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**Environment, Climate Change and Land Reform
Committee**
**Comataidh Atharrachadh Clìomaid is Ath-leasachaidh
Fearann**

**Pre Budget Report: Draft 2020/21
Budget**



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Environment, Climate Change and Land Reform Committee

To consider and report on matters falling within the responsibility of the Cabinet Secretary for Environment, Climate Change and Land Reform.



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Introduction

The Committee's approach to consideration of the 2020/21 Draft Budget

1. In its consideration of the 2019/20 Budget the Committee focused on preventative spend and the carbon impact of the capital budget. In considering the Scottish Government's 2020/21 Draft Budget the Committee agreed to continue this approach and extend the focus to include consideration of fiscal measures.

Membership changes

2. The membership of the Committee changed during the course of the Committee's inquiry. The Committee would like to record its thanks to John Scott, Deputy Convener (to 10 September 2019).

Evidence

3. The Committee heard oral evidence from—
 - Revenue Scotland, on environmental taxes and charging;
 - Scottish Government Officials on the Wellbeing Economy Government's Initiative; and
 - the Infrastructure Commission for Scotland.¹
4. The Committee also heard from experts and academics on tax powers and charging.² Additionally, the Committee sought written evidence on preventative spend from the Scottish Government and public bodies. The Committee is grateful to all the public bodies for their detailed and costed submissions. The Committee's scrutiny of the Budget has also been informed by its other work, for example its inquiries on biodiversity, marine issues, the Climate Change Plan and the Climate Change (Emissions Reduction Targets) (Scotland) Bill.

Context for consideration of the Budget

5. The Committee's consideration of the 2020/21 Draft Budget is within the context of a number of recent developments. These are set out in the following pages.

Climate change emergency and net zero

- 6.
- **Climate Emergency:** On 28 April 2019, the First Minister declared a “climate emergency” and announced that Scotland would “live up to our responsibility to tackle it”.
 - **Net-Zero:** On 25 September 2019 the Scottish Parliament committed to Scotland reaching net-zero greenhouse gas emissions (GHGs) by 2045 and set a 2030 target of 75% reduction from 1990 levels.
 - **Additional Scottish Government commitments and action:**
 1. Commitment to update the Climate Change Plan within 6 months of the Climate Change Bill receiving Royal Assent.
 2. Commitment to review all policy areas to identify what can be done “further, faster” and place climate change at the heart of Scottish Government activity (including the Spending Review).
 3. Commitment to a collaborative approach with the Parliament to carbon assessment of the Scottish Government Budget.

The Committee welcomes the Scottish Government commitments on climate change and looks forward to further engagement with the Scottish Government on the approach to addressing the immediate challenges of climate change and meeting the revised climate change targets through the revised Climate Change Plan.

EU Exit

Funding levels

7. The UK exit from the EU will significantly impact funding streams supporting environmental objectives. The Committee understands that approximately £52 million per annum comes from the EU to the Scottish Government to deliver functions within the Committee's remit. The Committee remains gravely concerned about the impact of the loss of EU funding to Scotland. This will impact the direct and indirect delivery of Scottish Government and related agency policies and programmes. It will also significantly impact the work of stakeholders, including Local authorities, community groups, NGOs and land managers across Scotland.

As the date for the UK's departure from the EU moves closer the priority must be to ensure that funding for public goods, the environment and related research, is sustained.

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

Environmental governance

8. The Committee continues to be concerned that loss of the European Commission and the European Court of Justice and their role in environmental governance, adjudication and enforcement of environmental legislation, will leave a gap in oversight. This will require a replacement governance and regulatory function (either at a UK or Scottish level), operating out-with and separate from Government. It is unclear whether there is a need to establish new institutions, or for the expansion of functions of existing institutions, to address environmental governance gaps.
9. The Committee is aware that the Scottish Government has acknowledged that potential gaps in environmental governance may arise should the UK exit the EU. A consultation on maintaining the role of environmental principles in developing future Scottish environmental policy and legislation and maintaining effective, appropriate and proportionate environmental governance in Scotland closed in May 2019. The Committee notes that the Programme for Government stated -

” “We will develop proposals to ensure that we maintain the role of environmental principles and effective and proportionate environmental governance and any legislative measures required will be taken forward in the Continuity Bill. In the event of ‘no deal’, we will put in place interim, non-legislative measures while continuing to develop longer-term solutions.”³

The Committee asks the Scottish Government to provide an update on progress of the Working Group on Environmental Governance and its proposals for action following the consultation.

The Committee is concerned that in delivering the repatriated functions and responsibilities of the EU there are issues of capacity and readiness. The Committee asks the Scottish Government to set out the associated costs of replacing the governance, adjudication and enforcement functions, relating to the

environmental implications of the UK withdrawal from the EU, and set out how the 2020/21 Budget and future annual Budgets will account for this.

National outcomes and indicators: the National Performance Framework

10. The Committee previously stated that National Outcomes should be at the core of the Scottish Government and public bodies' planning processes and the allocation of funding within the Budget should directly support their delivery. The Committee considers a longer-term view and further work is required to improve the understanding, assessment, reporting and attribution of impacts on the National Outcomes from activities funded in the Budget.

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

11. The Committee notes that the performance against a number of the environmental indicators e.g. Natural Capital; biodiversity and clean seas, is showing a slight improvement (although noting that the picture for biodiversity is more complex) and the indicators for Scotland's carbon footprint and greenhouse gas emissions are described as performance maintaining. The Committee is also concerned that a number of the Aichi targets are not on track. The Committee notes that the revised National Performance Framework includes a new combined marine and terrestrial biodiversity indicator which is still under development.

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

The Committee also notes that there is outstanding work to finalise the indicators that will effectively measure Scotland's biodiversity. The Committee understands that the results of the research project (commissioned from the RSPB) will be reported in autumn 2019 to take account of the State of Nature Report which was published in September 2019⁴. The Committee asks the Scottish Government to confirm when this work will be complete.

12. The Committee was interested to understand the wider benefits of spending decisions and heard from the Scottish Government on the Wellbeing Economy Government's Initiative, launched in November 2018, with Iceland and New Zealand. This seeks to facilitate the sharing of experience and expertise among officials working to embed wellbeing outcomes in economic policy. The Committee welcomes the Scottish Government's work on wellbeing. The Committee recognises that this work is currently at an early stage and there is a significant opportunity to look at complementary forms of measurement to GDP that could be adopted.

The Committee would welcome further discussion, across the committees of the Parliament, and with the Scottish Government, on the potential for a wellbeing approach to shape Scottish Government economic (and other) policy and the focus of spend in the Scottish Government Budget. The Committee would also welcome discussion on how a wellbeing approach can be connected with environmental and preventative spending.

Medium Term Financial Strategy (MTFS)

13. In its previous Budget report, the Committee recommended that future Medium-Term Financial Strategy (MTFS) publications should provide an indication of the cumulative carbon impact of spend and present carbon from revenue and capital separately. The Committee recommended that this assessment should: clearly set out how spending is contributing to reducing emissions; state the direct and indirect impacts and; provide a forecast of the annual change in greenhouse gas emissions of the activities to be funded. The Committee considered that this would enable a year on year assessment and comparison between Budgets. The Committee notes the SPICe report on the MTFS, published in May 2019. This states that the MTFS contains no detail on Scottish Government spending priorities or plans and little material to assist parliamentary committees undertake pre-Budget scrutiny of the Scottish Government's spending plans.

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

14. The Committee is also aware that the 'net tax' position has worsened by £188m since December 2018. While other devolved taxes are projected to increase over the forecast period, the landfill tax revenue is expected to fall, reflecting the policy priority of reducing waste going to landfill. The Committee comments on fiscal

measures to support environmental objectives, including the landfill tax, later in this report.

The carbon impact of the Budget

Overall objective

15. The Committee previously considered and reported on the carbon impact of the capital budget for 2019/20 and how public spending contributes to climate change mitigation and adaptation. The Committee has continued this focus in its pre-Budget scrutiny for the 2020/21 Budget.
16. The Committee considers that Scotland can only deliver its climate targets if the policies in the Climate Change Plans are delivered and high carbon activities are significantly reduced. At the level of parliamentary Budget scrutiny this means—
 - Understanding and reducing spend that will “lock in” future greenhouse gas (GHG) emissions
 - aligning the Budget and Climate Change Plans.

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

17. The Committee has also undertaken an analysis of the Financial Memorandum for the Climate Change (Emissions Reduction Targets) (Scotland) Bill. The Committee comments on this and highlights a number of concerns in its Stage 1 Report on the Bill.

Understanding and reducing spend that will lock in GHG emissions

18. In its pre-Budget scrutiny the Committee has sought to understand and reduce spend that will “lock in” future emissions and ensure that parliamentary committees can coherently scrutinise the short- and long-term effects of spend.

Short-term information in the annual carbon assessment

19. Parliamentary committees can seek information on the short-term effects of spending choices on GHG emissions from the annual carbon assessment, published alongside the Budget.

20. As stated in previous correspondence, the approach to carbon assessment under the Climate Change (Scotland) Act 2009 provides a snapshot in time of the carbon emissions that are associated with spend in one year. The tool can be used to identify “hotspots” Budget lines that are likely to create carbon emissions in the near-term, because of the goods or service they buy. It does not provide a cumulative sense of the consequences of the spend over multiple years and it does not interact with the Budget process. It is an after-the-fact description of the immediate carbon impact of the Budget decisions, rather than a tool to inform and reflect and integrate with the Budget development process.

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

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

Long-term effects of infrastructure

21. The Committee’s focus on longer-term effects has been on infrastructure spending and how to ensure better “climate governance” of the infrastructure pipeline. This is because infrastructure choices have a long-term effect on future emissions.

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

22. The Committee heard evidence from the Infrastructure Commission for Scotland on their approach to, and advice on, the infrastructure pipeline and the governance processes around it. The Committee raised the question of the treatment of natural capital and green infrastructure with the Commission.
23. The Committee subsequently wrote to the Cabinet Secretary for Transport, Infrastructure and Connectivity. Responding to the Committee in June 2019 the Cabinet Secretary confirmed that the forthcoming Infrastructure Investment Plan and Capital Spending Review will reflect the Scottish Government’s commitment to delivering infrastructure projects which support Scotland’s transition to a net zero emissions economy by 2045.

The Committee recognises the significant challenge of reaching the 2030 target and looks forward to further discussion with the Scottish Government on the measures to reach the targets when considering the updated Climate Change Plan.

24. In September 2019, the Scottish Government's Programme for Scotland 2019/2020 confirmed that the low carbon will be “the key theme” of the Infrastructure Investment Plan—

” “The Infrastructure Commission for Scotland will publish its advice on priorities by the end of this year. We will use that advice to produce our next Infrastructure Plan early next year. Low carbon will be the key theme of the Plan. The Infrastructure Commission’s advice will also be considered in our Capital Spending Review. Taken together with the establishment of the Scottish National Investment Bank this will make clear to citizens and businesses our priorities for investment in low emissions infrastructure.”⁵

The Committee welcomes the Scottish Government’s commitments to low carbon as “the key theme” of the next infrastructure plan and a Capital Spending Review which supports the transition to a net zero emissions economy by 2045.

However, the Committee considers that new infrastructure must go beyond *supporting the transition* to a net zero emissions economy. Because infrastructure built today is likely to still be in use in 2045, the Committee believes that all new infrastructure must demonstrably *fit into* a net-zero emissions economy.

To facilitate this, the Committee recommends that—

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

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

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

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

- welcomes the Commission's updated remit following the adoption of a net-zero GHG emissions target by 2045 as Scottish Government policy.
- recommends that natural capital/green infrastructure should be considered by the Commission as investment in this will be vital to Scotland meeting its wider economic, health and environmental policy objectives. The Committee seeks further detail from the Commission on how it plans to consider this.
- understands that the Scottish Government has not pursued the recommendation of the Low-Carbon Infrastructure Task Force to establish a low-carbon infrastructure commission in Scotland (providing independent scrutiny as to whether the Scottish Government's long-term investment plans are fit for a low or zero-carbon future, where that infrastructure need is most pressing and where the gaps are). The Committee recommends the remit of the Infrastructure Commission for Scotland is extended to provide this independent scrutiny.

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

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

The Committee looks forward to further discussion with the Cabinet Secretary for Transport, Infrastructure and Connectivity on the infrastructure plan and Capital Spending Review.

“High, neutral, low” analysis

25. The Committee’s consideration also covered the information already provided by the Scottish Government.

The Committee recognises the work of the Scottish Government in seeking to present an understanding of the climate impacts of the Budget.

26. Alongside the previous two Budgets, the Scottish Government have provided a high-level analysis of capital spend which categorises proposed annual capital expenditure as low, neutral or high carbon.
27. Scottish Government’s response to the Committee’s previous Budget report stated that spend on low carbon projects has increased from 21% in 2017- 2018 to 32% in the 2019-2020 Budget and that the Scottish Government has committed to a year-on-year increase in the spend on low carbon infrastructure projects until the end of the current Parliamentary session. The Cabinet Secretary indicated a willingness to improve the methodology of this analysis.⁶

The Committee remains of the view that this “low, neutral, high” analysis is a useful indication of the Scottish Government’s spending priorities and should be published as early as possible to inform parliamentary scrutiny. At the latest, it should accompany the draft budget and be updated to take account of any changes in the final Budget.

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

The Committee notes the inclusion of financial transactions in the latest analysis, at its request, and believes this is important given the Scottish Government’s intention to fund the Scottish National Investment Bank though this type of finance. The Committee is open to further improvements in the scope or methodology of the “low, neutral, high” analysis and would welcome further discussion with the Scottish Government on this.

The Committee would welcome further information on the information that will be used and published for the 2020/21 Budget, what early changes can be made and when the Scottish Government anticipates making this available.

Capital spending review

28. In her Climate Emergency statement to Parliament, the Cabinet Secretary for Environment, Climate Change and Land Reform stated that climate change will be at the core of the next Programme for Government and Spending Review.⁷

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

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

Aligning the Budget and the Climate Change Plan (CCP)

29. As already stated, the Committee considers that Scotland can only deliver its climate targets if the policies in the Climate Change Plan (CCP) are delivered. In this year's Budget scrutiny, the Committee has continued its consideration of how to align the Budget and the CCP.
30. In its previous Budget scrutiny, the Committee sought a process similar to the Budget Process Review Group (BPRG). The Scottish Government responded to say they believed any work should "build on" the BPRG and were open to discussion on the "reporting of cross-portfolio budget information relevant to emissions reductions commitments".

The Committee remains of the view that there is merit in a wider process and welcomes the positive response of the Cabinet Secretary to a collaborative approach when considering amendments at Stage 2 of the Climate Change (Emissions Reduction Targets) Bill. The Committee intends to pursue this with the Scottish Government as a matter of priority.

31. Since parliamentary committee recommendations in 2011 for better "read across" between the Scottish Budget and the CCP, the Scottish Government have published six "budget summary" documents. These documents identify parts of the draft budget which fund climate change mitigation measures and organise them into relevant sectors such as electricity, transport and waste. However, no Budget summary document was published alongside the 2019/20 Budget.

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

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

32. The latest version of the CCP includes measurable milestones and in October 2018 the first progress report was published. This report is designed to allow progress of the CCP’s policies to be tracked and is welcome.
33. So that future progress reports can inform Budget scrutiny, the Committee previously recommended that the reports be published by June each year, ahead of the intensive Budget scrutiny period. The Committee notes that this recommendation has been accepted by the Scottish Government and the Committee agreed a Stage 2 amendment to the Climate Change (Emissions Reduction Targets) (Scotland) Bill to set a publication deadline of 31 May.
34. The Committee also agreed to explore whether the format of current progress report helps the Scottish Parliament and stakeholders understand if the Budget aligns with the CCP.

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

35. In line with recommendations on the two documents above (Budget summary document, CCP progress reports) the Committee proposes the following timetable to assist pre-Budget scrutiny—

May	Scottish Government publish CCP progress report with a continued focus on SMART indicators and increased data coverage. Committees use this to understand how low-carbon actions are progressing.
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October	Committees’ pre-Budget reports highlight areas of action needing more/less/different financial resource.
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November/December Scottish Budget published with ‘budget summary’ document describing how relevant Budget lines fund CCP actions.

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

Climate Change Governance

36. The Committee welcomes the Scottish Government's approach of collective responsibility where all Cabinet Secretaries and Ministers have climate change at the heart of their work. The Committee also welcomes the Cabinet Secretary's previous assurance that if there are areas where this is not being achieved, there will be collective engagement to resolve that. The Committee notes the Cabinet Secretary's statement that there is a requirement to establish a new governance body for the delivery of the Climate Change Plan (CCP).

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

The Committee welcomes the Scottish Government's continued commitment to increase the percentage of capital spend on low carbon projects. The Committee also welcomes the Cabinet Secretary's willingness to work with the Committee to provide "a national understanding of the direction of travel on emissions and input and proportion of spend" and to engage more widely when considering the carbon impact of the Budget.

37. The Committee has made a number of specific proposals about how supporting information in relation to the budget could be improved, particularly in relation to the carbon impact of spend. The Committee wishes to continue to work with the Scottish Government to ensure Parliament better understands the carbon impact of all Budget decisions.

The Committee considers that an ambitious and collaborative approach is necessary to ensure we understand the impact of Scotland's Budget on Scotland's greenhouse gas emissions. The Committee intends to pursue the commitment of the Cabinet Secretary to a collaborative approach with the Parliament to assess the carbon impact of the Budget.

Climate change mitigation and adaptation

38. The Scottish Government's Programme for Government sets out some of the next steps on Scotland's transition to net zero emissions. Measures and funding supporting climate change mitigation and adaptation in the Budget will cross all portfolios and all parts of Government.
39. The Committee notes that Scottish Government has recently published its Climate Change Adaptation Programme and will be taking evidence on this shortly. The Committee also plans to consider the updated Climate Change Plan (CCP) once published.

The Committee welcomes the commitment of the Scottish Government to put action on climate change at the heart of Government and ensure a just transition to net zero emissions. The Committee urges the Scottish Government to prioritise action and funding that supports mitigation and adaptation. The Committee looks forward to further discussion on this when scrutinising the Climate Change Adaptation Programme and the Climate Change Plan.

Preventative Spend

Overall objective

40. The Committee has continued to explore how the concept of preventative spend should be built into the formulation of the Scottish Government's Budget and how the ECCLR Budget contributes to National Outcomes across the Government, including on active travel, health and the economy, to ensure that environmental spending and the resulting benefits are maximised.

Focus

41. The Committee's work on air quality and biodiversity has informed the scrutiny of preventative spend. The Committee also asked the Scottish Government and the ECCLR public bodies how future spending will be directed to preventative action and how this will impact selected National Outcomes and indicators (particularly in relation to health and the economy).
42. In December 2018, the Cabinet Secretary for Environment, Climate Change and Land Reform wrote to the Committee in relation to its work on pre-budget scrutiny, stating that "There is significant evidence highlighting that environment and health-based interventions are cost effective and can also contribute significantly to preventative spend."⁸

The perceived or actual benefits of preventative spend

43. The Committee accepts that it is not always possible to be exact about money spent against the gains or wider benefits achieved. However, the responses from the public bodies show that preventative spend is, in many cases, embedded in public bodies' thinking and actions. However, there are challenges in terms of resource availability (both financially and in terms of skilling-up existing staff or recruiting staff with specific knowledge or skills) for preventative programmes and in creating formalised mechanisms for prioritising preventative spend. Many can demonstrate an economic return in making a contribution to employment by way of jobs and apprenticeships and for example, by making a contribution to the tourism sector in attracting visitors. Others have pointed to cost savings on other budgets or to research and associated work which can prevent ecosystem degradation and/or restore habitats.
44. Other areas flagged as examples of the importance of preventative spend were construction and procurement. In meeting net-zero targets set for 2045, material use and waste prevention in construction across the whole life of both buildings and other infrastructure projects was raised, as most existing buildings will still be with us in 2045, and the new ones we build today will still be with us in 2045. The

Committee was also told that procurement support is a key area where taking circular economy opportunities into account can save money either now or over the lifespan of an investment.

45. The Royal Botanic Garden Edinburgh stated that “Health and wellbeing impacts are indirect and unquantifiable but nonetheless significant.”⁹
46. The need for all public bodies, government and related agencies, to make budgetary savings is having a significant impact on programmes and services. Preventative programmes of work may not be seen as priority. The importance of long-term planning to deliver environmental programmes was highlighted, with the associated need for sustainable funding mechanisms. Threats to funding streams from exit from the EU (for example, for international research funding) were referred to, leaving the Committee with concerns that budgets might be shifted away from preventative programmes and services.

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

Wider benefits of environmental/preventative spend

47. Investment in Scotland’s natural capital is both fundamental to the economy and fundamentally linked to the delivery of health and wellbeing benefits. There are significant benefits for climate change mitigation and adaptation associated with investment in the environment and natural capital.
48. The Committee heard, as part of its ongoing work on biodiversity, that significant preventative areas in terms of biodiversity spending include invasive species removal (taking early action at an appropriate scale), natural flood risk prevention through restoring upland catchments, protection of blue carbon habitats with association potential benefits for commercial fish and shellfish, and access to nature spending with associated mental health benefits.

The Committee continues to encourage the Scottish Government to ensure that there is a greater focus on ‘invest to save’ in the development and implementation of policy and in financial allocations to the environment and natural capital.

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

49. The Committee highlighted the health and economic benefits of environmental spend in its previous Budget report. There is a strong link to lower levels of stress and associated health complications in individuals who live in greener streets and greener urban areas and particularly for people who live in areas of multiple deprivation.
50. As part of its 2019-2020 Budget scrutiny, the Cabinet Secretary told the Committee that the NHS saves an estimated £94 million a year through good environmental space being available to people and said that the strategic interventions that have been taken through the 'natural health programme' in some health partnerships will be evaluated. The intention being that, through that evaluation, the Scottish Government "can potentially deliver and identify practice that can be embedded in future policy and practice" and that it will also consider future research in that area.

The Committee would welcome an update on those evaluations, information on what further research is being considered and a view from the Scottish Government on what can be embedded in policy and practice across Scotland.

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

The Cost of inaction

51. The Committee is aware that there are significant potential costs of inaction, or delayed action, in relation to investment in natural capital, biodiversity and climate change and in failing to 'invest to save'.

The Committee would welcome detail of the approach the Scottish Government is taking in assessing options and in making policy choices – how the costs of inaction and the implications of this are assessed and accounted for (both financial and non- financial costs).

Assessing the outcomes of environmental expenditure

52. The Committee understands that assessing the outcomes of environmental expenditure can be challenging. However, the Cabinet Secretary for Environment, Climate Change and Land Reform has stated that there has been significant progress in trying to capture these benefits. The first Natural Capital Accounts for Scotland, estimating the quantity and value of the services supplied by Scotland's

natural capital, were published in March 2019. This was valued at £291 billion in 2015. The wider benefits include a reduction in health costs of £52.3 million in 2017, resulting from the absorption of the most harmful air pollutants and a carbon sequestration value of around £1 billion.¹⁰

The Committee understands that the Natural Capital Accounts for Scotland are partial and classed as experimental statistics and urges continued work to develop the approach and estimates. The Committee asks the Scottish Government to keep it informed of progress with this work.

Reflecting the impact of expenditure across portfolios

53. The Committee is aware that a significant proportion of the ECCLR budget is not flexible, as it supports staff costs across a number of public bodies. The Committee also recognises the potential contribution of other portfolios to achieving environmental outcomes, including action on the global climate emergency.
54. The Committee considers effective governance of the process for setting the Budget, assessing its carbon impact, and ensuring the outcomes are attributed and delivered, is vital. The Committee re-iterates its recommendation that the Budget, or supporting documentation, provides detail on this and on the interaction between Cabinet Secretaries and portfolios in the development of the annual Budget.

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

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

Priorities for environmental spend

Biodiversity

55. The Committee recognises that there is a biodiversity crisis and notes that the 2019/2020 Programme for Government commits to a ‘step change’ in efforts to halt biodiversity loss in response to the IPBES global biodiversity assessment.¹¹ The State of Nature (Scotland) Report 2019 shows that our wildlife is undergoing rapid change, with significant declines in species’ abundance and distribution over the previous decades, and no let-up in loss over the past 10 years.
56. In 2017, over 120 organisations came together through the Scottish Biodiversity Information Forum (SBIF) Review of the Biological Recording Infrastructure in Scotland to consider how to improve access to knowledge of Scotland’s biodiversity.¹²
- The SBIF Review explored how we currently collect, manage and use wildlife data in Scotland, and how our biological recording infrastructure (covering land, freshwaters and seas) could potentially be reformed to be more effective and sustainable.
57. Scotland’s Fight for Nature Campaign has said that the records we have are not being worked hard enough to protect our natural world, as the organisations involved with the collection, management and sharing of biodiversity data are vastly under-resourced.¹³
58. The SBIF Review also concluded that these and other problems associated with biological data infrastructure “hamper our contribution to” the Aichi targets and that there is an “urgent need for a step change to increase the sustainability of the biodiversity sector and to maintain its momentum and optimism”.

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

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

The Committee also asks the Scottish Government to prioritise resources to fund biodiversity work as a matter of urgency, give further consideration as to how funding can be committed and sustained over multiple years and set out the anticipated level of funding for biodiversity over the next 5 years (year on year).

Green infrastructure and access

59. The Committee is aware of SNH's Green Infrastructure Fund and is keen to ensure that sufficient investment is going into Scotland's green infrastructure, particularly in urban areas.

The Committee encourages the Scottish Government to extend the Green Investment Fund in order to realise the significant related benefits. The Committee is aware that this Fund is financed via the European Regional Development Fund (ERDF) funded Strategic Intervention and therefore the Committee is interested to hear how this stream of funding will be secured post EU Exit.

60. The Committee previously heard that investment in the National Ecological Network is essential for climate change adaptation and biodiversity. The Programme for Government 2019-2020 sets out plans to develop the Central Scotland Green Network, including a mapping project to identify opportunities for greenspace projects that will deliver the biggest climate change and biodiversity benefits to communities in the central belt.

The Committee notes this work and would welcome information from the Government on how this approach will be used to inform wider development of the National Ecological Network, and how this work links to the development of the land use strategy.

The Committee would welcome information from the Scottish Government on how the National Ecological Network will support the flow of biodiversity funding into priority areas and programmes to support maximum habitat connectivity.

Education

61. The Committee previously heard of the importance of education policy in mobilising teachers and children to access the environment and the wider benefits that can be derived from this.

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

Air quality

62. The Committee notes the publication of the report in August 2019, *Cleaner Air for Scotland: independent review*.¹⁴ The report states that
- ” “Scotland is generally performing quite well by EU and global comparison, with ambient atmospheric pollution concentration levels and regulated pollution emissions generally continuing to fall as a result of actions taken thus far. More remains to be done, not least as we understand better the impacts of pollution in the air we breathe on human health and the natural environment”. However, it also states that “We have failed to deliver elements of the suite of relevant EU and domestic standards currently in place. Meeting these would and should be an urgent priority for Scotland.”
63. In January 2019, Friends of the Earth Scotland published results of its study of NO₂ (Nitrogen Dioxide) and found that air safety standards were being breached at seven monitoring stations across Scotland and two sites were breaking the particle matter standards.¹⁵
64. The Independent review highlights the role and impact of road traffic on air pollution and calls for Low Emission Zones (LEZ) to be up and running faster. All four of Scotland’s biggest cities are implementing LEZs. Glasgow’s was introduced at the end of 2018. Initially covering buses only, it will be extended to all vehicles by the end of 2022. Edinburgh, Aberdeen and Dundee must implement LEZs by 2020.

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

Circular economy

65. The Committee notes progress made in developing plans for a Deposit Return Scheme, with the publication of draft secondary legislation, and also notes the publication of the Expert Panel on Environmental Charging and Other Measures (EPECOM) recommending a charge be introduced on single-use disposable cups, as well as public engagement to tackle Scotland’s single-use culture. The Committee also notes the commitment to introduce a Circular Economy Bill in the Programme for Government, and work being undertaken at UK level to explore packaging reform and plastic taxes.
66. The Committee is interested to understand how the Expert Panel will be used to support the development of the Circular Economy Bill, noting that the Programme for Government says that “provisions in the Bill will enable charges to be applied in relation to the provision of items such as single-use drinks cups”.

The Committee would welcome further detail from the Scottish Government on its response to the recommendations of the Expert Panel on Environmental Charging and Other Measures, specifically which recommendations will be taken forward, how they will be taken forward and in what timeframe.

The Committee encourages the Scottish Government to ensure that the Expert Panel uses its next phase of work to explore how policies in Scotland could systematically and strategically develop to rapidly phase out single-use plastics and wider patterns of unsustainable consumption and production.

The Committee continues to encourage the Scottish Government to consider what more can be done to bring forward work on the green economy and provide funding and support packages in order to fully realise the related benefits.

Agriculture

67. The Committee previously raised concerns about the proposed reduction in funding to support emissions reductions from the agricultural sector and how that will impact the delivery of the Climate Change Plan. Given that agriculture and related land use is the third largest source of emissions in Scotland there is significant potential for abatement.

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

Peatland restoration and other natural carbon sinks

68. Investment in soil health, peatland restoration and forestry creation and restoration is critical in supporting carbon sequestration and the management of waterflow, contributing to flood protection. The Committee continues to have significant concerns that the reduction in funding to peatland restoration will hamper the achievement of the goal set out in the Climate Change Plan to increase the rate of peatland restoration from 10,000 hectares in 2017-18 to 20,000 hectares per annum thereafter.

The Committee welcomes the additional funding announced in June but urges the Government to prioritise peatland restoration funding in order to commit

sufficient funding at the point of the Budget to enable effective project pipeline planning and delivery and associated investment, which the Committee heard is significantly hampered by year to year uncertainty.

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

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

Forestry

69. Forests play a major role in the pledges made by countries towards meeting the targets. To combat climate change, natural forest restoration is seen as the most effective approach. Well-managed forests can also help to conserve biodiversity and support the UN's Sustainable Development Goals (particularly Goal 15). The Committee welcomes the recent news that Scotland's national tree planting targets have been surpassed, making a valuable contribution to the global climate emergency.

The Committee would welcome an overview from the Scottish Government on how this momentum will be maintained in the next few years and what funding will be allocated to this.

Renewable and community energy

70. The Committee previously expressed concern that there was a substantial reduction in the renewable and community energy and energy capital budget.

The Committee encourages the Scottish Government to reflect on the impact of any further reduction in the forthcoming Budget. The Committee is interested in the scope to see support for renewable energy or measures such as fixed long-term contracts, as effective policy mechanisms for reducing risk and increasing investment in low carbon energy projects. The Committee would welcome the view of the Scottish Government on this.

Sustainable Action Fund

71. The Committee previously expressed concerns about the impact of the proposed reduction of the sustainable action fund at a time when it is increasingly critical. This fund supports a number of new and innovative actions that will underpin much of the necessary success in driving behaviour change and action in new and challenging areas.

The Committee would welcome the Scottish Government's view on the future of the Sustainable Action Fund.

Climate Challenge Fund

The Committee would welcome an update on the Climate Challenge Fund, including: the impact of the Scottish Government Review; the existing priorities for the Fund, what its purpose and proposed future priorities will be and; how much money will be available on an annual basis via the Fund.

Research, analysis and other services

72. The research budget underpins the delivery of a wide range of outcomes (directly and indirectly) and generates significant additional benefit to the Scottish economy. The Committee has consistently expressed concern that the overall budget for research has been declining steadily and significantly for a number of years. The Committee is also concerned that withdrawal from the EU will greatly increase the risk to funding that can be levered from European research programmes and knowledge exchange from participation in cross-country collaborations and create difficulty in attracting and retaining international academics and scientists as a result of the uncertainties. The Committee has previously stated that there needs to be a long-term commitment to investment and capacity building in the work led by the main research providers that helps underpin public goods, services and benefits that are dependent on Scotland's natural assets and capital.

The Committee urges the Scottish Government to focus on the strategic value of investing in research and development, to ensure funding for research and development is prioritised and look innovatively at ways in which it can move to multi-year budgeting for its research programmes to provide greater certainty and secure the associated long-term benefits.

73. The Committee previously encouraged the Scottish Government to engage with the research institutions to see what more can be done to maximise the value of and return from their assets.

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

Land reform

74. The budget for land reform has increased in recent years, partly to support the establishment of the Scottish Land Commission, and the Committee welcomes this. The Committee is aware that support and facilitation for communities to make use of the land reform provisions is vital in securing change. The Committee remains keen to see the Scottish Land Fund resulting in progress on the ground.

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

Scottish Natural Heritage

75. The Committee has continued to raise concerns over the decline in SNH's budget. The 2017 report by SNH on progress in meeting the 2020 Aichi target, set out that of the 20 biodiversity targets, seven were on track, 12 were showing progress but insufficient to meet the target and one target (financial resources) was getting worse.
76. The Committee has also been concerned that the pace of development of much of SNH's preventative spend work is continuing to be constrained by a lack of staff capacity and budget resource, including a lack of ability to commit to multi-year funding, and it may become increasingly difficult to meet its objectives in the face of a continually declining budget. The Committee also noted a lack of clarity as to whether the Biodiversity Challenge Fund introduced in the last financial year represented additional SNH funding. The Committee remains firmly of the view that continued cuts to SNH's budget will continue to compromise its ability to meet biodiversity targets, deliver peatland restoration and improve the condition of designated sites and consequently impact the delivery of the relevant national objectives. The Committee is aware that anticipated reports on grouse moor management and deer management alongside the challenges of meeting the biodiversity targets, responding to the climate emergency and EU exit, working effectively with stakeholders and engaging the public, will continue to put pressure on SNH's diminishing resource.

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

77. In its previous Budget report, the Committee noted that a significant element of SNH's overall budget and monies to deliver natural heritage benefits in Scotland are derived from EU funding. The Committee remains concerned that there is a continuing lack of clarity as to the detail of this and what urgent work is underway to identify and access alternative funding streams for SNH and its partner organisations. In its previous report the Committee urged the Scottish Government to work with SNH and partner organisations to prioritise planning to meet the anticipated funding gap for environmental projects following the UK exit from the EU.

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

Marine Scotland

78. In previous evidence to the Committee, the Committee heard that the budget cuts Marine Scotland faced prior to 2017-18 did not allow for sufficient investment to realise Scotland's vision of 'clean, healthy, safe, productive, biologically diverse marine and coastal environments, managed to meet the long-term needs of people and nature' as articulated by the National Marine Plan. In previous written evidence Marine Scotland stated that any future budget reductions may reduce the overall amount of monitoring and surveillance resource available. The Committee notes that Marine Scotland has a number of significant commitments to deliver in the 2018-2019 and 2019-2020 Programmes for Government, including the designation of four new MPAs and consultation on and designation of a new deep-sea marine reserve, an update of Marine Litter Strategy and an update of Scotland's Marine Atlas in 2020, amongst other things.
79. The Committee is aware of the target to establish two Regional Marine Plans (RMPs) each year. This ambition was set out in the Financial Memorandum to the Marine (Scotland) Bill 2010 which sets out the costs of local marine planning. The estimates are based on the assumptions that there will be 10 Regions, it will take 2 years to complete a plan, with 2 plans starting in each of 2012-13, 2013-14, 2014-15, 2015-16, 2016-17.¹⁶ The Committee is also aware that this ambition has not been realised and is currently considering the development and implementation of RMPs and intends to discuss this further with the Scottish Government in due course.

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

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

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

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

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

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

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

82. The Committee also previously expressed concern that Marine Scotland may be faced with the considerable task of developing and implementing a new legislative framework for fisheries outside the Common Fisheries Policy.

The Committee asks the Scottish Government to provide a further update from Marine Scotland on the actions it is taking to manage this and other challenges resulting from the UK withdrawal from the EU.

Scottish Environment Protection Agency (SEPA)

83. SEPA's budget has also been declining over a number of years. The Committee previously expressed concern that a reduction in funding for SEPA may have contributed to the lack of progress in SEPA relevant national indicators e.g. to reduce Scotland's carbon footprint (maintaining) and to reduce waste generated (worsening).

The Committee encourages the Scottish Government to reflect on this in light of the challenges of promoting a circular economy and the challenges of EU exit, including in relation to effective environmental governance, waste and chemicals management. The Committee is also aware that the UK exit from the EU is likely to impact SEPA and welcomes additional information on this.

Scottish Water

84. The Committee has heard previously that from a Scottish Water perspective, climate change has two dimensions: the carbon implications of spend and the climate resilience of the services that are provided. The Committee understands that the longer-term carbon implications of investment have been picked up through an approach that was developed around capital carbon and infrastructure assessment, which involves looking at the types of investment undertaken. Effectively, that means that Scottish Water has a tool that allows it and its delivery partners to start to account for carbon within the business. The Committee plans to meet with Scottish Water and its partners in early November to discuss the next infrastructure investment programme and the approach to climate change and reducing emissions.

The Committee would be interested to hear how Scottish Water's carbon accounting tool has impacted on the carbon implications of spend, what changes to practices have been made as a result and how this will impact future investment planning.

Zero Waste Scotland

85. Zero Waste Scotland states that "it will lead Scotland to use products and resources responsibly".¹⁷ The Committee notes that the Scottish Government intends to introduce a Circular Economy Bill. The Committee recognises that taking a circular economy approach will require close working with government, government agencies, local authorities, the wider public sector and business.
86. The Committee also notes that Zero Waste Scotland is the lead partner for a programme in the current round of EU structural funds in Scotland which has a total value of £73 million via the European Regional Development Fund (ERDF) and which runs to December 2019. The intervention aims to improve the economic

impact of SME's while at the same time reducing their impact on the natural environment, in line with Scottish and EU policies. The Committee is concerned about the funding implications of an EU exit on the work of Zero Waste Scotland.

The Committee would welcome a view from the Scottish Government on the annual funding gap for Zero Waste Scotland, of the UK exit from the EU and the proposed level of investment to this work and to Zero Waste Scotland over the next 5 year period (year on year).

Public bodies

87. The Committee considers the role of public bodies in terms of their leadership and proactive work to mitigate and adapt to climate change is critical. The Committee previously agreed to review the public bodies reporting duties following the Scottish Government review and intends to do so as a matter of priority. The Committee is aware that this review is likely to have implications for the Scottish Government Budget and delivery of the Climate Change and Climate Adaptation Plans.

The Committee would welcome detail on the approach of the Scottish Government to mobilising the public sector, including the establishment and remit of the leadership network and provision of guidance and tools to assist the embedding of climate change in the culture, operation and behaviours of all public sector bodies.

The Committee also asks the Scottish Government to provide detail on the additional funding that will be made available to public bodies to support the embedding of climate thinking and action at the heart of their work, including the development and application of carbon budgeting tools.

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

The Scottish National Investment Bank (SNIB)

88. According to the Implementation Plan for the proposed Bank, it should take into account economic, social and environmental returns, and with reference to the National Performance Framework, when making investment decisions.

The Committee welcomes the explicit mission of the Scottish National Investment Bank (SNIB) in relation to climate and climate change and asks the Scottish Government how the SNIB and the Infrastructure Commission for Scotland can be used to link the climate and ecological crisis e.g. through prioritising or piloting approaches to investment in green and blue infrastructure.

Fiscal measures: taxes, levies or charges

Overall objective

89. In its pre-Budget scrutiny the Committee began to explore the opportunities and risks from increasing the proportion of income to support environmental projects that might come from fiscal measures e.g. taxes, levies or charges in some form. The Committee looked at the use of such measures as a driver for behavioural change and as a source of future funding streams to support environmental measures; and how public spending already incentivises environmentally positive or harmful behaviours, including through subsidies. The Committee commissioned a SPICe briefing on environmental taxes and charges. The Committee also heard from Revenue Scotland, the Expert Panel on Environmental Charging, experts and academics to explore the relevant work underway or planned.
90. In addition to this evidence the Committee is in the process of commissioning research to review the scope of existing measures and practice elsewhere. Once completed this will inform further investigative work by the Committee and assist it in the assessment of any proposals brought forward by the Scottish Government for new taxes or charges.

Effectiveness of charges

91. The single use carrier-bag charge has been cited as a measure that demonstrates that a small change can have a big impact and that a relatively low-level charge can be an effective way to change consumer behaviour. The Institute for European Environmental Policy told the Committee that demonstrating an environmental levy or tax is part of a wider package that takes the social and economic issues into account is the most important factor in the success of the taxes.¹⁸
92. Revenue Scotland shared the view that taxes can be used to bring about positive behavioural change, citing changes in the landfill industry, preparing for the biodegradable municipal waste ban, and changes in the way in which waste is treated, reducing the amount that goes to landfill. Revenue Scotland stressed the requirement for a tax to be clear, readily understood, and underpinned by robust and coherent legislation.¹⁹
93. The Committee is aware that if an environmental tax or charge is successful in changing a behaviour, there may be a decline in revenue. Since its introduction in 2015 approximately £0.5 billion has been raised from the landfill tax and the amount of landfill in Scotland has been steadily reducing since its introduction. The

Committee heard that the tax has been a central measure, operating alongside other policy measures such as improving recycling infrastructure and investment in local authority kerbside collections and revenues are expected to reduce from £150 to approximately £30 million a year.

Opportunities for further focus

Expert Panel on Environmental Charging and Other Measures

94. The Committee is aware of the work of the Expert Panel on Environmental Charging and Other Measures, which published its first report in July 2019 focusing on single use disposable cups.²⁰ The Committee heard from The Scottish Government that in addition to single-use throwaway items, the “big-ticket” items are tyres and mattresses and there are issues with carpets, textiles and furniture.

The Committee would welcome further information on the outcomes from the work of the Expert Panel on Environmental Charging and Other Measures, and future work programme and how the Scottish Government intends to progress this, including identifying and tackling the ‘big ticket’ items and tackling adaptation and behaviour change.

Producer responsibility

95. In conjunction with taxes and levies which would fall mainly on individuals, the Committee also considered producer responsibility in tackling behavioural change. Zero Waste Scotland told the Committee that producer responsibility and associated schemes and measures will be the next stage in reducing the use of materials through prevention and design.²¹

The Committee notes that consultation on reforming the UK packaging producer responsibility system has taken place at UK Government level and would welcome a view from the Scottish Government on whether it intends to develop other forms of extended producer responsibility scheme at Scottish level.

Horticultural peat levy

96. The Committee notes the suggestion from RSPB Scotland and the Scottish Wildlife Trust that a levy on horticultural peat is a possible means of addressing unsustainable peat extraction.²² The Cabinet Secretary for Environment, Climate Change and Land Reform previously said that she did not think Scotland had the power to deal with that. The Committee also notes that the Scottish Government asked the SNH-led national peatland group to consider how it can support efforts to end horticultural peat use.

The Committee would welcome confirmation from the Scottish Government on any recent consideration of this and if there is any intention to introduce a levy on horticultural peat extraction. The Committee would also welcome an update on the outputs of the SNH-led peatland group including what work it has done on horticultural peat use.

Waste treatment

97. The Committee notes that the Scottish Government has decided to delay its ban on landfilling biodegradable municipal waste to 2025. The cabinet Secretary for Environment, Climate Change and Land Reform, Roseanna Cunningham announced that she would 'very reluctantly' push the deadline back from 2021 because some public and private waste managers were not yet prepared. The Committee notes that the Scottish Government is planning to use the Scottish Landfill tax as an incentive to ensure that transition to the new target takes place as required.²³

The Committee would be interested to hear how the Scottish Government sees this approach working. It would also be keen to hear what the implications are for, and the impacts on, other environmental targets

The Committee would also welcome further information from the Scottish Government on—

- **Work underway or planned on environmental fiscal measures how this will be reflected in the Budget;**
- **The development and use of climate change levies**
- **Progress towards development and introduction of an aggregates levy;**
- **Work on an energy-from-waste or incineration tax; and**
- **Work on reform of the packaging producer responsibility system and the introduction of levies or taxes.**

The Committee is keen to understand how measures such as waste treatment and producer responsibility will be prioritised in the Budget. The Committee would welcome further information from the Scottish Government on this, including if measures will be prioritised principally on their potential with regard to positive environmental outcomes or existing levels of damage, and how other factors, such as the cost of administration, revenue potential and public and industry acceptability, are balanced against that.

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

The Committee seeks clarity on the operation of the Cabinet sub-committee on climate change – is it still functioning or will it be replaced by a new structure?

98. The Committee will consider the review of fiscal measures, once complete.

Conclusion

99. The Committee's scrutiny of the draft 2020/21 Budget has taken place in the context of the declared Climate Emergency and the commitment of the First Minister that Scotland would live up to our responsibility to tackle it. On 25 September the Scottish Parliament committed to Scotland reaching net-zero greenhouse gas emissions (GHGs) by 2045 and set a 2030 target of 75% reduction from 1990 levels.
100. The Committee welcomes the Scottish Government's continued commitment to increase the percentage of capital spend on low carbon projects. The Committee also welcomes the Cabinet Secretary's willingness to work with the Committee to provide "a national understanding of the direction of travel on emissions and input and proportion of spend" and to engage more widely when considering the carbon impact of the budget.
101. The Committee has made a number of specific proposals about how supporting information in relation to the Budget could be improved, particularly in relation to the carbon impact of spend. The Committee is keen to ensure that the long-term carbon impact of spend is assessed and reported on. The Committee wishes to continue to work with the Scottish Government to ensure Parliament better understands the carbon impact of all Budget decisions. The Committee considers that an ambitious and collaborative approach is necessary to ensure we understand the impact of Scotland's budget on Scotland's greenhouse gas emissions. The Committee intends to pursue the commitment of the Cabinet Secretary to a collaborative approach with the Parliament to assess the carbon impact of the Budget.
102. The UK exit from the EU will significantly impact funding streams supporting environmental objectives. The Committee understands that approximately £52 million per annum comes from the EU to the Scottish Government deliver functions within the Committee's remit. The Committee remains gravely concerned about the impact of the loss of EU funding and the lack of certainty as to what will replace this following the UK's exit from the EU. This will impact the direct and indirect delivery of Scottish Government, and related agency policies and programmes. It will also

significantly impact the work of stakeholders, including Local authorities, NGO's, community groups and land managers across Scotland.

103. The Committee remains concerned that the budget for the ECCLR portfolio, for the relevant agencies and for research, has been declining for a number of years. The impact of this is apparent when considered against the performance of the relevant national indicators, the majority of which continue to decline or flat-line. The Committee remains particularly concerned about the long-term impact of the decline in the research budget and the decline in the budget of SNH and Marine Scotland over recent years, and the impact of this on delivering key environmental, economic and health outcomes. This is likely to be exacerbated by the loss of EU funding.
104. There are significant opportunities to improve key national outcomes, including health, wellbeing and economic growth, through investment in our environment and natural capital. The Committee agrees with the Scottish Government that the natural environment is currently an under-utilised resource and there is scope for more innovative thinking and focus on preventative spend to secure and maximise the wider benefits to other portfolios of environmental expenditure. The Committee would welcome further dialogue across parliamentary committees and with the Scottish Government on this.
105. The Committee is also aware that there are significant potential costs of inaction, or delayed action, in relation to investment in natural capital, biodiversity and climate change and in failing to 'invest to save'. Clarity as to how these are factored into decision-making is vital.
106. The Committee welcomes the Scottish Government's work on wellbeing. The Committee recognises that this work is currently at an early stage and there is a significant opportunity to look at complementary forms of measurement that could be adopted.
107. The Committee consider there are opportunities to the environment and in changing behaviours though the use of fiscal measure and will continue to focus on exploring the potential of fiscal measures to support environmental improvements over the remainder of the parliamentary session.

Annexe A - Minutes of Meetings

27th Meeting, Tuesday 8 October 2019

5. Budget Scrutiny 2020-21 (in private): The Committee agreed its report on the Scottish Government's Budget 2020-21 and agreed its approach to further scrutiny.

25th Meeting, Tuesday 24 September 2019

7. Budget Scrutiny 2020-21 (in private): The Committee considered a draft report on its pre-budget scrutiny and agreed to consider this further at a future meeting.

19th Meeting, Tuesday 04 June 2019

1. Financial scrutiny: The Committee took evidence from— Jacqueline Cottrell, Senior Policy Advisor, Green Budget Europe; Martin Nesbit, UK Director, Institute for European Environmental Policy; Jenni Hume, Campaign Manager, Have You Got the Bottle; Callum Blackburn, Head of Policy, Research and Evaluation, Zero Waste Scotland; Michael Cook, Chief Executive Officer, Community Resources Network Scotland.

5. Financial scrutiny (in private): The Committee considered the evidence heard earlier in the meeting.

14th Meeting, Tuesday 07 May 2019

1. . Decision on taking business in private: The Committee agreed to take item 3 and consideration of all future evidence on financial scrutiny in private.

2. Financial Scrutiny: The Committee took evidence from— Elaine Lorimer, Chief Executive, and Mike Paterson, Head of Tax, Revenue Scotland; Don McGillivray, Deputy Director, Environmental Quality and Circular Economy, Scottish Government; Michael Cairns, Economic Adviser, Economic Strategy in the Office of the Chief Economic Adviser, and Uzma Khan, Deputy Director, Economic Strategy in the Office of the Chief Economic Adviser, Scottish Government; Ian Russell, Chair, Infrastructure Commission for Scotland.

3. Financial Scrutiny (in private): The Committee considered the evidence heard earlier in the meeting.

Annexe B - Written submissions

- [COSLA \(161KB pdf\)](#)
- [Loch Lomond and The Trossachs National Park Authority \(214KB pdf\)](#)
- [Royal Botanic Garden Edinburgh \(337KB pdf\)](#)
- [The Scottish Environment Protection Agency \(SEPA\) \(88KB pdf\)](#)
- [Scottish Natural Heritage \(162KB pdf\)](#)
- [Scottish Water \(182KB pdf\)](#)
- [Zero Waste Scotland \(98KB pdf\)](#)

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