scottish Government)

Graham Simpson (Central Scotland) (Con)

Kerry Twyman (Transport Scotland)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 30 January 2024

[The Convener opened the meeting at 09:17]

Decisions on Taking Business in Private

The Convener (Edward Mountain): Good morning, everyone, and welcome to the fourth meeting in 2024 of the Net Zero, Energy and Transport Committee.

The first item on the agenda is decisions on taking business in private. First, we will consider whether to take agenda items 3 and 4 in private. Under item 3, we will consider the evidence that we will hear under item 2, on the Scottish budget, and, under item 4, we will consider a draft letter on the Scottish biodiversity strategy. Do members agree to take those items in private?

Members indicated agreement.

The Convener: We also have to decide whether to consider our work programme in private at our next meeting. Do members agree to do so?

Members indicated agreement.

Budget Scrutiny 2024-25

09:18

The Convener: Agenda item 2 is an evidence session with the Scottish Government on its proposed budget for the financial year 2024-25.

Last week, we heard from the Deputy First Minister in her capacity as Cabinet Secretary for Finance and from the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy. For this session, I am pleased to welcome the Cabinet Secretary for Transport, Net Zero and Just Transition, Màiri McAllan, and the Cabinet Secretary for Rural Affairs, Land Reform and Islands, Mairi Gougeon, who is attending the meeting remotely. I expect to see her on the screen shortly.

We are also joined by Anna Densham, deputy director, land reform, rural and islands policy, Scottish Government; Simon Fuller, deputy director, rural and environmental science and analytical services, Scottish Government; Philip Raines, deputy director, domestic climate change, Scottish Government; Brendan Callaghan, head of operational delivery, Scottish Forestry; and Kerry Twyman, director, finance and corporate services, Transport Scotland. Thank you for joining us this morning.

I also welcome Graham Simpson, who has joined us for this session. I will offer him the chance to ask one or two questions nearer the end of the session.

As you will be aware, cabinet secretaries—I think that I can refer to you in the plural, although I cannot see Mairi Gougeon on screen—we propose to run this session by initially putting questions to both of you on areas in which you have a joint interest. We will then have a brief suspension before we take further evidence from Màiri McAllan on matters that are specifically within her ministerial portfolio. I expect the latter session to be the longer of the two.

Before we move on to questions, I would like to offer both cabinet secretaries the chance to make a brief opening statement. Màiri McAllan, do you want to start?

The Cabinet Secretary for Transport, Net Zero and Just Transition (Màiri McAllan): Yes, of course, convener.

Good morning, and thank you for inviting me to give evidence on my portfolio budget for 2024-25. As you will have heard from a number of my colleagues, the budget has been developed in extremely difficult financial circumstances. The spending decisions of the United Kingdom Government mean that our block grant has fallen

in real terms by 1.2 per cent since 2022-23, despite record inflation.

Capital funding is due to contract by almost 10 per cent in real terms, which is of particular concern to me, given that my portfolio carries roughly 40 per cent of the Scottish Government's capital programme. That has required very difficult choices and reprioritisation towards programmes that most effectively deliver on the Government's key outcomes. To give the committee an overview, that includes spending of nearly £2.5 billion on our public transport system, including investment of more than £1.6 billion to maintain, improve and decarbonise Scotland's rail network and extend the peak fares removal pilot.

We will also invest £430 million to support bus services and their users, providing access to free bus travel for more than 2 million people, including all under-22s, with more than 100 million free journeys having been made since the scheme was launched.

We will continue to invest in walking, wheeling and cycling by allocating it £220 million in 2024-25, as well as spending £435 million to support our lifeline ferry services.

The safety of our road network has also remained a significant priority, and we are investing record amounts to maintain, adapt and improve our roads and make them safe for all users. That includes critical work on the A83 Rest and Be Thankful, as well as the A9 dualling programme, with work to commence on the Tomatin to Moy section and procurement of the remaining southern sections.

We are delivering on our commitment to protect our natural environment and halt biodiversity loss through our £65 million nature restoration fund and Scotland's biodiversity strategy delivery plan, with a further £29 million investment to halt biodiversity loss being provided in the coming year.

We have ensured that our environmental regulators are well equipped to deliver the pivotal role that they play in maintaining a healthy and safe environment, and we are investing almost £40 million in 2024-25 to drive Scotland's circular economy, to reduce reliance on scarce resources and to reduce waste.

That is an overview. Ultimately, despite the real and very trying funding constraints that have borne down on this year's budget, this broad and diverse portfolio prioritises tackling the climate emergency and supporting biodiversity while delivering a safe, accessible and resilient transport network for the people of Scotland.

That is the conclusion of my opening statement. If you do not mind, convener, I will hand over very

briefly to my colleague Philip Raines, who has a technical update for the committee's awareness.

The Convener: Would that not be appropriate if a question arises relating to it? That was quite a long opening statement.

Màiri McAllan: I appreciate that, convener. I do not want to take up any more time than is necessary, but this is about an inaccuracy in the published budget, which I would prefer to bring to the committee's attention.

The Convener: Okay. On that basis, Philip Raines can come in briefly on that.

Philip Raines (Scottish Government): Thank you, convener, and thank you for your forbearance. I will keep this relatively short.

It has come to our late attention that, regrettably, a handful of the figures in annex J, which refers to the net zero taxonomy—something that was discussed last week and which might be discussed in this session—were not quite correct. They were based on older figures that were used as part of the budget discussions. They are relatively minor errors, and we will be writing to the committee to correct them and also to correct the official record in terms of the publication as soon as possible.

As a matter of urgency, we redid the analysis, based on the correct figures, to work out whether the overall conclusions that were set out in annex J were correct, and we have established that that is the case, so, in a sense, the analysis is not affected by the inaccuracy. However, the relevant figures need to be corrected, and we will write to the committee to set that out. I can only apologise for the errors that crept into the documentation.

The Convener: I am a bit confused. When you say that they are "relatively minor" errors, are we talking about thousands, hundreds of thousands or millions?

Philip Raines: We are talking about millions, within a budget that is billions, which is why I used the term "relatively".

The Convener: So, we are talking about millions. I am a bit concerned to get this information at this stage, because the committee asked a question last week—I think that it was Mark Ruskell—about annex J and the details within it. It now appears that we have based part of our scrutiny on something that is factually incorrect.

Philip Raines: We only discovered the inaccuracy relatively late. I can assure you and the rest of the committee that we have done the analysis to work out whether the overall conclusions made in annex J—the numbers and the things that are set out as part of—

Màiri McAllan: And the level 4s.

Philip Raines: And the level 4s. The conclusions that were drawn in annex J are still correct, and the numbers in the main budget document are absolutely correct. It is only a transposing issue, if you will, within annex J. Again, I offer my apologies for that.

The Convener: With respect, it is easy for you to sit there and make those comments, but until we have had a chance to scrutinise matters, we will not be in a position to say whether we agree or disagree with you.

I understand your point about the size of the Scottish budget, but using the term “relatively minor” to describe errors in the millions does not accord with my categorisation of money. The committee will want to reflect on the issue after the session and to see annex J when it is resubmitted. We may wish to take further evidence on it—that will be up to the committee to decide. We will leave that there.

I offer Mairi Gougeon the chance to make a brief opening statement, if she would like to.

The Cabinet Secretary for Rural Affairs, Land Reform and Islands (Mairi Gougeon): I thank the committee for inviting me to give evidence today. My colleague the Cabinet Secretary for Transport, Net Zero and Just Transition has just mentioned the difficult financial backdrop that we face in relation to this budget. Against that backdrop, the decisions that we have taken are driven by our values, and they prioritise the three missions that we have.

In my portfolio, the impact of Brexit continues to harm Scotland’s rural and island businesses and communities, and it also creates new challenges every year for us to respond to. However, the budgets that have been allocated to my portfolio will continue to make a vital difference to our rural, coastal and island economies. As I did for the previous financial year, this year I have prioritised the vital direct cash injection of £600 million that my portfolio makes into the economy for rural, agriculture, marine and island communities.

We are now providing the most generous package of direct support for farmers and crofters anywhere in the United Kingdom, and we are committed to getting that money to people and businesses as early as we can every year to help them to meet the on-going inflationary and cost of living pressures.

As the committee will be aware, my portfolio has expanded to include responsibility for peatland, land reform and land use, and forestry and woodlands, and I have committed to maintaining our record world-leading investment in peatland. Investment in new woodland creation—planting—

will continue to contribute to our climate change targets and net zero ambitions. As I said when I recently attended the Rural Affairs and Islands Committee, we have set very ambitious planting targets, and the level of funding that we can provide within the budget means that it will be extremely difficult to meet those. However, we will continue to build on the positive work that we have already done, and the planting levels that are achievable within this budget will continue to exceed those in other areas of the UK.

I have also committed to delivering agri-environment investment, including the agricultural transformation fund, which is part of an overall budget of £30 million. We also have the Scottish land fund, which will continue to support many community groups to acquire assets that will make a difference to them in tackling challenges in their communities.

By maintaining the £14 million budget for the marine fund Scotland, we are continuing to acknowledge the vital role that our seas play in supporting activity to improve and restore the marine environment, as well as supporting the wider economy in coastal communities through fishing and aquaculture.

I think that I speak for all my Cabinet colleagues when I say that this Government is committed to doing all that we can, with all that we have, to support our priorities in rural industries and sectors, through this portfolio and others.

09:30

The Convener: Thank you very much, cabinet secretary. Some of your officials are here in the room, but I do not know whether you will be able to see them when you answer questions. If they indicate that they want to come in, I will try to indicate that to you and it will be up to you to let them come in, because that is not a decision that I can make.

The first questions will come from Jackie Dunbar.

Jackie Dunbar (Aberdeen Donside) (SNP): Good morning, cabinet secretaries. My first few questions are for the cabinet secretary for rural affairs and are about peatland and natural resources.

It is my understanding that £250 million has been allocated over 10 years for peatland restoration and that £66.7 million of that fund has been allocated in the past three years. According to evidence that we took from NatureScot, £40 million of that had been spent up to and including 2022-23. How much has been spent in 2023-24?

Mairi Gougeon: Thank you for highlighting that. We have ambitious targets for peatland

restoration. We have £26.9 million available for the coming financial year. That figure was published in the 2024-25 budget. That is a 1 per cent increase on the budget that was available last year, and it means that we should be able to plant at roughly the same level.

The approvals that are coming through for the financial year 2023-24 are for almost 10,000 hectares of planting, which I believe will ensure that we utilise the available budget.

Jackie Dunbar: I might have missed the figure for last year. My ears are not working right.

Mairi Gougeon: We had £26.6 million available in last year's budget.

Jackie Dunbar: What were any underspends used for? Were they used to address barriers to scaling up peatland restoration?

Mairi Gougeon: That has been the focus. There have been some issues with peatland restoration because the industry is in its infancy. There is limited availability of contractors and restoration can take place only at a certain time of year, so trying to overcome those challenges and build up the skills pipeline has been a key focus.

We fund peatland restoration through the peatland action programme, which funds five bodies to take part in that work, but that is not the only funding that is available. There has been a big focus on skills to ensure that we enable the industry to grow to meet the challenges and to provide the scale of restoration that we will need.

Simon Fuller might want to come in to clarify the points that I have made, but I believe that, with the budget that we set out last year, the scale of restoration that we expect to see and the approvals that we have in the pipeline, the available budget for peatland restoration will be utilised. Simon might be able to provide further clarification.

Simon Fuller (Scottish Government): I am happy to come in. As the cabinet secretary said, the budget for 2023-24 was £26.6 million. Although we cannot say definitively at this point in the year how much of that will be deployed, we expect the vast majority, if not all, of that budget to be utilised during this year. As the member said, there have been underspends in previous years, but those have come down year on year as the pipeline of projects has increased as contractor capacity has increased, so the budget is now being fully utilised.

Jackie Dunbar: Convener, I am finding it a bit difficult to hear people. I do not know if that is because of my ears or the microphones. The sound is slightly muffled.

The Convener: I am in agreement. It was slightly difficult for me to hear Mairi Gougeon. Philip Raines, if you could swing your microphone round when you are about to speak, that would be helpful. I do not know if there is anything that we can try with the sound.

Jackie Dunbar: It could just be me.

The Convener: He will do what he can. Do you have any further questions?

Jackie Dunbar: Yes. I am sorry about that.

Cabinet secretary, as you said, natural resources and peatlands are within your portfolio. I understand what peatlands are, but can you expand on what is meant by natural resources?

Mairi Gougeon: The natural resources part of the portfolio helps to fund areas such as wildlife management, biodiversity and other areas within that. Simon Fuller could probably elaborate further on areas within that specific budget line, but that is largely what it covers.

Simon Fuller: I am happy to add some further points on that. As the cabinet secretary said, the natural resources budget line is quite diverse. It covers a large number of wildlife management policies. It also covers elements of biodiversity and Atlantic rainforest restoration, which is the third key element.

Jackie Dunbar: I notice that the natural resources budget has been reduced to £4.5 million this year. What impact will that have?

Mairi Gougeon: That is largely because it more accurately reflects the spend within that element. The key point that I forgot to mention is the Atlantic rainforest, which Simon Fuller has just pointed out, and that is where we are continuing to invest. Parts of the budget have been underspent in the past, so what is set out in the published budget more accurately reflects what the spend will be within that area.

Jackie Dunbar: Okay, thank you. That is all I have just now, convener.

The Convener: Thank you, Jackie. Before we leave the subject, I want to check something with the cabinet secretary. You have indicated that the £250 million will be spent at the end of the 10-year period. Will we have achieved all the restoration that was programmed for that £250 million, or will the money be gone without us reaching the target?

Mairi Gougeon: I certainly hope that we will reach that target, and we are doing everything we can to ensure that we do. If we look at the average restoration rates over the past few years, up until 2021, the average rate was about 1,500 hectares. From 2021 onwards, we have seen big increases in the level of restoration. That goes back to my

earlier point about us trying to scale up the industry, which is still in its infancy. After 2020, we saw the restoration rate increase to 6,000 hectares. Then, in 2022-23, it was 7,500 hectares, which is a 35 per cent increase. This year, we are on track to see that increase further to 10,000 hectares.

We are moving in the right direction on restoration rates, and continuing with the investment is vital in providing confidence for the industry. We will continue that funding so that the industry can continue to grow and so that we can identify and deal with some of the issues.

The Convener: I will just drill down into that a wee bit. Some £66.7 million has been allocated and we have managed to crack 18,500 hectares on the road to recovery. When we have spent the £250 million, how many hectares of peatland do you think will be recovered?

Mairi Gougeon: I am sorry, but some of the figures that you have given for what we have already restored do not sound correct to me, although I do not know whether you are including this current year.

The Convener: I am going on the figures that the Scottish Government has given the committee. I am just asking you, when we have spent the £250 million, how many hectares of peatland will be recovered?

Mairi Gougeon: Ultimately, the commitment was for £250 million over 10 years to restore 250,000 hectares of degraded peatland. It is not possible for me to say at the moment what that will look like in five or six years. What I am trying to do today is highlight the importance of that continued investment, so that that trajectory can continue in the coming years.

The Convener: I hear your comment. My concern is that a lot of money has been allocated or spent and we are not near the target. We will move on to the next question, which comes from the deputy convener, Ben Macpherson.

Ben Macpherson (Edinburgh Northern and Leith) (SNP): Good morning to both cabinet secretaries and to all the officials. I thank you for all the engagement and work that you have put into the budget, particularly in the challenging context of a 10 per cent capital reduction.

As the constituency MSP for Edinburgh Northern and Leith, one of the areas of capital spending that I am pleased to see progressing is the investment in the Royal Botanic Garden Edinburgh. It has a 350 year-plus history and has more than 13,500 plant species, many of which are endangered or extinct in their native habitats. The importance of the institution—not only as a

major visitor attraction—should not be underestimated.

As part of protecting what the botanic garden holds for the future, the investment in the Edinburgh biomes project is the Royal Botanic Garden Edinburgh's biggest-ever capital infrastructure project and, as many will know, aims to produce a world-leading facility for biodiversity research and for the public to be able to engage with more of what the botanic garden does. Ms Gougeon, will you update the committee on the future of the biomes project and any commitments that the Scottish Government has made to help to secure its future? Will the £17 million allocation in capital funding in the 2024-25 budget enable the project to progress with its full original plans, noting what Audit Scotland said last year?

Mairi Gougeon: I echo all the points that you have made about the importance of the Royal Botanic Garden Edinburgh. The RBGE covers four sites across Scotland, and undertakes vital work in respect of its collections and research capability, as well as running the sites and holding events for visitors.

Committee members will be aware that there has been a slight reduction in the published budget of £1.8 million, which is a 5 per cent reduction to the capital element of the budget. I want to highlight that the reduction in the capital element of the budget relates to the phasing of the biomes project and how that is working at the moment—it is not a cut to the project. That is why the spend is set out as it is. Overall, there is a £58 million contribution to the Edinburgh biomes project, of which £50 million comes from the low carbon fund, with a further £8 million coming from the Scottish Government. It is a hugely important project, which is why the on-going commitment to its funding is so important and will be vital for the botanic garden.

Ben Macpherson: Thank you very much for that, cabinet secretary. Just for clarity, it is understandable that, because of the staging and phasing of such a big project, there are fluctuations in the figures from year to year, but are you emphasising today that there is a commitment to progressing with the full plans that the botanic garden agreed with the Government in the infancy of the project?

When I met RBGE representatives recently, they emphasised how good the engagement with the Scottish Government was at both official and ministerial level.

Mairi Gougeon: Absolutely, and I emphasise that point as well. I met the board just before Christmas to get an update on some of the key pieces of work that the RBGE is doing at the moment. I re-emphasise that commitment from the

Scottish Government: we are still committed to the biomes project and the reduction in the funding is only because of the phasing of the project—the overall commitment still stands.

The Convener: Thank you, cabinet secretary. Before we move on, I will make a declaration of interests. I have an interest in a family farming partnership. I also have an interest in a wild fishery.

I have an interest in trees. However, I have not received any planting grant in the past 10 years and, as I said last week, I have no intention of applying for a planting grant in the foreseeable future. I put that on record so that people understand that I have an interest in land.

Monica Lennon (Central Scotland) (Lab): I have nothing to declare. Good morning to the cabinet secretaries and witnesses.

As you know, we have been doing a lot of work on biodiversity and scrutinising Government proposals in the area. Will each cabinet secretary identify the key funding streams in their portfolios for the terrestrial and marine environments that are designed to deliver on the biodiversity strategy?

Mairi Gougeon: I am sorry—I was not able to unmute myself. Biodiversity obviously cuts across my and the Cabinet Secretary for Transport, Net Zero and Just Transition's portfolios quite strongly. We have outlined in previous responses the natural resources element of the budget and the specific areas that that funds.

There are probably a number of budget lines in my portfolio where we are taking action on biodiversity, not least in relation to agriculture.

Monica Lennon: Excuse me, Ms Gougeon, we are getting interference on the line. I am struggling to hear the answer—can we pause?

The Convener: Before you go on with answering the question, cabinet secretary, could you say a few words so that I can hear whether the interference is still there?

Mairi Gougeon: Can you hear me okay now?

The Convener: I am afraid that the interference is still there. I am sorry, cabinet secretary, but we are not hearing all that you want to say, so I will suspend the meeting briefly and see whether we can re-establish the connection to improve the sound.

09:46

Meeting suspended.

09:53

On resuming—

The Convener: I think that we are back in action.

Mairi Gougeon, can you hear me? Can you say a few words to make sure that I am happy that I can hear you?

Mairi Gougeon: Yes, I can. I hope that you can hear me okay, convener.

The Convener: That is a lot better. There is no interference.

We will go back to the question that Monica Lennon posed. Because there has been a bit of a break, could you ask it again, Monica?

Monica Lennon: Welcome back, Ms Gougeon. I asked about biodiversity, given the committee's interest in that strand of work. Can the cabinet secretaries identify the key funding streams for terrestrial and marine environments in their portfolios that are designed to deliver on the biodiversity strategy?

Mairi Gougeon: I do not know whether you caught any of the first bit of my response, but biodiversity cuts strongly across my portfolio and that of the Cabinet Secretary for Transport, Net Zero and Just Transition. If you are looking to discuss specific funding and where the budget lines might be, I would refer you to a key budget line that we have touched on already—natural resources. In the agriculture element of my portfolio, around £30 million has been made available for our agri-environment work, and a large part of that is the agri-environment climate scheme, which relates to climate mitigation, adaptation and lowering emissions, as well as enhancing biodiversity. That is just one example.

Specific funds in the marine directorate contribute to enhancing biodiversity. Trying to tackle the climate and nature crises that we face is a key element of our blue economy vision, and in that respect, I would highlight the £14 million for the marine fund Scotland to support fisheries, seafood and aquaculture projects that will deliver on that vision. Specific projects with a focus on biodiversity can be funded within that.

We also have funding for particular species. For example, there is the wild salmon strategy, for which we have introduced an implementation plan, and we have provided about £1.5 million of funding to work through and support that.

No doubt the Cabinet Secretary for Transport, Net Zero and Just Transition will say more about the nature restoration fund, but it has been critical to all that work, too. There are particular budget lines within my portfolio, but I would note that the funding for the wild salmon work has been

enhanced by that fund, which involves planting further upstream. Farming and agriculture schemes have been funded through the nature restoration fund, too, but the net zero cabinet secretary might be able to set out more detail on that.

Monica Lennon: I invite Ms McAllan to add to that.

Màiri McAllan: Thank you for the question—I will add to what Ms Gougeon has already set out.

In order to provide the most concise overview, I would point to the environmental services line in my portfolio budget, which is being increased across its lines by 4 per cent on average. I would also draw out Ms Gougeon's final point about the nature restoration fund; that is our multi-annual £65 million fund, for which it is proposed to make £29 million available in the coming year for nature restoration and biodiversity strategy purposes. There has been a 5 per cent increase in that line from 2023-24.

I would point, too, to the funding in that budget line for our national parks—that is, the Cairngorms and Loch Lomond and the Trossachs national parks. That has been slightly increased from last year, with a 1 per cent increase across the piece. It is also important to draw attention to the public bodies within my responsibility—NatureScot and the Scottish Environment Protection Agency, although it is principally NatureScot that relates to Ms Lennon's question. There is a 6.7 per cent increase in NatureScot's funding from last year. The increase for SEPA is 7.3 per cent but, as I have said, NatureScot is more important in relation to this particular question.

Monica Lennon: Thank you. I might come back to SEPA later.

I want to ask about one particular aspect of the budget. We know that there have been large reductions in woodland grants and agri-environment funding in the rural affairs portfolio—if I can use that shorthand. How confident are you, Ms Gougeon, that those sectors will be able to deliver the really important work on biodiversity and climate needs with smaller funding pots?

10:00

Mairi Gougeon: There is no doubt that the significant reduction in the forestry grant scheme in particular will have an impact, not least on our meeting our targets, as I set out at the Rural Affairs and Islands Committee last week and in my opening statement to this committee this morning. The funding that we have available for AECS runs on five-yearly contracts, and in that respect, between £16 million and £17 million of the funding is for previous contracts that have already been

agreed. That said, AECS is probably one of our key schemes for delivering on our climate and nature ambitions, particularly in relation to agriculture, and the money that we have made available for the scheme will enable us to fund the vast majority of applications to the scheme during 2023.

However, there is no getting round the cuts to the capital budget, and given those cuts, I am not particularly happy as I sit in front of the committee today. At the start of the meeting, Ms McAllan set out the context of the overall budget and the situation that we are facing, and no doubt you heard the same from the Deputy First Minister last week, too. About two thirds of the funding in my portfolio is ring fenced. When we were members of the European Union, we had certainty of funding for a seven-year period. That funding was a mix of resource and capital, whereas the replacement funding that we get from the UK Government comes through only as resource, and it is therefore the capital element of the budget where we are facing significant constraints.

We are trying to manage that as best we can across the portfolio. We are focusing on and prioritising the key schemes that we know will make a difference, as well as ensuring that we maintain and build on momentum in relation to forestry and peatland. We are trying to do the best that we can within the budgets that we have available.

Monica Lennon: You have been quite honest about the issues that you are not happy with, and I should say that we have also heard from a number of unhappy stakeholders since last week's session with the Deputy First Minister. One aspect that we looked at during that session was woodland grant funding. The forestry grant scheme faces a cut of 41 per cent in the next financial year, which is a huge reduction of about £32 million. We are aware of the annual underspend in that budget, but the 41 per cent cut is double its size.

We have heard, for example, from Woodland Trust Scotland and Stop Climate Chaos Scotland, which are both very concerned. We have been asking a lot about confidence with regard to meeting emissions reduction targets. Do you agree with Woodland Trust Scotland that the proposed cut will serve only to make the gap between the targets and delivery even wider?

Mairi Gougeon: I completely understand the concerns that stakeholders have expressed. We were disappointed with the overall planting rate for last year, which fell far short of our expected targets. I held the woodland creation summit last December to try to get to grips with what the key issues were that had led to the situation, to consider how we could address them and to

examine how we could scale up planting to get closer to meeting some of the targets.

Notwithstanding the issue with planting rates, and the budget pressures that we are currently facing, particularly in relation to woodland grants—as you have highlighted, that overall budget is down by 40 per cent—the summit was vital in helping us identify the challenges. It gave us a lot to build on and highlighted a lot of work that we could do. Undoubtedly, though, the situation means that we would be unable to meet our planting targets for the current year.

It is really important that, from now on, we ensure that we can still plant trees and get as many in the ground as possible. At the time of the summit, we had a record number of approvals in the pipeline—it was more than 13,000 hectares-worth at that point; I think that the figure is closer to 14,000 hectares now. We want to ensure that we are fully utilising the budget that is available during the current financial year. We need to do that for next year's budget, too, and I know that there have been discussions with partners in the sector on how we can best utilise that and keep the momentum going as best as we possibly can.

Overall, within that context, we should not lose sight of the fact that we are still doing a huge amount of planting. In Scotland, we are planting 62 per cent of the total figure for the UK. Therefore, although there is no getting away from the impact of the budget, it is important that we do not forget the real progress that we have made when it comes to developing the industries and the sector and increasing the rates of planting.

Monica Lennon: I think that we all welcome the fact that there has been a summit and engagement, and the recognition that there are challenges. However, although some progress might have been made, the amount of new woodland that has been created has fallen in each of the past five years. We cannot look at just one single year—that has been the direction of travel.

I can understand why stakeholders who have expertise and who operate on the front line are writing to the committee. They knew that you were coming here today, cabinet secretary, and they say that they are really worried. They are asking what action the Government will take to focus on woodland types that provide the greatest emissions benefits if the resource allocation is not increased. People are realistic about the 41 per cent cut not being massively reduced, but what other actions and mitigations are you going to take?

Mairi Gougeon: Work on that is happening just now. Last year, I announced some changes to the forestry grant scheme because, obviously, we want more riparian planting and more agroforestry.

The grants and the rates of grant that we have made available for smaller schemes are hugely important in encouraging that work, too, and it is important that we continue that encouragement.

It is all about our engaging with the sector now to see how we can best utilise the available budget, and that is why the summit in December was so important. Some of the actions that were identified related to improvements that we can make to the woodland development process and how we can better develop people across the sector. All of that work can continue.

We all want full utilisation of the budget to ensure that we get as many trees in the ground as possible, and that work will continue. I want to ensure that we utilise the available budget that we have as well as we possibly can, and we will, of course, engage with key stakeholders as we look to do that.

Monica Lennon: Okay. Thank you, Ms Gougeon.

I turn to Ms McAllan. The committee is keen to understand better how cabinet secretaries are working together to ensure that biodiversity and climate goals in the transport, net zero and just transition portfolio are supported by funded actions in the rural affairs, land reform and islands portfolio, and generally across the Government, so that there is proper alignment.

I want to focus on the example of the 41 per cent reduction in woodland grant scheme funding. It is clear that Ms Gougeon is not happy with that situation, and you cannot be feeling great about it either, Ms McAllan. How are you ensuring that you are working together and fighting your corner in the Cabinet? It is clear that the budget will make it harder for you to deliver the targets and policies that are in front of you.

Màiri McAllan: That is a really accurate observation. Ms Gougeon, the DFM and I have talked about the financial landscape being singularly the most challenging one in the devolution era. We all know that my climate change task requires everything to be done everywhere right across the piece. When there are financial challenges across the piece, that is, of course, a concern for me, because many interventions are needed to deliver on climate change.

I am not going to take the opportunity to theorise on Ms Gougeon's budget. However, you are absolutely right that there are implications for me, particularly in this year, as we develop the climate change plan. I will have to consider the development of that plan in light of one year's budget, but also remember that it is a plan to 2040—it is a generational plan. I have to be realistic about what is affordable and doable in the

next year and in the coming years. Equally, I do not want us, in a plan that goes right out to 2040, to be utterly restrained by the financial circumstances that we face just now.

One theme right across the piece that needs to be, and is being, explored in order to allow us not to be affected detrimentally is the leveraging in of responsible private finance. We see that in some of the nature work that Ms Gougeon and Ms Slater are overseeing. That is a theme in what I am trying to do in decarbonising transport.

We now need to realise that we must make progress on climate change but, equally, we must realise that scarce public funds will have to be utilised where they are most required, so we will have to seek to leverage in responsible private finance, both individual and institutional. We can come back to that.

Monica Lennon: We have to move on to other members' questions. I will come back later with more of mine.

On the point about private finance, I think that everyone recognises that public finance alone will not get us to net zero. However, are you concerned about some of the reports that we have seen, even in recent days, about some of the investment decisions that the Scottish National Investment Bank has taken, particularly on the Gresham House fund and forestry? That might undermine our objectives in land reform, community wealth building and the just transition, because some of those investments might be more beneficial to funds that are sitting in New York than they are to communities here in Scotland. Is that something that you are actively looking at?

Màiri McAllan: I used to sit as Ms Gougeon's junior minister, with land reform responsibilities and oversight of investment in natural capital. I do not have those now, incidentally, but it was absolutely my view that we should, as a Government, set our expectations of what responsible private investment in nature looked like. That is why I oversaw the launch of the principles for responsible investment, as part of the national strategy for economic transformation.

I absolutely trust the Scottish National Investment Bank to do its job and to make its decisions on a commercial basis. I am not going to comment on the work that it does, but the Government definitely has expectations, which have been put in train in work that I started when I was the Minister for Environment and Land Reform.

Monica Lennon: I think that it was Douglas Lumsden who raised the concern last week that the advisory board that should be in place, under the legislation, is not yet in place.

In the past couple of days, *The Ferret* had a big report on the Gresham House fund and the Scottish National Investment Bank. Are you concerned by what you have heard?

I am not sure whether Ms Gougeon can hear me.

Mairi Gougeon: I am sorry—I can hear you, but I was not able to come off mute.

You have raised a really important point. I would, largely, echo what Ms McAllan has said, but I want to touch on a couple of pilot projects that are under way at the moment, which are key to ensuring that we get that investment right. We have talked many times before about how the level of public investment that we can make will never be enough to address the challenges that we are facing. Therefore, private investment will be critical. It is necessary to ensure that that is done in a responsible way and that communities see the benefit. That is really important.

There are a couple of pilots under way with NatureScot at the moment. One of those is a £2 billion private investment project that is centrally focused on the principles for responsible private investment that Ms McAllan talked about, and which she was responsible for bringing forward and implementing in her previous ministerial role. Our ensuring that we get that investment right from the start—that there is engagement with communities and that they see the benefit of it—is very much part of that process. I would be happy to follow that up with the committee and to provide more information on how the pilot is going, but I believe that it is operating quite well, at the moment.

There is also £3 million available at the moment as part of the pilot fund for the facility for investment ready nature in Scotland. Nearly 30 projects are under way as part of that and, again, the principles that I mentioned are very much at the forefront in order to make sure that we get the private investment right.

You are absolutely right in relation to where we want to be with land reform and what, ultimately, we want to see, which we are setting out in the goals. I am keen that any sort of investment aligns with our ultimate goals and visions, and with what we are trying to achieve.

The Convener: I have a question, before we leave the forestry planting issue. The Government has long signalled its intention to plant more and more trees—since 2016, when I was elected. However, since then, we have met the planting targets in only two years. In fact, we are 17,600 hectares behind where we should be. There is an industry out there that has grown all the trees, based on the Government's planting targets, and it now appears, from reports, to be the case that the

trees will be pulped and destroyed because they cannot be planted due to a shortfall in the planting grant. What is your message to that industry, Ms Gougeon?

Mairi Gougeon: Again, that is where the engagement that is happening right now and how we move forward with the available budget will be absolutely critical.

10:15

As I set out in one of my previous responses, 14,000 hectares' worth of approvals are coming through. We want to make sure that we get all those hectares planted and that we utilise the available budget as best we can. That means that there could be some tweaks in how we award the funding in order to make sure that we maximise its impact as much as we can.

Ultimately, we do not want to be in a position of having really helped to drive forward the industry—whether that is nurseries, timber or the wider industry—and having encouraged farmers and crofters to do more agroforestry and riparian planting, then seeing that scaled back. We want to continue with the momentum that has been building.

You are absolutely right that we have not met all of our planting targets in previous years. That is why we had the woodland summit towards the end of last year to try to address the significant shortfall from the target of the previous year.

We have been encouraged by the level of approvals that have come through for this year, which is why I want to make sure that we utilise all the available funding. We will continue to work with the sector to ensure that we are all working together to deliver the goals that we all want. We want a thriving forestry sector because it is worth so much to our economy, as well as to our timber supply, and not least because of its climate impact. We want to make sure that we work together with the sector into the future.

The Convener: I hear what you are saying. My concern is that the forestry industry is not like a tap—you cannot turn it on and off when you want to. A huge amount of preparation goes into reaching your goals, so they need to be long-term goals, otherwise we will never achieve them. Maybe we agree on that; I see you nodding. I am sure that you will be working on what was done by Mr Mackinnon on the forestry report to make it easier, rather than more difficult, to plant trees, which might give the industry some confidence.

The next question comes from the deputy convener, Ben Macpherson.

Ben Macpherson: I have a question for the cabinet secretary who is in the room, if that is okay.

Scotland is rightly well known for its remarkable nature, which is part of its attraction and what makes it a great place to live. We are also increasingly becoming known for having a remarkable renewables industry, growth in net zero technology development and the installation of technologies to produce renewable electricity from onshore wind and offshore wind, as well as other technologies such as tidal energy, which requires development of our ports and a range of other infrastructure projects.

Last week, when I was engaging with the Cabinet Secretary for Wellbeing, Economy, Fair Work and Energy at committee and in the chamber, we discussed how NatureScot's and Marine Scotland's planning and licensing teams need sufficient capacity to support the scale and pace of the Government's net zero infrastructure ambitions and, indeed, Scotland's wider ambitions in that space. We need to ensure that renewables are scaled up in harmony with nature and that, where it is appropriate, we deliver the projects that so many of us—developers, the energy industry, the Government and the populace—want.

Will you comment, in budgetary terms, on how you look at the infrastructure ambitions across Government and between your directorates to ensure that we avoid costly consenting and licensing bottlenecks, and to ensure that there is robust consenting, but that decisions are supported by good evidence and made as quickly as possible so that we can realise projects and Scotland's potential?

Màiri McAllan: Thank you very much, Mr Macpherson. I whole-heartedly—

Mairi Gougeon: Thank you—

The Convener: I am sorry, Mairi Gougeon, but Màiri McAllan is going to answer that. She beat you to the button, so she will go first, then you will get a chance to come in.

Màiri McAllan: I am sorry, Mairi. It is a bit confusing that we have the same name.

The question is welcome. The fact that the committee has discussed ScotWind and renewables more generally with the Deputy First Minister, the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy and now with me—as well as, I presume, with others—demonstrates not only how multifaceted the topic is, but what a strategic priority it is for the Government, the committee and the communities that all of us represent. Renewables is one of the greatest socioeconomic opportunities that we have

in Scotland and is central to our work on combating climate change.

It is important to state that I have portfolio responsibility not only for co-ordination of the net zero achievements across the Government, but for transport and heat decarbonisation. Energy sits with Mr Gray, as you know, and rural affairs sits with Ms Gougeon, but it is my job to co-ordinate the response. You are absolutely right, Mr Macpherson, to mention that one of the main interfaces between energy and my portfolio is about the interplay between protecting the environment and ensuring that we can move through the consenting, construction and operationalisation of our energy projects.

I draw your attention to two examples. The first relates to NatureScot. I mentioned that it has had a 6.7 per cent increase in its budget this year. That is to reflect an increase in its responsibilities, the principal one of which is its role in habitats assessments in respect of the development of offshore wind. My expectation—I will set this out to NatureScot—is that part of that funding will go on recruitment to ensure that it has capacity to deal with applications as promptly as we need.

Another example relates to an area that Ms Gougeon and I share. I point to Marine Scotland. Following the completion of ScotWind leasing round 1, we moved to create within the Government a ScotWind directorate, which is headed by Michelle Quinn, who has a huge amount of experience in infrastructure development in Scotland. That is to ensure that there is a laser focus on moving through the complex procedures that are required to realise the potential.

Those are just two examples from my portfolio.

Ben Macpherson: Cabinet Secretary Gougeon, do you want to add to that?

Mairi Gougeon: Yes. I am sorry for launching myself into that question. I will touch on the point that Ms McAllan made about looking at the issue from a Marine Scotland perspective.

There was an increase in budget for Marine Scotland last year, specifically in relation to offshore wind. There has been a slight decrease in the overall marine directorate budget, but that is because a number of different recoupment controls and operational efficiencies have been considered for generating some of the savings that are required. There has also been a focus on maximising the income streams to the directorate. Obviously, revenues come into the directorate from commercial science activity, licensing fees and energy consenting fees.

It is also important to highlight the sheer scale of the work that the marine directorate undertakes.

You asked about offshore energy consenting, which is a huge element of the work. Another vital component is our marine science and research. The directorate also has enforcement and compliance costs in relation to our fisheries and seafood.

I wanted to add some more to the context and to set out the overall budget position within the area.

Ben Macpherson: I thank you both. It is reassuring that there is attention, investment and co-ordination across Government, including the creation of a ScotWind directorate, which is most welcome.

I emphasise the point that I made because some of the feedback from the people who are developing renewables technologies projects is that there has been a delay that has added to inflationary costs. It is a risk for the development of our renewables potential if the consenting process is unnecessarily slow.

However, I also appreciate that it takes time to create expertise and develop capacity through recruitment. I am glad to hear that work is ongoing and that you are both focused on the matter.

Màiri McAllan: I whole-heartedly agree. I had the pleasure of attending the Scottish Renewables offshore wind dinner last week, which accompanied its conference, at which the First Minister spoke. What Mr Macpherson has narrated was reflected in the conversations that I had with developers and supply chain representatives. There was definitely a feeling that we must speed up and refine the processes but, equally, there was acknowledgement that that is because we are pioneering, in this respect. ScotWind is the largest floating offshore wind leasing round in the world, and some of what we are doing is among the first times such things are being done. However, that does not take away from the fact that we must refine and speed up the process.

The Convener: Mark Ruskell wants to ask a brief supplementary, then I will go to Douglas Lumsden.

Mark Ruskell (Mid Scotland and Fife) (Green): It is good to hear about the increased budget for NatureScot and the strategic focus on bringing down consenting times and contributing to that renewables growth.

I want to ask Mairi Gougeon about the pressures on the marine directorate. You talked about the increasing revenue that is coming in through licensing, which is good, but are there particular pressures in relation to the breadth of work that the marine directorate is undertaking now? I am thinking about fisheries and the need to make good on the commitment to introduce a cap on inshore fisheries. That is science based and

will require an investment in fisheries science. Will the marine directorate face being particularly stretched in the next year?

Mairi Gougeon: Of course it will. As I highlighted in my previous response, it is a very busy directorate and a lot of work is always being undertaken, so we have to prioritise where the focus of that work needs to be. I talked earlier about the blue economy vision, embedding the outcomes that we want to see from that and that being a focus for our work.

When I was at the Rural Affairs and Islands Committee last week, I spoke about the science and innovation strategy, which is guiding how we prioritise our work in that area and where the key areas of focus will be. Obviously, we cannot undertake all the scientific research that we would ideally like to, because we have limited resource. We have two research vessels. Our overall spend on science is more than £20 million, and about £10.5 million of that is in relation to fisheries. The cost of the two research vessels is included in that, which equates to around £6.5 million of funding.

The science and innovation strategy is important, because it talks about how we can best utilise the academic and scientific research expertise that we have in Scotland, map the ongoing work, improve how we co-ordinate and collaborate with different partners in Scotland, as well as internationally, and see where we can maximise the benefit of our work. We launched our science and innovation strategy in Aberdeen a couple of weeks ago, which is key in focusing scientific research and how we move that forward.

Scotland has a vast sea area, so enforcement and compliance in relation to our marine protected area network is of critical importance. We have 18 area offices, two surveillance aircraft, three marine protection vessels and two rigid inflatable boats, all of which must be funded. The total cost of that is around £30 million. It is a huge area to cover. I talked about the operational efficiencies that the marine directorate has been looking at, which are about trying to best focus and utilise our resources. In relation to enforcement and compliance, that has meant a greater focus on using intelligence and doing risk-based analysis before deploying vessels and aircraft.

The marine directorate's way of working is being considered across the piece, which is how those savings have been identified, and it is also looking to maximise its income streams.

The Convener: I encourage everyone to ask short questions, and, perhaps, to give short answers, where possible. Otherwise, I will get into trouble with my committee members, cabinet secretaries.

Douglas Lumsden (North East Scotland) (Con): Thank you, convener. I have a short question, which I will address to Màiri McAllan.

How confident are you that the spending decisions that are taken in the 2024-25 budget set a course for meeting the interim 2030 and final 2045 emissions reduction targets in Scotland?

10:30

Màiri McAllan: That question is one that has certainly dominated my thoughts a lot as we have been developing the budget.

I will come back to the point about context that I made earlier. We are still dealing with annualised budgets that are self-contained within one year. However, as you rightly point out, the interim target is 2030 and the mid-century target is 2045. Therefore, on the one hand, I am planning policy over a generation and, on the other hand, I am having to think very carefully about the implications of one year's budget on that.

Despite the exceptionally difficult circumstances that we have faced, I am comfortable that the budget has gone as far as possible to support climate change objectives. I set out at the start, I think, that my three principal objectives were to meet my legal and contractual obligations, to have a safe and reliable transport network and to ensure that we were responding to the climate emergency.

The work that we have done with the Net Zero, Energy and Transport Committee on the joint budget review has allowed clarity on the extent to which the budget supports climate objectives. Of course, we know that, in the whole budget, £4.7 billion is the figure that has been identified as funding positive actions that support climate change. I would draw out key examples from that—heat in buildings, active travel, flooding as a key adaptation move, public transport, concessionary travel and so on—but I will let you come back in.

Douglas Lumsden: Obviously, as you said earlier, we must make progress on climate change, so the budget is surprising. The figures that we have from the Scottish Parliament information centre show that, in real terms, the budget is up for resource and capital together. However, the transport, net zero and just transition budget is down by 1.8 per cent in real terms. Lines for elements such as agri-environmental measures and woodland grants have had a huge cut.

You have said that we must make progress on climate change, but how can we make progress when there are cuts to the overall transport, net zero and just transition budget? In addition, as we heard at the start of the meeting, the climate

change assessment figures of the budget are incorrect. How do we match those two things together?

Màiri McAllan: On that final point, which Philip Raines referred to at the beginning of the meeting, those issues were brought to my attention minutes before coming to see you today. I am concerned to ensure that that is clarified to you later today—I will make sure that that is done. My understanding is that, as Phil said, the figures throughout the budget are absolutely accurate except for some in annex J, which are draft figures and not the final ones. I will ensure that that is clarified for you.

Ultimately, I have £4.6 billion for transport, net zero and just transition. That is part of an overall Scottish Government budget in which, through the joint budget review work, we can identify that £4.7 billion is positive for climate action. That is, I think, 75 per cent of capital spend and a smaller percentage of revenue spend. However, much of that revenue spend is for health services, social security, staff and so on, as I know the Deputy First Minister took you through.

One observation that I would make is that, if we assess real-terms spending against the Treasury gross domestic product deflators, we can see real-terms cuts to services coming to Scotland. By not matching real-terms spend over two years, in 2024-25, the UK Government's transport resource investment is down 40 per cent, its environment, food and rural affairs budget is down 12.4 per cent and its energy security and net zero budget is down 14.1 per cent. That has knock-on consequences for what I am dealing with, but I believe that, even in those very difficult circumstances, the draft budget rises to the climate emergency and allows me to maintain a safe and reliable transport system.

Douglas Lumsden: Even the Scottish Fiscal Commission's figures show that, in real terms, your budget is 0.9 per cent bigger. That is why it seems surprising to me that, although we see an increase in many budgets, there are cuts to the transport, net zero and just transition budget and the rural affairs, land reform and islands budget. Those are political decisions that you have taken that might hinder our response to climate change.

Màiri McAllan: The figure that I have for my overall budget is up 1.1 per cent, but we may be talking at cross-purposes, when inflation is taken into account in different figures. I will certainly check that out.

As I said, there is £2.5 billion on public transport, £308 million on active travel and low-carbon transport, £358 million on decarbonising our heat in buildings, £225 million on environmental services, £91 million on flooding and coastal change, and increases for both my

environmental public bodies. In a very difficult budget settlement, that is a reasonable position to have come to.

Douglas Lumsden: Will the woodland grants cut help or hinder climate change?

Màiri McAllan: Just as before, it is not right for me to speak to the decisions on woodland in a budgetary sense, because they are Ms Gougeon's responsibility, but I accept that my overall responsibility for climate change makes them relevant to me.

As I have said, I will have to consider what is likely to be achievable in this year as I plan the climate change plan. To go back to the point that I made about the need for responsible private investment across the piece in order to rise to our climate objectives, that will be required in nature, just as it is required in transport and to decarbonise our buildings. Policy teams across Government are turning their minds to how we can realise that.

The Convener: Can you confirm that the climate change plan, which we are still awaiting, will have figures in it so that we can see what is required to achieve the targets that are being set?

Màiri McAllan: You can come back to me if this does not answer the question that you asked. The climate change plan, a draft of which is due to be with the committee by no later than November this year, will set sectoral envelopes, as plans have done in the past. It will identify policies capable of reducing emissions commensurate with those envelopes, and it will set that out in detail to allow you to scrutinise that.

The Convener: November is quite tight, if we are to scrutinise the plan within the time period that is given before it goes back to the Parliament. I would hope that this committee might get it before November, having looked forward to getting it before Christmas. What I am trying to work out is whether the figures of the actual costs that are needed to achieve the targets will be in the climate change plan.

Màiri McAllan: I will let my colleague Phil Raines come in on the costs. I am sorry—I thought that you meant the emissions reduction figures.

The Convener: I am asking about the cash that is needed to achieve the targets. We are on money today.

Philip Raines: I will pick up on two points. One is that, as the cabinet secretary said, the climate change plan will be with you no later than November. Our firm intention is to get it to you so that you can give it due consideration and have the ability to examine it as appropriate. The legislation says that the draft needs to be there by

November, which is why we are repeating that back to you.

The legislation also says that the climate change plan pretty much has to show our homework, and that includes how much it will cost going forward to 2040, including all the impacts and what each measure needs to achieve. That needs to be set out clearly in the plan, because that is what the legislation requires.

The Convener: So the figures will be in the plan, and we will get it no later than November—much earlier, we hope.

Monica Lennon has some questions before I end this session with both cabinet secretaries.

Monica Lennon: I will follow up on Douglas Lumsden's line of questions. Ms McAllan, you said that we need to think about private finance helping us to meet these really important policy aims. Has enough thought been given to opportunities to make polluters pay and to incentivise emissions reduction in the design of revenue-raising measures? Are there any examples that you could give us, briefly?

Màiri McAllan: I did not quite catch the first part of your question, but I absolutely understand what you are asking.

Yes, there are examples. Two come to mind, the first of which is SEPA. Fifty per cent of SEPA's revenue is raised from charging regimes for those that it regulates, which is an example of making polluters pay for the public service that SEPA provides. That has been very successful and has seen SEPA's overall revenue increase of late. A proportion of its revenue is public spend, and some of it is raised from those that it regulates.

I can also point to the work within my portfolio on extended producer responsibility, which is being taken forward by Ms Slater. I know that the committee is looking at that with respect to the Circular Economy (Scotland) Bill and the waste route map. The sums that could be raised from polluters through that work would be another example.

Monica Lennon: Has the minimum and maximum range of that been identified?

Màiri McAllan: In what regard?

Monica Lennon: Has any modelling been done to identify how much money could be raised by the examples that you have given?

Màiri McAllan: I do not have those figures in front of me, Ms Lennon. I could certainly find auditing figures that show how much SEPA has raised by charging. I know that the committee is looking very closely at the financial aspects of the Circular Economy (Scotland) Bill.

Monica Lennon: Indeed.

I spoke earlier about confidence levels. How confident are you that the spending decisions taken in the 2024-25 budget set a course to meet Scotland's interim 2030 and final 2045 emissions reduction targets?

Màiri McAllan: We are already working towards very ambitious targets, which is absolutely the right thing to do. I said earlier that the scale and pace of climate change mean that we need action now, across the economy and society: it is an enormous task that none of us should seek to minimise and I am not going to do that.

I cannot pretend that an almost 10 per cent cut in what is available to me for capital spending will not have an impact on expensive projects such as the decarbonisation of transport or our work on heat in buildings. I have done my very best with what has been made available to me and I will seek to fill the gaps where that is necessary by leveraging funding from individuals and institutions in the private sector and by using public money in the very best way that it can be used to stretch it as far as it can go.

Monica Lennon: On that subject, you will be aware that the committee met last week with your colleague, the Cabinet Secretary for the Wellbeing Economy, and the Deputy First Minister. We looked at the money that has been raised so far from the ScotWind auction. I will not narrate all that we discussed, because I am sure that you have been briefed on that, but there were concerns that money that we were promised would be used for energy transition and green policies is now going into the general budget. We also know about the £56 million from the emergency budget review.

Given the challenges that you face, and the realistic picture that you have given us today, do you share those frustrations and concerns that the income is not being used for policies and projects that will directly benefit our climate and nature aspirations and targets? Have you been given any reassurance that that money will return to the intended budget lines?

Màiri McAllan: I am aware of some of last week's discussion with the DFM and Mr Gray.

First, ScotWind is supporting my budget because it is supporting Scotland's budget as a whole in the most difficult circumstances that we have faced since devolution.

Secondly, the value of ScotWind is far greater than the sum of its parts, because we are talking about option fees, rental income and the real prize of unlocking supply chain opportunities that will be worth 10s and 20s of billions of pounds. Realising that is an objective for the whole Government, not

just for me or for Mr Gray as part of his responsibility for energy. Some of that money is supporting net zero interventions. For example, Mr Gray has been able to make money available to support the development of the supply chain.

Would I like to see a ring-fenced sovereign fund in future that would support the purposes of my portfolio? Absolutely. However, I am absolutely confident that the whole Government is committed to realising the opportunities from ScotWind and other strategic net zero investments and that ScotWind is already supporting that work.

Monica Lennon: What conditions would have to be in place in order for a sovereign fund, as you have described it, to be agreed to and operationalised by the Government?

Màiri McAllan: That would be dependent on discussions at the time—it would not be helpful for me to speculate about that. However, as I say, my view is that ScotWind is already supporting the Government's budget, a key theme of which is realising net zero.

10:45

Monica Lennon: Many people are still struggling to see whether that is accurate and that the money has been dispersed across the budget. Can you not answer the question about whether you expect any of the money to be reinstated to its original purpose?

Màiri McAllan: From what I have seen of the Deputy First Minister's conversation with you last week, she was clear that she is still working through the implications of ScotWind, both for the current financial year and the coming one. Once she has clarity on that, I am sure that she will be happy to update the committee.

The Convener: I will allow Bob Doris a brief question and, I hope, there will be a brief answer, before we suspend at the end of this first part of the session.

Bob Doris (Glasgow Maryhill and Springburn) (SNP): I will absolutely be brief. I want to be consistent with my line of questioning on the issue last week, when I made the point to the Deputy First Minister that there is an 11.1 per cent increase in the social justice and social security budget, which is benefiting some of the most vulnerable communities across Scotland, including in my constituency in Maryhill and Springburn. The budget in the round has supported that, including the ScotWind moneys, I would imagine.

To get the step change that we need and the buy-in of communities across Scotland, we need to stand by those communities, so it is vital that we use the funds to support the most vulnerable

communities. I just want to put that on the record. It is not an either/or—we absolutely have to do both with the budget.

The Convener: Cabinet secretary, do you want to agree with Mr Doris?

Màiri McAllan: I do wish to agree with Mr Doris—whole-heartedly. He is absolutely right. I think that the Deputy First Minister is best placed to give that view, which she did. Our budget as a whole increases front-line national health service investment, uprates benefits by more than £1 billion and allows us to increase the already increased Scottish child payment, invest in blue-light services and more. The small portion of ScotWind that we have realised to date is helping to support all that, as well as key interventions relating to net zero.

The Convener: Before I suspend the meeting, I want to check something with Mr Simpson. He will get a chance to put questions to Màiri McAllan in due course but, before I let Mairi Gougeon go, are there any questions that you wish to ask her, Mr Simpson?

Graham Simpson (Central Scotland) (Con): No, convener. The committee has been very thorough. I would have pressed the cabinet secretary on woodlands, but that has been covered.

The Convener: Okay. I thank Mairi Gougeon for her evidence. I can see that she is struggling with a cough, and I can but hope that she recovers swiftly and is back in Parliament when she is able.

I suspend the meeting until 10:53 exactly, to allow a change of witnesses.

10:48

Meeting suspended.

10:54

On resuming—

The Convener: Welcome back. Màiri McAllan has remained at the table alongside Simon Fuller, Philip Raines and Kerry Twyman. I am pleased to welcome Kersti Berge, the director for energy and climate change in the Scottish Government, and Alison Irvine, the interim chief executive of Transport Scotland.

Màiri McAllan will not be surprised to hear that she is not getting the opportunity to make another opening statement. We will move straight to questions.

Mark Ruskell: I have a number of questions about the most exciting issue: the joint budget review. I apologise that I was not here for the first couple of minutes of the meeting. However, I am

aware that Philip Raines commented on the accuracy of the detail in annex J. It would be very good if the committee could get further updates on that.

I want to ask about the first two strands of work: the overall climate narrative, which was introduced last year, and the classification or taxonomy, which was, I think, introduced this year and is about whether spend is helping or hindering our attempts to tackle climate change. How are you reviewing those two bits of work? Will there be further improvements and further detailed evaluation? Obviously, some accuracy issues have been highlighted. What will you do next year? The information that has been provided is valuable, but it always leaves us wanting more detail and a sense of whether spend is making it harder or easier to tackle the climate emergency.

Màiri McAllan: As you said, work on the first strand, on creating a dedicated climate narrative in the budget, was largely discharged in 2023-24 and continues into 2024-25, as set out in annex J. That is about highlighting the most significant areas of budgetary policy that affect net zero decisions.

The objective of the second strand is to develop enhanced taxonomy for all Scottish Government spend. The committee will know that we introduced that last year and expanded it this year to cover resource spending as well as capital spending. That was a useful continuation of the work, because the new methodology allows us to look right across revenue and capital spending—the whole of the budget—and consider the impact of spending on our mitigation or adaptation work. It has been highlighted to me that there is no differentiation between mitigation and adaptation. That could be an interesting area for development in the future, but my priority in an already busy landscape is to get the third strand completed. However, given that this is a joint piece of work, I am happy to hear from the committee about improvements that it thinks would be helpful.

Mark Ruskell: I think that it would be useful to have more detail. When I looked at annex J last week, I noted that some adaptation elements are included. For example, I think that £60,000 is being spent on bee health. That is fantastic, but that is in the same pot as the hundreds of millions of pounds that are going towards active travel, public transport and major investment in public infrastructure. The biggest challenge is trying to get a sense of scale and impact, because, at the moment, we have baskets of good things and challenging things.

I will ask specifically about local government. The classification that you mentioned now covers about 81 per cent of our resource spending, but it does not incorporate local government spending, which can be significant in taking us in the wrong

direction or in propelling us towards tackling the climate emergency. Will you look at the classification of that spending, or would that require a change in the legislation?

Màiri McAllan: I will ask my climate change colleagues to say whether that would require a change in the legislation.

I absolutely appreciate the committee's interest in providing the closest and most detailed scrutiny that it can. That helps us to improve the development of our budget and, indeed, the development of policies in the first place, before we even ascribe a budgetary figure to them. I am always interested in ways in which we can dig down into that. Considering local government spending is not a bad idea in that respect.

For example, I am very conscious that my budget line shows very little in the way of flooding, but I know that my spending on flooding and coastal adaptation will go up by 42 per cent next year, although that is in the local government budget line. I would be keen to look at how such things could be combined.

I do not know whether there are any statutory requirements that Phil Raines wants to flag up.

Philip Raines: I am not aware of any, but what has been said raises some important issues about the direction of travel. In particular, I am thinking about the excellent report that the committee published last year on the role of local government in the climate change sphere. The committee will probably know that we are strengthening our relationship with local government. In the spirit of the Verity house agreement, we are trying to find a more formal way in which local government and central Government can take forward more significant co-ordination and strategic thinking on tackling climate change. That is very much being done in response to the committee's report from last year.

It strikes me that the budget would be an important place to do that. However, we would need to think about where that would be reflected. The Scottish budget is clearly not a place where we would want local decisions on spend to be reflected in such a level of detail. Indeed, that might not be appropriate. However, that is not to say that we cannot find a way of working with the Convention of Scottish Local Authorities and the Society of Local Authority Chief Executives and Senior Managers to think about the best way to take forward the methodology, as strand 3, with a view to providing more transparency about collective public sector spend across the board.

11:00

I have one thing to add about how this will develop in future. The various strands are meant to speak to each other. Each strand comes on as it is further developed; it enhances what has gone before. Our intention for next year, once the baseline starts to appear—for strand 2 on the taxonomy in particular—is to start to demonstrate more clearly what climate change spend looks like over a time series, and to enhance that in future years. It is exactly as the cabinet secretary said: it is a matter of using the strand 3 analysis to provide the extra level of detail.

Mark Ruskell: The committee has heard about a lot of innovation from local government, which was certainly not there when we were considering the 2019 legislation. It is work in progress, I guess.

I will move on to strand 3 and the net zero test. We had a very useful discussion in Parliament last week with the Climate Emergency Response Group, which was hosted by Monica Lennon. I think that Mr Raines was there. We were looking at the guts of how the net zero test actually works within Government.

I would like some clarity about where the strand 3 work sits right now. I think the Deputy First Minister told the committee last week that the form and timing of how that work will develop in the future were unclear. Some of your comments in your letter to the committee have been interpreted to mean that that work might not be part of an annual budget process. That was not my understanding of the work that was being progressed; my understanding was that it would be integral. Are you able to explain where we are with the pilots and how the work will be part of the annual budget-setting process? That is surely where meaningful decisions are made.

Màiri McAllan: I will come to Phil Raines on the second part of that, if he does not mind.

I apologise up front to the committee for the delays in strand 3. I am conscious, from letters that you received from the Deputy First Minister and me in which we gave our views at the time on timetables, that there has been slippage. I apologise for that.

The Deputy First Minister and I work on this jointly. Officials in my team have been working with officials in the chief economist's directorate, and they are looking to bottom out a methodology. Our expectation is that we will pilot a launch on targeted policies in the spring, with the hope of rolling that out by the end of 2024.

That is an update on timing, with an apology for delays to date. I ask Phil Raines to comment on that annual budget question.

Philip Raines: You might well argue that a difficult budget year is the best time for rolling out a pilot, because, in a sense, it provides a more detailed analysis to ensure that full value for money is being secured from the budget spend and from the policy decisions that are being taken. That absolutely needs one of the three key missions that were set up by the First Minister.

The intention would be to proceed with that pilot during the spring—I am hoping that it will be a genuine spring, not a civil servant spring—and hopefully by Easter, with the intention of being able to test out the methodology and, more important, agree on the next steps, with a view to putting in place a process for how to use the information. That point came out of the workshop that Mr Ruskell and Ms Lennon attended last week. Indeed, one of the critical things is how the information is hard-wired or embedded into consideration of future budget decisions.

We still need to test such areas, but it is very much our intention to not just have an on-the-shelf set of statistics, nor something that is not more deeply embedded in how budget decisions are considered in future—not least for the committee. It will be for the committee and others in Parliament to decide how best to make use of the information, but our intention is to do that work by the end of the calendar year, so that it is very clear by this time next year what we are doing, what we are setting out and how that information will inform budget decisions in future.

Mark Ruskell: So, just to be clear, is the intention for that to be across the whole of Government? When we are looking at plans for investment in the NHS, and considering capital, new hospitals, refits or whatever, will the decisions around climate change and low carbon be absolutely intrinsic in the thinking? Ultimately, judgments might have to be made about what to invest in, which will bring in other factors, but I want to be sure that the climate thinking will be there and will be absolutely clear, evaluated and numbered. Will judgments be able to be made on the real value of investment in climate?

Màiri McAllan: My end intention is for it to be as broad as possible. However, in terms of prudent governance and decision making, it will be dependent on the outcome of the pilot that we will roll out in the spring.

Mark Ruskell: Do you need more legislation to embed it into the work of Government?

Màiri McAllan: I do not know. Do we?

Philip Raines: As much as anything, it is a matter for Parliament to consider whether it requires the extra level of assurance that legislation can bring. However, given the programme for government and the statements

that the cabinet secretaries have made regularly at committees, it is clearly the firm intention of the Government to ensure that that approach is hardwired into the way that decisions are taken.

Mark Ruskell: Okay, thank you.

Bob Doris: I am interested in how, in this budget, we are using public funds to roll out public electric vehicle charge points across Scotland. I know that there was a £30 million commitment, in partnership with local authorities, over four years, which we are just over half way through. I think that the money goes through Transport Scotland. How much money has been drawn down so far in relation to that? In particular, I see that there was a budget of £4.48 million to local authorities. I am keen to know how that money has been spent and to get a bit more information on it before I ask a couple of follow-up questions.

Màiri McAllan: Sorry—I was just flicking through my enormous pack of papers to get to the transport section. I am happy to give that update. Just for the record—and this relates to the points that I was making earlier about public investment to date and us being at a bit of a turning point where we have to try to use our scarce public funding to leverage private support—£65 million of public funding has so far delivered around 2,700 public charging points and that has been supplemented by 1,900 additional public charging points delivered by the private sector.

Mr Doris is absolutely right. As part of our EV vision, through our EV infrastructure fund, we are seeking to spend £30 million of public money and leverage £30 million from the private sector in order to reach our ambition of creating 6,000 public charging points by 2026. To date, £20 million of that public funding has been made available—that includes £4 million proposed for the coming financial year.

Bob Doris: That is helpful. I apologise, cabinet secretary; I should have name-checked the fund in my initial question in order to allow you to find those details in your briefing pack.

That £20 million is a significant amount of money. My understanding is that a lot of the works are in the pipeline, which means that we still do not have any additional EV public charging points, we do not have anything out to tender from local authorities, and we are still unsure as to how much private money will be leveraged in. It seems reasonable to ask when we will start to get some details of that so that the committee can decide whether the moneys that have been invested will deliver the outcomes that we want to see. Is that on track?

I understand that there is a pipeline of two years and that there is a four-year plan, but there has not yet been any delivery. When can we expect to

see delivery, and when can the committee get some details around that?

Màiri McAllan: That is an absolutely legitimate question and I understand the committee's interest in it. Mr Doris's characterisation is right: the spend and the effort to date has been in funding local authorities, supported by the Scottish Futures Trust, first to assess their needs in their local area, and then to configure scalable, investable propositions. That is the stage at which most local authorities are now; they are carrying that out through their strategy and expansion plans. They will then go out to the market to procure delivery, and private investment should flow from that.

As Mr Doris says, it is a four-year fund, which is front-loaded with planning work. The next part is for the local authorities to go out to the market.

Obviously, I cannot foresee the future, but current estimates provided by local authorities and market engagement with charge point operators indicate that the 2026 target will be met through a combination of charge points funded through this fund and by private sector investment.

Bob Doris: That is helpful. I am not sure how much of that is in the public domain. Anything that you are able to provide to the committee in writing in relation to projections, and when we will get some firm details, would be helpful. I get that a lot of it might be commercially confidential and that things are being worked up, but the committee would nonetheless like to scrutinise it on an on-going basis.

I have a final question, which I suppose goes in partnership with what I said earlier about a step change for individuals, families and communities in relation to getting EV charge points at their own home or investing in an EV vehicle. I know that the fund is not specifically for that. I am conscious that there are no grants available for EV chargers at home in an urban setting and that the used car loan initiative has come to an end. I understand that there is a tight financial settlement, but might the Government return to that at a future date?

Màiri McAllan: On the first part of Mr Doris's question, I will provide the committee with anything that I can in writing, but my comments about expectations are just that, at this point. Until we have done the really important work of local authorities going out to the market, I cannot know for sure or have the clarity that I would want to bring to the committee.

On the second part of the question, in relation to support for private individuals to buy EVs, I cannot find the exact note in my book, but I understand that those funds are closed only for this year and that Transport Scotland is considering the extent to which they will be available in future years. If I

have got that wrong, I ask my officials to please correct me.

Bob Doris: I see that your officials are nodding their heads. That is welcome. I declare an interest, as, if I can persuade my other half, we may be beneficiaries of the scheme. The EV loan scheme for used vehicles may reopen in the next financial year.

Màiri McAllan: That is correct, as of today, yes.

The Convener: I am now totally confused. Can you clarify how many EV chargers the £30 million fund that was set up to generate EV chargers has delivered?

Màiri McAllan: As we discussed before, the first portion of that particular fund's spend is about planning for going out to the market. The second half of it will be about procuring and developing. So far, the work that it has supported has not been about buying the infrastructure; it is about local authorities making very exact plans and creating scalable propositions about what is required in their areas, and going out to market.

The Convener: The £30 million was to generate another £30 million of private investment.

Màiri McAllan: Indeed.

The Convener: How much of that £30 million of private investment has been secured from that expenditure to date?

Màiri McAllan: At the point at which we are discussing this today, local authorities are not yet at the stage of going out to the market. They are still doing the preparatory work that £20 million has gone toward. The private investment has not yet been leveraged and the infrastructure has not yet been built, but that is why it is a programme over many years.

The Convener: Kerry Twyman is signalling that she may want to come in. However, just to clarify, are you saying that £20 million has been spent and that we have discussed a lot but have not delivered anything just yet?

Màiri McAllan: I should point out for the *Official Report* that that sits alongside the £65 million that we have invested very straightforwardly in delivering 2,700 public charge points. However, as far as the EV infrastructure fund goes, the investment to date has very deliberately been about supporting local authorities to come up with their plans to take to the market.

I will see whether Kerry Twyman wants to come in.

Kerry Twyman (Transport Scotland): I was going to make the point that 2,700 charge points have been installed under the funding that we have given Chargepoint Scotland to date, which is

not part of the £60 million EV fund that we are discussing.

We have confirmed the £20 million of funding, but it has not been drawn down yet. That is the confirmation with the local authorities in discussions on the back of the pipeline that we have discussed. That is the funding that we will start to see going out the door this financial year, when we will, we hope, start to see the match private finance initiatives coming in and those charge points being installed.

The Convener: I did not quite hear that. Did you say 207 charge points?

Kerry Twyman: No, I said 2,700.

The Convener: Those 2,700 charge points are being built through a different fund, not through this fund.

Kerry Twyman: Exactly. Those charge points are in private homes. They have already been built and are in place.

The Convener: That clarifies things for me—that is helpful.

The next question is from Mark Ruskell.

11:15

Mark Ruskell: I want to ask about the fair fares review. We are still waiting for the review to be published and for there to be discussions in Parliament about the various options that, I am sure, will be set out in it. Currently, the Government is committed to two big concessionary travel schemes, and it was announced that free bus travel will be extended to people who are in the asylum system. Will you confirm that the budget for next year covers the concessionary travel schemes that are in place and what the Government has committed to already?

Màiri McAllan: Again, I will respond to that, and my colleagues from Transport Scotland can come in at any stage.

In the draft budget, concessionary fares are funded to the tune of £370 million, which is an increase of 3.1 per cent. Funding is set aside to progress the extension of concessionary travel for those seeking asylum in Scotland.

Mark Ruskell: I have a question about the older persons scheme. It has been very challenging to get that age group back on to the buses after the Covid pandemic. Is it expected that there will be less of a draw on the budget that has been allocated for that concessionary travel scheme, given predicted demand, or are we expecting people who are aged 60 and over to increasingly

get back on the buses in the next year and for demand to rocket up?

Màiri McAllan: I think that the forecasts for the concessionary travel schemes are the same across the piece, but I will let Alison Irvine come in on that one, because it is technical.

Alison Irvine (Transport Scotland): The behaviours in relation to the two different concessionary travel schemes are very different. We see quite a fluctuation in the demand from under-22s, depending on the time of year and so on, as you would expect. In relation to the older and disabled persons scheme, we are seeing less of a return to pre-pandemic use.

With all the information that we gather from the operators for both of those schemes, we model a range of scenarios—high, low and medium, as you would expect—and the budget reflects the position that we expect to be most likely. As you will appreciate, however, this is a demand-led budget, so we are not entirely in control of how much of the budget is used. That can be a risk to the budget, because there might be an overspend or an underspend.

The Convener: Jackie, I am not sure whether you want to ask a follow-up question on that.

Jackie Dunbar: I am not sure that I do at this point, convener. Can I come back in later?

The Convener: Absolutely. You can come in at the end, if there is an opportunity to bring you back in.

Monica Lennon has some questions.

Monica Lennon: I have some questions about Strathclyde Partnership for Transport, the regional transport authority. Why has SPT's capital grant from the Scottish Government been cut to zero?

Màiri McAllan: I am not sure whether you discussed that with the Deputy First Minister last week. The convener is shaking his head at me, so I will try to give the appraisal as I see it.

The SPT general capital support allocation is funded through the local government finance settlement, and a decision was taken to pause that funding for 2024-25, very much in the light of the difficult financial constraints. That matter is outwith my budget, but I know that that was with a view to keeping it under review for future years.

Transport Scotland officials are in discussions with SPT about the impact of the decision and the ability to maintain its forward investment programme. I have great sympathy with SPT and public bodies that, like SPT, are dealing with a situation in which the expected funding—not guaranteed but expected—is not forthcoming. I sympathise with them because that is what I have had to do and what the Government has had to do

right across the piece. The Minister for Transport and I have had to prioritise projects and funds, take difficult decisions and understand their impact.

The discussions are on-going, and I am particularly keen to draw out from those discussions the extent to which any of the proposed change would impact on the provision of services. I have tried to stress in my evidence today that, in very difficult financial circumstances, the continued running of the public transport network has been a priority. Those conversations are on-going. Should services be undermined, I would be open to looking again at what could be done.

Monica Lennon: We might have time to come on to some of the impacts. However, putting aside the merits of the decision, why was no advance notice given to SPT or why was no request made for information on the possible impacts? You have said that discussions between your officials and SPT are happening now. I have a letter from the chief executive of SPT, Valerie Davidson, and I have heard from Councillor Joe Fagan, who is the leader of South Lanarkshire Council, which is in my area, and they seem to be pretty annoyed. There was no up-front discussion. We have heard about the Verity house agreement, how the Government wants to work collegiately with colleagues in local government, and the need to work strategically and co-ordinate. Why did that come out of the blue for SPT?

Màiri McAllan: I am sorry, Ms Lennon—I was trying to get a bit of information from my colleague. I might hand over to my colleague on that.

When it comes to the budget, what has been required of the Scottish Government and public bodies across the piece has been extraordinary. The point that the Deputy First Minister has stressed in relation to the issue—maybe not in front of this committee—is that, with the scale of the problems and challenges that we face, the opportunity to use reserves in the public sector has to be an option. The ask of SPT, just as it has been the ask of other public bodies, is: to what extent do they have reserves—which are, of course, in the public purse—that can be drawn upon, given that this is the rainy day that we have been collecting reserves for?

Monica Lennon: For the benefit of the committee, can you tell us what your understanding is of the current level of reserves and what projects are due to be funded from those reserves?

Màiri McAllan: I do not have a note of SPT's reserves.

Monica Lennon: SPT has written to the committee, and I have a note here. The reserves

are fully allocated for projects. Maybe your official can say when the discussions started and what assessment was done of the potential impacts. It sounds as though the assumption may have been made that SPT could just draw down reserves. I do not know whether I am wrong in that assumption, but that is how it looks.

Màiri McAllan: I will hand over to my team to come in on the discussions, but I stress again how much I sympathise with public bodies that are having to make those considerations. Principally, I sympathise because we are having to do that ourselves.

Alison Irvine: I will pick up on a couple of points.

We spoke to Valerie Davidson at SPT as soon as we were able to.

Monica Lennon: What day was that?

Alison Irvine: The day on which the budget was published, whatever day that was. That discussion was held with the team as soon as we were able to hold it. That was followed up by a further discussion that I attended in either the first or the second week back in January. It has been a long month.

Monica Lennon: Why were you or the Government unable to speak to SPT before budget day?

Alison Irvine: From our perspective, the numbers were changing quite significantly across the period of the budget. Until it was settled, we were not in a position to confirm to SPT where the—

Monica Lennon: It was a last-minute decision.

Alison Irvine: I would not say that it was a last-minute decision. I am saying that the numbers were changing across the piece and, until the budget numbers were settled, we were not in a place to have a full conversation with SPT, but we are doing that now.

Monica Lennon: Can you explain the rationale or methodology that brought the number down to zero?

Alison Irvine: Principally, a couple of funding streams went to SPT in the past. One was for subway modernisation, and we have regular dialogue about the spending and funding profiles for that. The other was around £15 million that has gone through the local government settlement. The discussions that we have had to date have shed a bit of light on what SPT planned to spend that money on, and the discussions are now focusing on where there is an essential need to have funding to support some of that activity.

The reserves came into it. The SPT's accounts clearly show reserves. The conversations that I have had with SPT have indicated that it planned for some of the projects to use those reserves, and we are exploring that detail with it now.

Monica Lennon: Did the Government not already know that?

Alison Irvine: It is not really our business to know to that level the detail of how SPT operates.

Monica Lennon: It is if you are not going to give it the funds that it needs.

Cabinet secretary, that point is probably for you to address. Committee members have a scrutiny role, but we would like to think that, behind the scenes, there is good co-ordination and good communication with other public bodies to get that joined-up approach—after all, you have responsibility for the co-ordination of net zero across the Government.

What has been described does not sound like good practice to me. I have skin in the game—as you do, because we both represent parts of Lanarkshire that come under SPT. It seems as though a lot of assumptions and last-minute decisions were made. Do you not think that SPT and the local authorities in that area are owed an apology?

Màiri McAllan: I go back to the critical point that I made at the beginning of our session about the undermining of service provision. The conversations that Alison Irvine has referred to are about exploring that. As I have said, the extent to which services were undermined would be a concern of mine, on which I would look to work with SPT.

However, I will re-emphasise two points. You will be tired of hearing us say it, but I cannot emphasise enough the difficulty of the financial circumstances as we have sought to balance the budget. We have to use every lever to maximise resources, and that includes public sector reserves.

The second contextual point that I think is worth making is that we have increased the local government settlement's share of the discretionary budget and have delivered record funding of over £14 billion to local authorities to fund the council tax freeze.

None of this is easy, and conversations are on-going. Reserves have to be considered, given the financial constraints that we face. However, I sympathise greatly with SPT, as I do with every public body across the piece that has to consider efficiencies at this most difficult time.

Monica Lennon: Convener, I will hand back to you, but it is worth noting that sympathy will not get us to net zero.

Earlier, I asked about confidence levels in meeting the interim targets and the 2045 targets. I will read out just one sentence from Valerie Davidson, the chief executive of SPT, who said:

“Cuts to this funding will have a hugely negative impact on our efforts to ensure transport in our area is greener, more connected, more reliable, and more accessible”.

That does not give me confidence, convener.

The Convener: I fear that we may come back to that later, when other MSPs come in.

I will bring in Douglas Lumsden.

Douglas Lumsden: Cabinet secretary, why have you chosen to allocate zero funding to the bus partnership fund in 2024-25—a move that the Confederation of Passenger Transport has stated

“could prove disastrous for the future of bus priority”?

It seems strange that, as we try to encourage more people to use public transport, we are not just cutting but zeroing that budget.

Màiri McAllan: I understand entirely Douglas Lumsden’s question. I stress again that, given the settlement that I faced, my responsibility to the transport network had to be, first and foremost, to keep services running, to keep the network reliable and to keep it safe. To a degree, funds such as the bus partnership fund are additional to the question of keeping the transport system running.

Although we were able to allocate funding to important parts of the bus network—concessionary fares, the network support grant and the community bus fund—regrettably, I was not able to fund the bus partnership fund in this financial year. That is not to say that I will not continue my support for it in future years, because I absolutely acknowledge its value. I clarify that we will continue to fund any projects that are currently under construction, and we will complete any appraisal work that could lead to future investment. However, for this year, with this settlement and, principally, a near 10 per cent cut in my capital budget from the UK Government, I cannot afford it.

11:30

Douglas Lumsden: We can argue about funding, because your overall budget has gone up. It goes back to the point that you have chosen where to make savings. It also goes back to the point that Monica Lennon made: if you are serious about net zero and climate change, you surely have to prioritise these types of budgets at this

time. By putting them down to zero or cutting them, you are not really credible, are you?

Màiri McAllan: As I said earlier, the draft budget that I have proposed is credible in respect of climate change. It does all the things that I set out to do, which are to fund my legal requirements, to keep our transport network running safely and to rise to the climate emergency. I have not been able to do that in every single budget line, as previously, because of capital cuts, principally. This year, the bus partnership fund, sadly, is one that I will not be able to fund.

Douglas Lumsden: It is not just about keeping the lights on and keeping things running. It is about making public transport better in order to encourage more people to use public transport, which will create the modal shift that we are all looking for. By cutting those types of budgets, we will go backwards.

Màiri McAllan: I do not like to think that we will go backwards, but I appreciate that we will not get the additionality that we might have got from the development of the bus partnership fund. Again, I look to the extent that I have been able to increase the funding for concessionary fares, the fact that we have been able to fund the operators’ predicted requirements in respect of the network support grant and the fact that I have marginally increased the community bus fund. There is real additionality in that because of the opportunity for local authorities to create even more ways to get people to make the modal shift that you talked about. I regret that the bus partnership fund cannot be funded this year. That is principally because of the capital issue that we are facing at the hands of the UK Government.

Douglas Lumsden: As a Government, you can move money from the resource budget to the capital budget. The SPICe briefing shows that the resource and capital budgets have been increased in real terms, so you could make the switch and keep capital funding at the level that it was at—you could even increase it if you chose to do so.

Màiri McAllan: Technically, that could be done, but, where that is required and exercisable across the Government, it will already have been done. I should point to the fact that my resource budget is extremely tight as well.

Douglas Lumsden: I will move on from buses to trains. Will you give an assurance that the 10 per cent reduction in revenue support for ScotRail and the Caledonian sleeper will not result in any reductions to the frequency, quality or reliability of services?

Màiri McAllan: I assure Douglas Lumsden that that is absolutely my intention. As I have said a number of times—I will repeat it for the record—the safe, efficient and continued running of the

transport network, including our railways, is a priority of mine.

I will give a bit of colour to some of the figures. There are a couple of reasons for the 10.8 per cent reduction that Mr Lumsden is right to point to. To an extent, it reflects the increased revenue due to passenger numbers recovering and, therefore, the slight decrease in the subsidy that is required for ScotRail. That comes with a significantly reduced capital budget—it is about £90 million down—for the accounting of lease arrangements following the transition of the Caledonian sleeper into public ownership. That is a technical adjustment that speaks to the reduction in that line.

When it comes to the running of our rail services, I always think that the overall figure that we invest is very enlightening. This year, we are investing £1.6 billion whereas, before the pandemic, we invested about £1 billion a year, so you can see how the costs for fuel and staff have skyrocketed. In many ways, that increased cost requirement has necessitated the rail fare increase that will come at the end of the financial year, because the safe running of the services that we currently enjoy would be at risk without the increased revenue from fares.

Douglas Lumsden: There was a commitment to invest £200 million in the railway by 2026 to reduce travel times between Aberdeen and the central belt, but very little of that money has been spent so far and there is no mention of that in the infrastructure investment plan either. Can you give a guarantee that journey times between Aberdeen and the central belt will be reduced by 20 minutes by 2026?

Màiri McAllan: That is currently being reviewed, and the transport minister is looking at that very carefully. I always like to think of it as two different projects: one is the project that you referred to, for enhancements by 2026, and the other is the decarbonisation work.

Within the context of the available funding, the transport minister is considering the rail enhancements that can be taken forward in the coming years. She is leading on that work and will update committee members. I can, however, say two things today. First, we remain utterly committed to that work. Secondly, we are constrained, to an extent, by the pervasive cut of up to 10 per cent in our capital budget.

Douglas Lumsden: It is strange to say that you are committed to something but that you are reviewing it. If you are reviewing it, it either will or will not happen. Can you give any assurance?

Màiri McAllan: That is not quite true. Unfortunately, the delivery for a project like this is just not that linear. It is not a case of being

committed to something, so that it happens, or of not being committed to it. When budgets are constrained, it is only right to consider the time over which projects can be completed. As I said, the transport minister is undertaking that work, and I will ensure that she updates the committee.

Douglas Lumsden: That commitment was made in 2016, so plenty of people in the north-east will be alarmed by what we have just heard.

I will move on slightly but stay on the issue of trains. The sleeper service has now been in public ownership for about seven months. Has there been any change in how much it is costing the public purse, in the cost to passengers or in the number of passengers? Can you give us any information about that?

Màiri McAllan: I do not have those figures in front of me. I am always keen to be as accurate as possible with the committee, so, unless my colleagues have those figures, we might have to get back to you on that.

Alison Irvine: I am not sure exactly what you are looking for, Mr Lumsden.

Douglas Lumsden: Is the sleeper service costing the public purse more or less? Are passenger numbers up or down? I want to understand the benefits of moving the sleeper service into public ownership.

Alison Irvine: As that is a budget scrutiny matter, it would probably be better to write to you about that.

The Convener: On behalf of the committee, I can say that, if you write to us on that subject, members can decide whether they want to take it further. It would be helpful to be able to understand the issue better, once you have had a chance to reflect on all things Caledonian sleeper.

Bob Doris: I am trying to get a baseline for what members and the travelling public would consider to be the appropriate frequency of ScotRail services. I am conscious that frequency on many routes was reduced during Covid and that it has not returned, because passenger numbers have not returned to pre-Covid levels and income has fallen.

I must declare an interest as I use my local line—Glasgow to Anniesland via Maryhill—almost daily. The service used to be every 30 minutes but, because of Covid, it is now hourly outside of peak times. I am sure you will appreciate that having an hourly service creates a tipping point; if a train is cancelled or delayed, there is a hefty wait for the next one. I have a local interest in that particular line, but my question is about aspiration and commitment. Without giving a period of time in which you hope to achieve it, can you say whether we will return to pre-Covid frequency of services?

That is what my constituents would expect—although not right away.

Màiri McAllan: I absolutely understand that, Mr Doris. There are a number of well-used stations in my constituency. My constituents commute back and forth to Edinburgh and Glasgow and I understand their frustration with the changes that were made during the pandemic.

Anecdotally and locally, I am seeing a return to pre-pandemic levels, but I understand that people want to see that across the board. To an extent, though, the question is about local and individual services, and I cannot comment generally on situations that will be different in different parts of the country.

As for ScotRail's performance, the service that we provide outperforms the UK average. In 2023-24 to date, the ScotRail public performance measure is 90.05 per cent, in comparison with 85.6 per cent in the rest of the UK.

If I remember correctly, since the railways came into public ownership, the overall approval rating has already gone up by 1 percentage point. That might be just one percentage point, but it actually represents a significant jump in two years of progress.

Bob Doris: I am not querying—as Mr Lumsden did—whether it was correct to take the railways into public ownership; I strongly support that move from the Scottish Government.

Here is what I am getting at. There was previously no Sunday service on the Maryhill line, for example, but when the service was franchised out, I persuaded the winners of the franchise to write that into their bid. We now have that service, and that is a positive thing. A service every 30 minutes was written into the pre-Covid franchise agreement, and it is clear that that is socially desirable, for a variety of reasons. I am now looking to ascertain whether there will be a return to that desirable outcome when finances allow.

The situation will be the same in many parts of the railway, even though it has been transferred into public ownership. Some people will be sitting around the table with a spreadsheet, asking where we can make savings. We need to ensure that we do things differently in the public sector, and that we do not make savings on train lines where that might be economically expedient but not socially desirable. It is socially desirable for services to go back to pre-Covid baseline levels at some point. That is what I am trying to flush out.

Màiri McAllan: I take the point—and I apologise for my answer being more about performance in general. I will hand over to my colleague Alison Irvine to say anything that she can about your local situation or the pursuit of a return to pre-

pandemic levels in general. I point again, however, to the assessment that has had to be made and the objective of retaining a high-performing, safe and efficient rail network, and the importance—unfortunately—of the rail fare increases in that regard.

I will bring in Alison.

The Convener: Just before you go into an explanation, Alison, I must ask you to keep your answer high level. You can write to Bob Doris separately, if you so wish, on a specific constituency issue, but we are covering a broader horizon rather than local issues.

Alison Irvine: That is a relief, actually, because I am unable to comment directly on the services in Mr Doris's constituency.

My point is this: it is in our interests to maximise the use of the railway system, both the tracks and the carriages. Since the pandemic, we have seen significant changes in the way in which our rail system is used, with services at weekends now tending to be busier than those during the week. It is prudent, therefore, for all of us to maximise the best use of our infrastructure to best effect. That will mean, in some instances, reducing between peak periods during the week service frequencies, numbers of carriages and so on, while strengthening other areas.

Those conversations go on in Transport Scotland, and with ScotRail, every time that there is a timetable change, to see where we can maximise service frequency and passenger growth and demand, because that is in all our interests. I will write to Mr Doris specifically about his constituency matter.

Bob Doris: I genuinely was not pushing the issue at a constituency level, convener—it was just a helpful example. Thank you.

The Convener: I think that Mark Ruskell wants to come in on railways.

Mark Ruskell: I actually wanted to go back to the bus partnership fund. It is disappointing that the fund has been paused, but my understanding is that it is a pause: the Government has not scrapped it. The intention is to bring it back when capital budgets allow.

My question to the Cabinet Secretary for Transport, Net Zero and Just Transition is on what councils and transport authorities should be doing. The funding is not there for this year, but should they continue to develop projects to allow buses priority access, and can that work continue in the next year? There has been a lot of nimbyism in relation to some of the schemes that have been put forward, and it has taken a while for councils and transport authorities to work through objections and that side of things to get to a point

where they can put in an application and develop a scheme.

11:45

Màiri McAllan: That is absolutely correct—this is a pause. I will work as hard as I can to return sums to the fund in future years. I mentioned that we will continue to fund appraisal work, which could lead to those investments in future. I think that that is partly what you are talking about. To the extent that local authorities are able to continue to do that work, I would of course welcome that, but I understand that the fund was important to them in that respect.

The Convener: The next questions are from me, cabinet secretary, on what appears to have become my chosen subject: ferries.

Last week, we heard that there had been a reprofiling of the loans to Caledonian Maritime Assets Ltd. I am concerned about that, and I would be grateful if you could clarify something. Seven loch-class ferries are due to be replaced. Does that mean that the contracts that were to be awarded in this financial year will not be awarded, on the basis that you must have worked out that a percentage of the money is due on signing them? Can you clarify that all seven contracts for those ferries, if they are ready to be signed this year, will be signed? It is a yes-or-no question.

Màiri McAllan: I cannot confirm that, no. I can confirm that an allowance is made in the ferries budget for potential vessel contracts in 2024-25, but, as always, that will be subject to procurement, relevant statutory approvals and business cases, which are still being considered.

The Convener: Do you know whether CMAL is ready to sign the contracts on the seven loch-class ferries that we expected to be signed this year? Do you know whether they are ready?

Màiri McAllan: I am not in a position to confirm that today.

The Convener: It seems odd, if you are not in a position to clarify that, that you can reprofile the budget, given that a percentage is due on signing the contract. I would have thought that that would be a large part of the contract.

Alison Irvine is trying to come in, cabinet secretary, if it helps.

Alison Irvine: There is funding in the budget for the small vessel replacement programme, which covers the seven loch-class vessels—that is harder to say than it should be. We have received the outline business case from CMAL, and we are in the process of discussing it with ministers, with a view to reaching a decision on procurement in due course.

The Convener: So, we have not decided at this stage to commission them.

Alison Irvine: We have the outline business case that supports the procurement of those vessels, and we have the funding in place for the next financial year with which to start the procurement process. I cannot say to you categorically that a decision has been made, but I am comfortable that the timing that has been set out in various documents on the delivery of those vessels remains on track.

The Convener: I have some confidence that the money is there and that a business case has been received, but I am not so confident that it has been signed off. Perhaps that will come in due course, cabinet secretary.

Màiri McAllan: I think that the point is that it has not been signed off but it is very much in train, and, as has been said, funding has been earmarked.

The Convener: We heard last week that there could be further cost overruns to Glen Sannox, which has been launched, so I can call it by its name, and vessel 802, which has not been launched. Which budget will that come out of when it is announced? Will it come out of your budget?

Màiri McAllan: There is a technical arrangement that the interim chief executive of Transport Scotland can explain to the committee.

The Convener: Alison, it looks like you are back in the firing line.

Alison Irvine: That is okay. The funding for vessels 801 and 802 at Port Glasgow is managed by the director general economy and Mr Gray, who was here last week answering questions on that. The intention is that when the vessels are delivered to CMAL, a market valuation will be done on the value of the vessels. That is the basis on which the financial technicalities will be discussed in relation to the transfer of money and payments and the way in which that works in the world of ferries.

The Convener: Now you have totally confused me, Alison. We have been told that the value of the ferries is about £70 million, and the cost so far attributed to each of them is about £170 million. Are you getting £100 million back from Ferguson Marine on both ferries?

Alison Irvine: That would be a matter for Mr Gray and DG economy. From the transport budget perspective, we will pay for the vessels as we receive them.

The Convener: Okay, but there might be extra money. I think that Ferguson Marine met last week to decide whether it is going to be on time and on

budget. I have not heard the results of that meeting yet. If extra money is needed for Ferguson Marine to complete the Glen Sannox and 802, I am trying to work out which budget it will come out of.

Alison Irvine: It will not be the transport budget.

The Convener: It will not be the transport budget, so do you have any idea where I should look?

Alison Irvine: I anticipate that it will come from Mr Gray's budget; he is the cabinet secretary who is responsible for Ferguson Marine.

The Convener: Last week, Mr Gray was a bit iffy, I would suggest, about where it would come from. Anyway, I can quote you to him that it is coming out of his budget.

I turn to the capital budget for ports. My question is about Ardrossan harbour, which is obviously a problem area because the pier is partially collapsed. If Glen Sannox and 802 are to be able to use the harbour, it will need a liquefied natural gas tank and an extension of the quay because it is too short. Is that all in the budget and will it all be done this year, before Glen Sannox comes into service?

Màiri McAllan: Again, convener, I will make a contribution and then I might hand over to Alison Irvine on account of the moving parts. The matter is principally led by the Minister for Transport on a daily basis, albeit that I have overall responsibility for it.

The investment in vessels and piers line within the draft budget document reflects the staging—or, to use your favourite term, the profiling—of the capital that is required in any project in any financial year. The committee will know that work on the Little Minch ports is nearing completion and the budget that I am proposing provides for that. Likewise, there is provision for the progression of the four vessels that are under construction at Cemre and some additional estimates for emerging projects, such as phase 1 of the small vessel replacement programme that we were just talking about.

In respect of Ardrossan, two tracks of work are happening there concurrently. The first is the overall development project and I know that the committee will be aware that the Minister for Transport had to take the decision to pause that project in 2023 to look again at the business case. The work on that has been expanded and is being undertaken. I appreciate the sensitivity and the importance of that project, which is why it is important to point out that it is being overseen by a ministerial task force that is co-chaired by the Minister for Transport. I understand the need to progress and the frustration of the communities,

but it is absolutely essential that works of this size and importance are properly scoped and understood.

There have been some additional operational issues with the Irish berth at Ardrossan harbour in the past couple of weeks. I am being kept up to date on that and I will make sure that the Minister for Transport keeps the committee up to date. Peel Ports is using divers to explore the extent of the damage. Work is being done to facilitate a freight-only operation from Troon to try to build up some capacity there. That is an overview of what is happening in Ardrossan just now—there is quite a lot of activity. If I have missed anything, my colleagues can pick it up.

The Convener: I appreciate all the work that is being done at Ardrossan, but my question is: will the LNG tank, along with the pier that needs to be built at Ardrossan, be ready in time for the Glen Sannox to appear, and is the money in the budget? That is my bottom-line question.

Alison Irvine: The plan is that, when we take control of the operation of Glen Sannox later this year, it will initially operate from Troon. Plans are under way for that vessel, and most likely the 802, to operate from Troon while the works at Ardrossan are being considered, as the cabinet secretary has outlined.

The Convener: I understand that. My question, therefore, is whether there is money in this year's budget to get Ardrossan up to the required standard.

Alison Irvine: There are sufficient funds in the budget for us to continue the consideration of the business case for the work at Ardrossan, which the cabinet secretary already outlined.

The Convener: My mouth is recovering from dropping on to the table. I cannot believe that we ordered the ferries in 2015 or whenever it was and knew what they would require—we knew that day that they would be 102m long and need LNG—but we are in 2024, a long way down the line, and still talking about a business case for improvements that are needed to the port where they will be used. I am completely shell-shocked by that.

Alison Irvine: I will come back on a couple of points. First, it is a complex engineering exercise involving multiple partners with different interests. That has resulted in the need to re-evaluate the business case for Ardrossan. Similarly, we are in a completely different financial position than we were at the dates that you outlined. It is incumbent on us to make the right decisions for the whole of the ferry network. Although there may be ebbs and flows in where infrastructure improvements need to be made to ports and harbours, it is right that we take the opportunity to spend and invest the money where we can.

The Convener: I hear that.

Cabinet secretary, my comment to you is simply that the ferries were to be delivered in 2017, 2018, 2019, 2020, 2021, 2022, 2023 and now 2024 but we still have not got the harbours ready for them. It does not appear that we will be in a position to have the harbours ready for them for a long time to come, because we are just doing the business case. Can you see why people might be frustrated by that? Perhaps it is just me. I have been considering ferries for seven years and seem to have understood the problems better than other people have.

Màiri McAllan: No, I understand. First, I would say that it is one harbour. We are talking in the singular when we talk about Ardrossan. Alison Irvine's clarification about the Glen Sannox operating from Troon is helpful.

The only thing that I can do is never allow us to minimise the complexity of the issues. The fact that we needed to re-examine the business case for Ardrossan and, when we did that, found that that piece of work needed to be expanded speaks to that complexity and the number of actors that are involved, as Alison Irvine described. From my perspective—from a political, cabinet secretary point of view—I am very keen, as ever, that progress is made on all that as quickly as possible.

The Convener: I hope that the business case for Ardrossan finally lets vessels 801 and 802 work from it, because it has been a long time coming.

Douglas Lumsden has a couple of questions.

Douglas Lumsden: Yes, but I will ask a quick follow-up question on that first. The harbour infrastructure is one thing, but is there anything in the budget to support LNG for the vessels once they are launched?

Alison Irvine: At Troon?

Douglas Lumsden: Anywhere.

Alison Irvine: Yes, there is money in the budget to support the LNG supply for 801 and 802 at Troon when we take delivery of them.

Douglas Lumsden: So are the LNG tanks and other things planned already?

Alison Irvine: You are getting into a level of detail that is probably beyond me. I suspect that there are not tanks, but if you would like a fuller explanation of how those vessels will be fuelled, I would be happy to provide that.

Douglas Lumsden: That would be helpful.

My main questions are about heat in buildings. The Scottish Government estimates that £1.4

billion of investment is needed in heat networks by 2027. Can you update us on the level of spending that has been awarded via the Scottish heat network fund so far, cabinet secretary? How likely is it that the commitment to spend £300 million by March 2026 will be met?

Màiri McAllan: I will answer that question in two parts. When I move to the second part, I ask you to give me a second to find the line in my book on the heat networks fund. First, I will give an overview of the work on heat in buildings.

I am pleased with the funding that we have managed to secure in draft for the coming year. It is £358.2 million, which will allow us to maintain our schemes in the coming year. That is part of a wider commitment to spend £1.8 billion by the end of the parliamentary session and will mean that, by the end of 2024-25, around £1.3 billion should have been invested.

I stress that I am very pleased about that, because I see it as being one of the principal means by which we make progress on a heavily greenhouse gas-dependent part of our economy.

12:00

If you will bear with me, I have a note of all my heat in buildings project lines, and I will find the line on Scotland's heat network fund—here it is. The original commitment was £300 million by March 2026. We have £25 million drafted into the budget for the coming year.

On our achievements, we have funded the extension of Aberdeen City Council's Torry heat network, which is decarbonising homes by using recovered waste heat from a new energy-from-waste facility. That is an example of what we have done to date.

In respect of the full commitment, like a lot of the work in heat in buildings, uptake is increasing. I think it was always to be expected that this would be back-loaded, as it were.

Douglas Lumsden: I am on to my next question, which is about where demand might grow. The deadline has passed for local authorities to publish their local heat and energy efficiency strategies. Will you reflect on the role that those strategies will play in heat decarbonisation? I imagine that they will highlight where a lot of the funding will be required.

Màiri McAllan: I will come to Kersti Berge if she has anything to add about that. You will have to forgive me; I have 10 or so individual schemes across the heat in buildings work.

My understanding of the heat network fund is that it offers a variety of financing mechanisms, including grants, repayable assistance and loans,

to provide tailored support to public and private sector organisations. It is not limited to the work of local authorities in relation to their local heat and energy efficiency strategies. Kersti, if I am missing the point on any of that, please say more.

Kersti Berge (Scottish Government): I will add a couple of points. Mr Lumsden, your first question was on progress on heat networks. In addition to the capital spend, we work with heat network developers on pre-capital spend. We have supported 23 capital projects in their pre-investment work on that, so work on heat networks really is progressing. To some extent, it is still early days for heat networks, but we have provided significant amounts of support.

On your second point, about local heat and energy efficiency strategies, you are right—I believe that 11 local authorities have finalised their strategies. We expect the remainder to have completed them by the end of the current financial year. They set out the areas where heat network development looks likely to be beneficial. The local authorities then work with heat network developers, and the plan is to develop specific heat network zones at the end of that process. That should be clear by the time we get in regulations on decarbonisation, as I am sure we will come to.

Douglas Lumsden: For clarity, you said that 11 of the strategies have been finalised, so 21 have not. Were they not all meant to be finalised by the end of the calendar year, so they are late?

Kersti Berge: Yes, they are late, but we expect them to be finalised by the end of the financial year. They are three months late.

Douglas Lumsden: Is there any feedback from local authorities? Why are they late? Do they have a problem with funding? What is the hold-up?

Màiri McAllan: It is perfectly understandable that you should ask that, and we keep a close eye on it. The local authorities that were unable to have their strategy published by December cited delays in recruiting staff, the need to undertake meaningful engagement with the local community—as we would expect in a project like this—and the capacity of specialist consultants whom they relied on to produce the strategies. Among local authorities, there has been a disparity in access and ability to manage those things.

However, as Kersti Berge said, 11 have been done, and the rest are expected in the coming months.

Douglas Lumsden: Can you tell us whether it is rural authorities that have been struggling, or is it urban authorities?

Màiri McAllan: Let me check that. I expect that it is a mix, and there are certainly some front

runners. I will come back with the clarity and precision that the committee needs on that.

Douglas Lumsden: Does it ring any alarm bells that they have been late in delivering the strategies and that that will cause a knock-on effect on us moving forward and decarbonising our homes?

Màiri McAllan: I obviously would prefer that every local authority had met the deadline, but, equally, I understand how all the capacity constraints that I listed can affect projects such as this and how different local authorities have different capacities to take it on. However, we are really only talking about a matter of months. As I say, I expect them all by the end of the financial year.

Douglas Lumsden: Thank you.

The Convener: Mr Lumsden, it always helps if you look the other way when you want to ask a string of questions, so that I cannot interrupt you. We are running short of time, so I encourage members to keep questions as short as possible.

Ben Macpherson: I have a brief supplementary question. Heating our buildings in an energy-efficient and environmentally friendly way is one of the biggest challenges that we face in meeting our targets. Most people in Scotland live in urban constituencies, such as the one that I represent. I am pleased to see that, although the Government is showing its determination to move as quickly as practically possible, the consultation that is currently live shows an understanding that that will take time.

The biggest challenge that is faced by people in my constituency who live in pre-1919 tenements is that general maintenance and repair are difficult to action and achieve under the Tenements (Scotland) Act 2004. There are similar challenges with factored properties under the Property Factors (Scotland) Act 2011. Parliament has undertaken some work with the tenement maintenance working group, which I initiated and which has been brilliantly taken forward by Graham Simpson and colleagues in recent years. Cabinet secretary, I want to make sure that the issue is on your radar, as well as being considered by Mr Harvie and Mr McLennan.

The Scottish Law Commission is undertaking a project that is considering sinking funds and making owners associations mandatory. If we do not enable the thousands of pre-1919 tenement owners—and I should declare an interest as I am one—we will not meet those targets. This law is crucial. It is hard law and it is rightly being considered in a patient way, but we need to get it right. Do you have any comment on that?

Màiri McAllan: Absolutely. I am smiling slightly, Mr Macpherson, because I am considering how you and I are drawing on our commercial legal practice and training in all this.

On the one hand, I recognise how important—vital, in fact—the heat in buildings programme is to decarbonising and how vital that mission alone is. On the other hand, it must be realistic, affordable, pragmatic and capable of reflecting the varieties of our housing stock. Tenemental properties are an important aspect of that, although our rural properties will require a huge amount more to be made energy efficient than relatively newer properties.

I want to give you a guarantee that, despite the importance of the work and despite the fact that it has to happen across the board, I am determined that there will be a recognition of the different challenges that we will face across different types of housing.

Ben Macpherson: Thank you.

The Convener: Monica Lennon has a quick question, and then I will go back to Ben Macpherson.

Monica Lennon: I promise that it will be quick and straightforward. I referred to SEPA earlier, so I am coming back to that. Cabinet secretary, you referred to a small increase in SEPA's budget. How do you anticipate that that will be used?

Màiri McAllan: It is a 7 per cent increase on 2023-24, and I am pleased to note that it is an increase for the second consecutive year.

I should also put on the record that, as I am stressing the increase in funding to the environment bodies in my portfolio, I have expectations of public sector reform in respect of them both. I think that SEPA's digital transformation is a response to the need for that and a recovery from the cyberattack.

I expect the increase to be used principally on the two core functions of SEPA—environmental regulation and flood risk management.

Monica Lennon: I have a final question, if the convener will indulge me. Your answer was helpful, cabinet secretary. Under the banner of reform, do you expect SEPA to take more enforcement action and be more agile?

Màiri McAllan: I certainly encourage agility, but whether to take enforcement action is a matter for the experts at SEPA.

Monica Lennon: There have been concerns about a lack of enforcement action, which might relate to resources and capacity. Do you recognise that?

Màiri McAllan: As with all public bodies, I do not give my view on enforcement decisions, but I set out my expectations for delivery. As I said, the first and foremost role of environmental regulation and the fullest application of that, along with flood risk management, are the two priorities that I stress.

Monica Lennon: The issue is linked to the points that we discussed about the polluter-pays principle. I wonder whether opportunities will arise there.

The Convener: When we next meet SEPA, we can take that up. I go to Ben Macpherson for his final question.

Ben Macpherson: Scotland has already begun enhancing the circular economy. In recent months, we have considered the Circular Economy (Scotland) Bill at stage 1, and the circular economy route map has been published. At this juncture, do you have any reflections on that? I appreciate that the Government will respond to the committee's stage 1 report in the months ahead, but it is important to reflect on where the waste is that can be tackled—for example, the construction sector is a significant creator of our waste as a nation. Does the cabinet secretary have further reflections? Does she want to share anything ahead of the bill's next stages?

Màiri McAllan: I thank Ben Macpherson for the open question.

The Convener: I realise that the question was very open and I thank you for acknowledging it. It does not mean that you have an open amount of time, so I ask you to be as focused as possible.

Màiri McAllan: In that vein, my reflection on the work on the bill and the waste route map, which the committee is looking at closely, is that it is the culmination of years of work and extensive engagement. It will do two exciting things. First, it involves looking again at our targets for recycling and waste generally in the context of the climate emergency. I am conscious that some of our targets predate the emergency's confirmation in about 2019.

I apologise—I have lost my train of thought about the second thing that the work will do, so I should probably end there.

The Convener: Does Ben Macpherson want to press on any of that?

Ben Macpherson: Now I have lost my train of thought.

The Convener: Two members—Graham Simpson and Douglas Lumsden—have indicated that they want to ask questions. I will let Graham ask his questions. If he takes too long, he will

preclude his colleague Douglas from asking questions, so that is on Graham's head.

Graham Simpson: While people are falling apart around me, I will try to do my best. I will go back to ferries, which the cabinet secretary has been asked about. The port works at Ardrossan have been delayed because there has been no agreement with the port's owners on who will pay for what and what should be done. That is a fact, is it not?

Màiri McAllan: Alison Irvine and I laid out that the number of actors that are involved and the complexity are factors—yes.

Graham Simpson: So, I am right about that.

Is it the case, then, that we may end up in a situation where Ardrossan is permanently not used?

Màiri McAllan: Absolutely no decision has been taken on that, and it would be wrong of me to preempt the work of the task force and the business case review.

Graham Simpson: There has been no decision. Therefore, it is a possibility.

Màiri McAllan: Where there is no decision, that is all that I can say.

12:15

Graham Simpson: It is a possibility. Okay.

I come now to the matter of the small vessel replacement programme, which the convener asked about. The funding for that has been delayed. Is the reason for that delay to allow the Ferguson's yard to compete for the work?

Màiri McAllan: I do not recognise that characterisation.

Graham Simpson: So, that is a no.

Màiri McAllan: We pointed earlier to the fact that delays—or those by any other name—are to do with ensuring that the funding is available to match the pace and development of the project within any financial year. As Alison Irvine pointed out, we have businesses cases, they are being reviewed, and there is funding in the budget for when that progresses.

Graham Simpson: I will ask you about something else now—again, you have already been asked about this. The capital budget for SPT has gone down to zero. That impacts on a number of projects, including the essential subway modernisation project; it also leaves a black hole in the budget for the Lanark public transport interchange, which you will know well, cabinet secretary, and an even bigger black hole, of £1.8 million, for the Hairmyres park-and-ride

interchange, which is part of the East Kilbride rail enhancement project mentioned in your recent major capital update. Those are all vital projects.

Given that Alison Irvine told us earlier that the numbers were changing right up until the last minute when you were setting your budget—that is how it sounded to me—is there any possibility that the numbers could change again, and that you could find some money to go towards those vital projects?

Màiri McAllan: First, I discount the comment about Lanark. It is very important that I do not take decisions in my Government role that have any bearing whatever on my constituency. I put that on the record.

On the point about SPT, I have already rehearsed the need for all public bodies to operate as efficiently as possible, and the use of reserves is part of that. Conversations are on-going between Transport Scotland and SPT about the reserves, what they may have been previously earmarked for and whether that can be adjusted in light of the financial settlement. Provision of the running of our transport network has been a priority of mine. To the extent that it appears that that could be undermined, I am committed to working with SPT on that.

Graham Simpson: I am not asking about reserves; I am asking whether there could be extra money. We have only a draft budget, and draft budgets can change. Is it your view that more money should be found between now and the point at which we finalise the budget for projects that are absolutely essential if we want to get people using public transport?

Màiri McAllan: I have already answered that question. As I have said, it is my view—the DFM has made this point, too—that reserves should be utilised for the delivery of projects, including but not limited to some of those that Mr Simpson has narrated. I reiterate that, to the extent that the discussions about reserves mean that there would be an impact on the running of services, I will continue to discuss that with SPT.

Graham Simpson: In the interests of time, I will just ask you about one more thing—and it is not SPT.

We are due to see the fair fares review in the next couple of weeks, I think. I am not asking you to reveal what is in the review, but have you budgeted for things such as capping bus fares, for instance, to take something that I have been pushing for? Is there any money in the budget for measures like that?

Màiri McAllan: That is a perfectly reasonable question. You are right that the Minister for Transport intends to publish that review shortly. It

is a broad document, and there are some recommendations within it that will take a number of years to complete. To the extent that budget is required this year to take them forward, I will look to provide that, and there will be budget required in future years for some interventions, should they be agreed.

Graham Simpson: That is interesting. I will leave it there.

The Convener: I know that two more members want to ask questions. Because Graham Simpson was so—

Graham Simpson: Concise.

The Convener: Although Graham was so concise in his questions, we have still run out of time, so I will ask the two members concerned if we could submit those questions to the cabinet secretary in writing. I am afraid that we are now out of time for this evidence session.

I thank you and your officials, cabinet secretary. I think you have been here for nearly three hours of questioning—it has been quite a long session. Thank you for being here.

That concludes the public part of our meeting.

12:20

Meeting continued in private until 12:29.

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