



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 6 January 2016

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INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

1st Meeting 2016, Session 4

CONVENER

*Jim Eadie (Edinburgh Southern) (SNP)

DEPUTY CONVENER

*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)

COMMITTEE MEMBERS

*Clare Adamson (Central Scotland) (SNP)

*Alex Johnstone (North East Scotland) (Con)

*Mike MacKenzie (Highlands and Islands) (SNP)

Siobhan McMahon (Central Scotland) (Lab)

*David Stewart (Highlands and Islands) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Mike Baxter (Scottish Government)

Keith Brown (Cabinet Secretary for Infrastructure, Investment and Cities)

Margaret Burgess (Minister for Housing and Welfare)

Caroline Dicks (Scottish Government)

Orlando Heijmer-Mason (Scottish Government)

Angus Macleod (Scottish Government)

Andrew Watson (Scottish Government)

CLERK TO THE COMMITTEE

Steve Farrell

LOCATION

The Adam Smith Room (CR5)

Scottish Parliament

Infrastructure and Capital Investment Committee

Wednesday 6 January 2016

[The Convener opened the meeting at 10:00]

Decision on Taking Business in Private

The Convener (Jim Eadie): Good morning and welcome to the first meeting in 2016 of the Infrastructure and Capital Investment Committee. I remind everyone present to switch off their mobile phones, as they affect the broadcasting system, but I should note that because meeting papers are provided in digital format, you might see tablets being used during the meeting. Apologies have been received from Siobhan McMahon.

Agenda item 1 is a decision on taking business in private. Does the committee agree to take in private item 4, which is consideration of candidates for the role of adviser to its inquiry into the circumstances surrounding the recent closure of the Forth road bridge?

Members *indicated agreement.*

Draft Budget 2016-17

10:00

The Convener: Agenda item 2 is an evidence-taking session with the Scottish Government on the draft budget 2016-17. On 25 November 2015, prior to the draft budget's publication, the committee took evidence from a number of stakeholders and allowed those witnesses to comment on the outcomes of the current year's spending and to suggest what more might need to be done in 2016 and beyond to meet the Government's targets. Now that the draft budget has been published, today's evidence-taking session with the Cabinet Secretary for Infrastructure, Investment and Cities and the Minister for Housing and Welfare will give members a chance to follow up on those sessions.

I welcome to the meeting Keith Brown, the Cabinet Secretary for Infrastructure, Investment and Cities. He is accompanied by Mike Baxter, director for finance and analytical services, and Andrew Watson, deputy director for financial strategy, both of whom are from the Scottish Government.

Cabinet secretary, I invite you to make some introductory remarks.

The Cabinet Secretary for Infrastructure, Investment and Cities (Keith Brown): Thank you, convener. I am delighted to be with you this morning and I welcome the chance to give evidence on how, in particular, my portfolio spending helps to meet the Scottish Government's climate change targets, which, given the comments that you have just made, might well be the focus of the committee's budget scrutiny.

It is well known that the Scottish Government's purpose is to deliver sustainable economic growth and to create the opportunity for all our citizens to flourish. We believe that with a relentless focus on tackling inequality and boosting productivity we can create the foundations for a stronger and more inclusive economy. At the same time, we are on track to reach our 2020 interim climate change targets. This year's draft budget should also be seen in the context of the recently refreshed infrastructure investment plan, which supports the objectives set out in Scotland's economic strategy and the Scottish Government's programme for government.

The draft budget is a budget for investing in, protecting and extending our economic recovery. Over the next year, around £4 billion is to be invested in infrastructure, including house building, transport and digital links. Over the course of this parliamentary session, we will have successfully delivered 30,000 homes—I remember that, when I

was minister for housing, that target was met with some scepticism—and we are committing to an increase of £90 million in affordable housing supply compared with 2015-16 and a total investment of around £690 million in housing. That will help to support our overall commitment to delivering 50,000 new affordable homes by 2020-21. We are also providing further investment of £130 million in Scotland's digital infrastructure to help us meet our 2017 target of ensuring that 95 per cent of premises in Scotland have access to next generation broadband.

The infrastructure, investment and cities portfolio plays a significant role in helping to achieve the Scottish Government's purpose, primarily through contributing to the wealthier and fairer, safer and stronger, and greener strategic objectives. In line with Scotland's economic strategy, the majority of the portfolio's spend is focused on investment in transport, including low-carbon transport, and water infrastructure. I will expand briefly on those aspects.

First, transport infrastructure is a critical part of the draft budget. Since 2007, the Government has invested more than £15 billion in transport and we are continuing in 2016-17 to invest more than £1 billion annually in public transport and other sustainable transport options to encourage people to get out of their cars. The roads budget has been increased as a result of the recent changes to the European Union's statistical classification of the Government's programme of revenue-financed infrastructure, which means that funding for the cost of constructing the Aberdeen western peripheral route is included in this year's budget figures. Our investment in the strategic road transport network will ultimately support the low-carbon agenda, whether through providing efficient links for public transport and the new generation of low-carbon vehicles, taking traffic off local roads to improve conditions for active travel or facilitating modal shift.

Alongside that is the completion of the new Forth replacement crossing. The recent temporary closure of the Forth road bridge for essential repairs has served to highlight the need for the new crossing and I am very pleased that this budget will allow the crossing to progress towards completion in line with the latest timescales, which were previously advised. Funding for Forth road bridge capital maintenance has been protected. This year it is £9 million, an increase of £4 million from 2015-16 that matches—as it always does—the agreed programme of works.

As part of our efforts to deliver our transformational vision of the complete decarbonisation of road transport by 2050, through the electrification of transport as well as modal shift, we are providing leadership in relation to

pump-priming low-carbon technology, modal shift and active travel initiatives, and we are promoting associated networks. We are working with partners to deliver actions from "Switched On Scotland", which is our electric vehicle roadmap. Chargeplace Scotland, our electric vehicle charging network, currently comprises almost 1,000 publicly accessible charging bays throughout the country, including more than 100 rapid charge points, which makes it one of the most comprehensive networks in Europe. We have also launched the active travel vision and the first-ever national active travel summit, which brings together key stakeholders to seek support for our longer-term aspirations to increase the uptake of cycling and walking for shorter everyday journeys.

We are sustaining investment in active travel at the record level of approximately £39 million in 2016-17 and we continue to invest over £1 billion per year in public and sustainable transport to encourage people onto public transport and into active travel modes.

We will support the European regional development fund interventions on sustainable transport over the period up to 2020, which should yield match funding of up to £37.5 million to assist in the delivery of active travel hubs. Low-carbon transport hubs and a national smart integrated ticketing scheme will also be developed.

We will encourage the freight industry to reduce emissions through the mode shift revenue support and waterborne freight grant schemes. As announced in June 2015, we will support a continuation of the future transport fund to provide the infrastructure necessary to enable the uptake of low-emission vehicles and other sustainable forms of transport. We will continue to invest in infrastructure and behaviour change initiatives to encourage cycling and walking, working in partnership with local authorities across the country.

We also intend to complete the electrification of the Glasgow to Edinburgh rail line by December 2016 and to continue the delivery of key improvements to the route between Aberdeen and Inverness.

Turning to Scottish Water, we are committed to a significant programme of investment in Scotland's water and sewerage infrastructure for the 2015 to 2021 period that is worth £3.5 billion. It includes £250 million to upgrade Glasgow's wastewater infrastructure to improve the environment of the river Clyde and to tackle flooding, which will enable economic growth, safeguard public health and protect our environment.

On flooding specifically—which is obviously very topical—Mr Swinney previously announced that

this year we will provide £4 million to the local authority areas that were affected most by recent flooding in Hawick, Newcastleton, Dumfries, Alyth and other localities, as mentioned by the Deputy First Minister yesterday, to help with recovery and to help households and businesses access the support that they need.

Funding for the flood forecasting service has been protected by the budget settlement put forward in December. Funding for that system is provided directly by the Government and is in addition to the grant in aid that we provide to the Scottish Environment Protection Agency.

As a hydro nation, we can capitalise on global economic opportunities and support the good stewardship of water resources. We have made resources available from within the Scottish Water budget to promote that agenda, which includes the climate justice fund.

In relation to procurement reform, we will continue to invest in the Scottish model of procurement through the procurement resources transfer from the core Scottish Government administration budget. That will secure the continued provision of shared services in order to underpin the transformation of public procurement in Scotland, which will deliver further savings and maximise the social, environmental and economic benefits of public purchasing activity.

We will, for example, continue to ensure that contracts for our large infrastructure projects include community benefit clauses to achieve continued employment and training opportunities. In 2016-17, the Scottish Futures Trust will continue to work to enhance the value for money of infrastructure investment across the public sector in Scotland, which will include working in partnership with others to produce delivery of the extended pipeline of revenue-funded investment and to support other innovative ways of financing and procuring infrastructure.

I believe that the 2016-17 budget is a robust plan to improve infrastructure and to introduce house building to ensure that all Scots can benefit from our post-recession growth. With that, I am happy to answer any questions.

The Convener: Thank you for that opening statement, cabinet secretary. I will kick-off the questions. Clearly, the main area of interest for this committee is expenditure on transport. You indicated in your opening remarks that some of the estimated increase in the road budget is attributable to the reclassification by the Office for National Statistics of the estimated construction costs for the Aberdeen western peripheral route. Do you have a figure for how much the increase in the budget would have been without that reclassification?

Keith Brown: Andrew Watson, the deputy director for financial strategy, can answer specifically on that; however, I think that the difference is of the order of £180 million in this financial year. If you deduct that from the total that we have, you will see that what we would have had for roads infrastructure would have been less in absolute terms than it was last year.

The Convener: The increase in the budget, including for the Aberdeen western peripheral route, is around 18 per cent. I am just trying to get an indication of what the percentage increase would have been without the reclassification of the AWPR. Assuming that the percentage increase would have been of the magnitude of over 10 per cent, that would still be a significant increase. We have a reduction in the rail service budget of 7 per cent and a 26.5 per cent increase in the budget for sustainable and active travel. Is the current balance of transport expenditure appropriate, given the Scottish Government's very clear policy commitment to reduce carbon emissions?

Keith Brown: I am happy to answer that, and I am sure that Andrew Watson can work out the percentage figure that you were asking about. As you said, there is about an 18 per cent increase in the roads budget, which includes the exceptional cost of the reclassification of the AWPR. There is around a 0.3 per cent increase in the bus service budget and a 26.5 per cent increase in the sustainable and active travel budget, which shows the biggest increase that we have in the context of a reducing budget.

Of course, you will appreciate, as I think every member of the committee will, that the Government has to make choices in relation to its budget. The changes that we have made in the budget do not reflect a shift in activity from what we have done previously, which is to increase the sustainable and active travel budget. As I said, the large increase in the roads budget is to do with the reclassification of the AWPR. It is also worth saying that the transport budget reflects contractual requirements for maintenance and upgrades that reflect transport priorities. Almost 90 per cent of the transport budget is legally committed in advance.

In terms of investment in transport, I think that we are doing what we said in our manifesto we would do, such as developing the infrastructure to support electric cars, which of course have to travel on roads—as do buses and, in many cases, bicycles—so we have to invest in roads.

To answer your specific question, convener, I think that we have the right balance. It is important to point out the substantial increase that we have had in sustainable and active low-carbon travel, which has gone from about £21 million three years ago to £39 million last year and this year. As I

said, I think that the balance is right. Of course we would like to do more, but we have to work within the budget that we are given.

The Convener: That is helpful. The percentage increase in the sustainable and active travel budget is a significant 26.5 per cent. It would be useful if we could have figures for both sustainable travel and active travel.

Keith Brown: I am happy to provide those.

The Convener: Thank you. You mentioned that expenditure on active travel is at a record level and that the Government intends to sustain that in the financial year 2016-17. You also talked about the importance of match funding. The cycling, walking and safer streets fund is the only significant cycling cash to go directly from the Government to local authorities. Cycling organisations have highlighted in evidence to the committee their concern that that particular expenditure, notwithstanding the Government's commitment to sustain active travel at the current levels, might be under threat, which would make it difficult to secure match funding from other funding streams that are currently available.

10:15

Keith Brown: The budget also impacts on local authorities—there is no question about that. Perhaps that underlies your question. Where that has an impact on match funding, that would obviously be a matter of concern.

We intend to work with local authorities to maximise the opportunities for active travel. We have maintained our commitment to that. We want to maximise the opportunities that might exist for match-funding projects. That is mainly to do with the work that we do through Sustrans and different individual local authorities or groups of local authorities. We will have to work further with local authorities to ensure that they are able to take up those match-funding opportunities.

That is not just for the benefits of active and sustainable travel from cycle paths, for example; it is also because those contracts, which tend to be relatively small in the portfolio for which I am responsible, have a disproportionate benefit in respect of local employment and local contractors. We do not want to lose sight of that.

I am conscious that Mike Baxter wants to come back on a point. I do not know whether that is to do with this issue or the previous question.

I understand the convener's point, and it is our intention to ensure that we still maximise opportunities by providing the budget for local authorities to match and that we work with local authorities.

Part of the change in relation to the capital provision for local authorities is a profiling issue. That is still an issue, but we are saying that the reduced capital provision for local authorities this year will be compensated for in future years. In fact, that happens in a number of areas in the budget in my portfolio. The local authorities will have that money in future years. Those projects tend to be not just within one year in any event, so that will help to mitigate the effects.

I do not know whether Mike Baxter wants to add to that.

Mike Baxter (Scottish Government): I would like to come back on the previous point on the motorways and trunk roads budget. There is an 18 per cent increase for that in the draft budget for 2016-17 to £820 million, of which £183 million relates to the AWPR. If that is taken out, the revised budget would have been £637 million, which would have been a reduction in the motorway and trunk roads budget of circa 9 per cent.

The Convener: Thank you for that helpful clarification and for the speed of it.

Clare Adamson (Central Scotland) (SNP): Good morning, cabinet secretary. Thank you very much for your opening statement, which answered a lot of the questions that I had for you.

You seem very confident that the transport-related infrastructure expenditure plans in the draft budget for next year and for this year will support the Government in reaching its climate change targets. However, you also mentioned long-term electrification goals, change in behaviours and all the things that must happen from the public point of view, including the purchasing of vehicles. Can you give us an insight into how progress will be monitored to ensure that your long-term goals are achieved in those areas?

Keith Brown: The monitoring is done jointly by officials across different portfolios. Obviously, there are Dr Aileen McLeod's and Richard Lochhead's portfolios. A ministerial group has been established that includes a number of cabinet secretaries and ministers to help to monitor the process, as well.

You are right to say that we intend to tackle that in a number of ways. Some of the very large electrification programmes have a direct environmental benefit. Obviously, electrically powered railways tend to be far more environmentally friendly than diesel-powered ones.

It is also about behaviour change. We have achieved that with active travel, for example. There are car clubs and low-carbon vehicles. As I mentioned in my opening statement, a good

network of charging points is probably the essential first thing to get that approach off the ground. That has taken us some time, as it has across Europe, but we are ahead of the game now in getting that. People will not invest in an electric car before they know that the infrastructure exists to support it.

There might also be unanticipated changes that will help us in relation to that. For example, those might include driverless cars, which are prominent just now. The opportunities that driverless cars present are pretty substantial. The technology is not exactly where it needs to be yet—I heard yesterday that it would be 2020 before we see driverless cars at any kind of scale—but it also provides real scope for driving fuel efficiency and a change in the way that the cars that we use are fuelled. We could have many more electric vehicles.

All those initiatives will be advanced and monitored not only through the ministerial working group that I mentioned but by officials working across portfolios.

Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP): I will continue that theme, cabinet secretary. Evidence from Dr Gardner of WWF Scotland suggested that a 300 per cent increase in annual vehicle emissions-reduction rates is required by 2017 to meet the emissions-reduction targets that are specified in “Low Carbon Scotland: Meeting our Emissions Reduction Targets 2013-2027. The Second Report on Proposals and Policies”, and that there appears to be a dearth of policies to achieve that. Do you agree with that analysis and, if you do not, will you clarify the Government’s position on it?

Keith Brown: The latest figures that are available, which are for 2013, show that transport emissions had reduced for the sixth consecutive year. That was partly to do with economic activity and the recession, but it suggests that we are starting to bear down on the historical trend of rising emissions. Since the peak in emissions in 2007, transport emissions have fallen by 1.9 megatonnes. I am not sure whether that is the right unit of measurement, but that is what seems to be—MtCO₂e, or million metric tonnes carbon dioxide equivalent. That is equivalent to a 13 per cent reduction over the six years from 2007 to 2013. It is worth bearing in mind that many of the targets are set with reference to 1990 as the base year. They were below that level for the third successive year in 2013.

Emissions abatement is a longer-term agenda, with our transformational vision of the complete decarbonisation of road transport by 2050—in particular, through electrification of transport but also through modal shift. RPP2, which Adam Ingram mentioned and which was published in

June 2013, outlines our approach to achieving transport emissions abatement over the period to 2027.

There are four key areas in which we intend to pursue that and we have provided some strategy on that. The first is decarbonisation of vehicles, which I mentioned. The second is promotion of sustainable communities, on which there is more for us to do. For example, we need to be much more explicit about how people get in a sustainable way from their doors to where they want to go. We must consider the whole journey and accept that people might use several modes; we need to think about how people who cycle to a train station are able to get on the train and we must ensure that they can either keep their bikes with them or access another at the other end. We have, however, to do more than that. We also have to engage with businesses much more on sustainable transport and, as I mentioned in my opening statement, there is a great deal more that we can do on ensuring efficient use of the road network to help with emissions abatement.

In RPP2 and subsequently, we have put together measures that will allow us to achieve the targets that we have set.

Adam Ingram: Much store has been set by electrification of vehicles. I am thinking of changing my car this year. Is there an incentive for me to switch to an electric vehicle from a conventionally fuelled one?

Keith Brown: Speak to Which? to get advice on that.

There are specific tax incentives for low-carbon transport, which we do not organise; it is done through the United Kingdom Government. Regardless of whether there is an incentive, the crucial point is the one that I made to Clare Adamson: you would not want to invest in an electric vehicle unless you knew that you had the support infrastructure round about you. When I spoke about the different types of charging stations, I mentioned that, for some people, a rapid charging station is essential; some stations take a long time to recharge a car.

The batteries are getting more efficient all the time. People to whom I have spoken who have bought electric low-carbon vehicles said that they would not go back to any other kind of vehicle. Even going back a few years, they found them to be beneficial.

I have seen some of the electric cars that are now available. There is the Tesla, obviously, but there are also BMW vehicles that look like supercars. The image of low-carbon or electric vehicles that was common in the past is very different from the reality today. There are a number of incentives for having such vehicles.

Adam Ingram: I will investigate that. Perhaps more to the point, heavy goods vehicles account for a high proportion of emissions in our roads network. What about that section of the market? Are any initiatives being taken on that front?

Keith Brown: Two initiatives are being taken by us and the private sector. First, the private sector is trying—as I am sure it does with all its products—to make large engines more efficient. HGV engines have followed the same pattern as domestic car engines in becoming more efficient.

Secondly, we have taken the initiative on driver training. That can make a huge difference to companies that are trying to reduce their fuel bills, which has the knock-on effect of reducing emissions. Driver training can dramatically reduce the cost of fuel, so many companies—large and small—are investing in it. We have tried to point companies to driver-training initiatives that relate not only to safer driving but to more efficient driving. That benefits the bottom line for companies because it reduces what they pay in fuel and the benefit to us is that it also reduces emissions.

Adam Ingram: My follow-up question is on sustainable and active travel, which we have already covered to some extent. We have heard evidence that the return on investments in sustainable and active travel is very substantial indeed, and that the target benchmark for a sustainable and active travel budget should be 10 per cent of the total transport budget. Do you feel that the current level, which works out at something like at 1.8 per cent of the draft budget, is sufficient, or do you accept the 10 per cent target and want to build up to that in the coming years?

Keith Brown: I go back to my previous response to the convener. Much of our transport budget is for long-term year-on-year contractual agreements. I have also made the point that much of the expenditure on road transport benefits active travel, too. I am not sure, therefore, that a 10 per cent figure can simply be drawn from the sustainable and active travel budget. There is much else that we do that helps with sustainable travel. One can argue—as I have—that travelling on a train that is powered by electric lines, which people will increasingly be able to do, is far more sustainable than using other forms of transport. We are working to make transport more sustainable right across the transport budget.

We tend to make allocations to transport budgets following evidence gathering, public consultations and impact assessments. I must admit that when I got the job as cabinet secretary I was struck by the amount of consultation that was undertaken on large projects; I think that we have continued to improve that during my time in office.

That model is now often copied by other countries that have seen how we carry out large projects by consulting first.

I will give an example. The A9 project is probably the biggest project on the books at present. For it, we looked not only at the road itself but at the active travel route that runs alongside it. In a number of places, that route is not in very good condition, so we have considered whether it will be possible in the future, when we look at the contracts for upgrading and subsequently maintaining the road, to incorporate a contract to look after the active travel route.

We should therefore not look only at what the sustainable and active travel budget provides: we should look right across the transport piece. I am convinced that we have the balance right, although we will look to do more, as we have been doing. We have dramatically increased the budget for active and sustainable travel—it has gone up to £39 million, as I mentioned—and we will continue to try to do more in the future.

10:30

David Stewart (Highlands and Islands) (Lab):

I will continue the theme of active travel. You will be aware of the evidence that we have received from Spokes, which argues that 1 per cent of the trunk roads budget should be transferred to active travel. I do not need to convince you of the merits of active travel both for health and for tackling climate change. If I were in your place, I would ask for a transfer of funding from health to the active travel budget, because there is a strong argument for the preventative nature of active travel. However, that is perhaps an argument for another day. What is your view on Spokes's proposal to beef up the active travel budget?

Keith Brown: I am at risk of repeating my previous answer to Adam Ingram's question, because much of what I said in that reply applies here. Since the start of the 2011 spending review, we have invested more than £137 million in active travel and, as I have mentioned, our plans for this year will add a further £39 million to that. We announced in June that we will extend the future transport fund into 2016-17 to match what was a record budget for active and sustainable travel last year. That funding currently supports the development of priority active travel and structural projects in partnership with councils, as I have mentioned. There are also projects that are aimed at accelerating the widespread adoption of low-carbon vehicles.

We are doing substantially more than we and previous Administrations have done in the past, and we are making an increasing investment in active travel. However, as I have said, I do not

think that it all comes down to that budget. For example, at the basic level, that budget does not include the match funding that local authorities provide for many projects. In my area, there is a fantastic offline walking and cycling road that goes right along the Hillfoots in Clackmannanshire and is part of the national cycle network. I have seen tremendous advances in Stirling and in the Highlands, as well. We want to continue to invest in such projects over time, and it is not the case that the only advances for active and sustainable travel come from that budget.

David Stewart: I was going to ask about electric vehicles, but Adam Ingram has stolen my thunder somewhat on that issue. I will, instead, raise the issue of modal shift. You and your predecessors have rightly talked about the importance of modal shift. The committee conducted a major inquiry into freight, and it is obviously important to get freight off the road and on to rail and sea. However, as you know, the freight facilities grant has not been spent for the past four years. I am not necessarily blaming the Government, because it takes two to tango and the project proposals have to be submitted first. Nevertheless, it is one thing to talk the talk on modal shift but the reality is that it has not happened in freight transport. What can you do to turn the situation round and ensure that we get freight off the roads and on to the sea, in particular? There have been very few applications for seaborne freight, which is vital.

Keith Brown: You rightly make the point that it takes two to tango, but there is actually a three-cornered relationship. I am not sure that it is true that none of the freight facilities grant has been spent in the past four years, but you are right to say that it is sometimes difficult to get that money out the door. The equivalent budget at Westminster was abolished in 2005 because it was not being spent, but despite that we have kept the budget here. The problem is often that a private sector or third-party initiative is often required when a company wants to look at investing in freight modal shift. There is a European element to consider as well, in that state aid can be an inhibitor, although we have looked closely at how we might minimise that effect. There is a promising FFG initiative by Highland Spring, which is coming off road just now.

You are right to say that we want to pursue modal shift, but one of the difficulties with that became obvious to me when we had the recent problems with the Channel tunnel. I am sure that Alex Johnstone will know all about how the fish-processing industry has targeted road freight to get its goods to market. Someone who is not close to the industry might think that the problems with road freight would have provided the perfect opportunity for it to move to air freight, but we could not convince the industry to do that because

it had established routes and because that did not make sense for low-value, high-volume cargo. There are real problems in freight modal shift, but I would not mistake our having had difficulty in getting that budget out the door in previous years for a lack of commitment on our part.

I give you an assurance that we are looking very closely at what the obstacles have been so far. Often, a project will advance to quite a late stage but the private sector company will not see it through, for whatever reason. I can think of examples in Fife. We are committed to moving freight off road, and we are committed to improving our ability to fund that in the future.

David Stewart: Just for the record, from memory, I think that there are three different grants under the freight facilities grant that allow modal shift. Our adviser for the freight inquiry confirmed that there was no spend under the freight facilities grant for a four-year period, although the situation might have changed since then. I think that the most recent award under the FFG was to Montrose harbour, but I am happy to be corrected by other members.

I have a final issue on modal shift to flag up. Do you share my view that it is very important that we incentivise drivers to consider using the train more? I will give a local example from the Highlands and Islands. Obviously, I fully support the dualling of the A9, the expenditure on which is welcome. When that has been completed, there will be a growth in traffic on the A9, which will be safer, because a dual carriageway is safer than a single carriageway. Without equivalent spend on rail—I know that there is some spending on rail—we will encourage drivers to stay in their cars and not to use rail.

Have you considered saying, “If we spend £X on roads, we’ll spend the same on rail”? As the convener said at the start, there has been a 7.1 per cent reduction in the rail service budget. Have you thought about that in planning services? I think that you are spending about £3 billion on the A9. I know that there is some spending on rail, but I guess that it will be about a tenth of that, although your officials can correct me if that is wrong. Do you recognise the logic of the argument that you should spend the same on rail as on road?

Keith Brown: The reality is that we have spent about £5 billion on rail during the current control period. That money has been spent on projects such as the Borders rail link, the Airdrie to Bathgate line, the improvements at Aberdeen, and the Stirling-Alloa-Kincardine line, which is in my area. The Government was recently attacked in the media because of the level of regulatory asset base borrowing. We have borrowed and invested heavily in rail. It is one thing to say that we should

bear in mind the impact on the railways when we do a roads project, but it is another thing to say that we should not start a major roads project unless we match it pound for pound with a similar local rail project. It is necessary to take a broader view.

We have invested hugely in rail, but there is much more to do. We want as much of the rail network as possible—especially between our cities—to be electrified, and we are well advanced in starting that process, particularly between Edinburgh and Glasgow and as far north as Dunblane.

We have invested in rail, but sometimes it is necessary to consider each project on its merits. You mentioned the safety benefits of the A9 project; it will also be beneficial from the point of view of efficiency. I know well enough—David Stewart knows this better than I do—how much congestion there can be on that road. That congestion is very environmentally damaging, and it is damaging to journey times and to business. Therefore, there are all sorts of reasons for the £3 billion investment in the A9 and for the £3 billion investment in the A96.

However, we are also investing heavily in improvements to the Aberdeen to Inverness rail line. New stations could be included as part of that £170 million investment. I think that we have the balance right, but we do not have the money to do everything at the same time.

David Stewart: You mentioned rail electrification. I have supported that, particularly the electrification of the Glasgow to Edinburgh line. In the past, some rail experts have argued that for the full economies of scale to be achieved, the perfect rectangle would need to be completed—I am talking about the lines between Glasgow, Edinburgh, Aberdeen and Inverness. Do you share that view?

Keith Brown: I think that it is more of a parallelogram than a rectangle. You are right, but on the lines from Glasgow and Edinburgh to Aberdeen, there is the choke point at Montrose, so it is a question not just about electrification but about infrastructure. Of course we want to maximise the amount of electrification of our railway, especially the busiest parts of it, because that has environmental and other benefits, but David Stewart will know as well as I do that the future funding of such projects is pretty uncertain, given the various reviews that the United Kingdom Government is undertaking and the fact that it is looking at Network Rail.

Despite that, we are carrying on with the biggest electrification programme ever in Scotland, and we will continue to push forward with that as best we can.

David Stewart: Thank you.

Mike MacKenzie (Highlands and Islands) (SNP): Cabinet secretary, I apologise if this question seems to be a bit left-field. We heard evidence from Professor Jan Bebbington suggesting that the current carbon accounting method that is used in calculating the carbon impact of the budget is no longer best practice. It is a notoriously complex area. Do you agree with that assessment? Can you outline any proposed changes to assessing the carbon emissions from transport infrastructure projects and the climate change impact of the infrastructure investment programme?

On an almost ancillary but related issue, it strikes me that people who suggest that we are not going to meet our outcomes—I mean Dr Sam Gardner of WWF—always assume that progress will be linear. However, it seems to me that the situation with the game-changing technologies, such as electric cars, will be almost hyperbolic. As happened with smartphones, they will take off suddenly and change the game completely. I am interested to know what your thoughts are on the general methodology that we use for calculating climate change impacts, whether it currently fits best practice, and what improvements we can make in future.

Keith Brown: I never want to get involved in hyperbole, but you might be right about hyperbolic progress. Sometimes, we cannot accurately and definitively forecast how things will take off. People would not have done that about smartphones and it is true for other technology as well.

The purpose of the carbon assessment of the draft budget that we have put together is to help Parliament to understand the emission consequences of our spending by estimating the carbon emissions that are embedded in the goods and services that are funded by the Scottish Government. That carbon assessment reflects the draft budget and, as such, by its nature, it is a high-level assessment. It is best applied to portfolio spending and budget expenditure as a whole. It helps to raise awareness of the carbon impact of spending.

You mentioned cultural change. The biggest cultural change that we all have to undergo is to understand what the carbon impact will be when we make investment decisions. The process also helps by identifying the carbon emissions from upstream inputs, such as the production of gravel for road construction, as well as those that are generated directly by Government expenditure, for example, on heating spaces.

To better understand the complete picture on the emissions that are associated with the use of public goods and services, the assessment needs

to be read alongside the analysis that we have produced that is contained in RPP2, which provides assessments of key proposals and policies for meeting our targets. Your question hints at changes in how people undertake carbon assessments, but we are confident that our carbon assessment provides what we want to provide, which is a way for people such as committee members to understand and know the carbon impact of our policies.

That is perhaps the most important point. I am sure that techniques and methodologies will change over time and that people will compete over which are the best ones, but if we can get across the basic point about what we believe are the carbon impacts of what we are doing, that is surely the most important point about carbon assessments.

Mike MacKenzie: To an extent, my next question covers territory that David Stewart has already touched on. To what extent does your portfolio expenditure generate positive outcomes for other portfolios? One example is health, and one of the obvious outcomes is the improvement of air quality. Can you make the case that some of the health portfolio money should be reallocated to infrastructure?

Keith Brown: If I was sitting in front of the Health and Sport Committee, I am sure that I would be hearing a different argument.

We try to have regard to health and other environmental consequences. Perhaps the most obvious and easily-measured consequence for another portfolio relates to employment and life chances. For example, community benefit clauses help people who have been long-term unemployed. I have met two young people who have done their apprenticeships while working on the Forth crossing and they are now going off to different projects. That has allowed them to develop their careers by getting unique experience on a unique project. There is also benefit through our procurement approach, through things such as the portal for subcontracts, which maximises the opportunities for local business.

We will produce benefits for health, not least those in relation to active travel that several members have mentioned. We will produce benefits for the environment. Richard Lochhead recently made a statement about the VW emissions scandal. If there are fines arising from that—as there should be—the money could be used for environmental purposes, which could also have benefits for health. We are conscious of other benefits, as well as of the competitive nature of different portfolios and the budgets that they seek.

10:45

Mike MacKenzie: Finally, I was quite enthusiastic about the two relatively new hybrid ferries, the Hallaig and the Lochinvar. Work has been done recently on whether they could be made even more efficient by converting them to hydrogen. How much scope is there for further improvements in ferry efficiency for our fleet?

Keith Brown: There are now three hybrid ferries. The point about a hydrogen ferry is interesting. Research has been done on that at the University of St Andrews and there is potential for horizon or 2020 funding to help to develop that. Mr MacKenzie is right that, if we could develop a hydrogen-powered ferry in Scotland, the benefits would be substantial, given our large ferry network. If we are the first to develop that technology—we are doing something similar in relation to buses in Aberdeen—the benefits can be huge. Others may well be looking at how to go down that path, especially given that the new sulphur regulations mean that we have to look at retrofitting current ferries to meet environmental standards.

When a small ferry in Bristol was converted to hydrogen, because the hydrogen power unit was so effective, more ballast had to be put in to replace the weight of the diesel engine that had been taken out. There is potentially a huge dividend in relation to efficiency and the environment. I hope that we can be the first to develop such ferries, through the work of shipbuilders or academics, using European funding.

The Convener: I want to ask about the infrastructure investment plan, which was published alongside the draft budget and which designates energy efficiency as a national infrastructure project. We are at an early stage in relation to that innovation, but will you say more about that and what you think the positive impact of that change will be in practice?

Keith Brown: It touches on different aspects of the infrastructure plan and different elements of infrastructure, many of which we have already mentioned in relation to transport. It also touches on the remit of the Minister for Housing and Welfare, whom you are about to talk to.

The idea in the IIP is to try to ensure that energy efficiency is key and runs through all our infrastructure initiatives and spend. First, it helps us because it reduces costs to the Government, particularly in relation to our buildings and so on. We can also help the environment by reducing our energy use. Many of the infrastructure investment plan's initiatives on energy efficiency are to do with district heating schemes and similar projects,

which Fergus Ewing and Margaret Burgess might be more familiar with than I am.

We think that it is the right thing to do, but we are also doing it because of pressure from the committee and Parliament, which have asked for energy efficiency to be mainstreamed.

Andrew Watson (Scottish Government): One of the main principles of the scheme will be how we bring together the different programmes that achieve objectives in the area of energy efficiency. The idea is to develop what we call Scotland's energy efficiency programme, or SEEP, which will bring together domestic and non-domestic buildings. The IIP signals that that work will be taken forward over the next three years and that, as we go through successive spending reviews, sufficient funding should be allocated to ensure that the priority is delivered.

The Convener: The Government has a commitment to spend more of its capital expenditure budget on low-carbon infrastructure projects. However, I note the issue of carbon accounting methods, which Mike MacKenzie raised. How confident are you that the Government, in taking forward that commitment, is accurately measuring what it spends and how much of that spend relates to low-carbon infrastructure projects?

Keith Brown: I am confident, but when I responded to Mike MacKenzie, I mentioned the caveat that we know that the methodologies are changing and that there are competing views on which is the most effective. If the point of your question is that the Government has to be aware of that and to consistently review how effective its carbon assessments are, my response is that the Government has to do that, it will do that and it will rightly be challenged on that by Parliament and external interests. However, I am confident that what we do now meets the central test, in that, when we make investments, we are mindful of their carbon impacts. Over time, we can improve how accurate those assessments are. We will do that consistently, and we will be challenged to do it by others.

Alex Johnstone (North East Scotland) (Con): I will move on to the slightly less savoury subject of European accounting guidance. I will start positively. Can you confirm what progress has been made with the 12 hub projects that were previously delayed by the European system of accounts 10 issue?

Keith Brown: As I am sure Alex Johnstone knows, the big impact was on the Aberdeen western peripheral route and three or four health projects that were captured by that reclassification. However, as the Deputy First Minister said on 26 November, the 12 hub projects that you mention

have been authorised to proceed to financial close as soon as possible. They are individual projects and they will be looked at by those who are promoting them and by the Scottish Futures Trust. Precise project timetables can be influenced by a range of factors and the 12 projects are not all at the same stage of readiness. We estimate that, potentially, 11 of the 12 projects will reach financial close and possibly even commence construction in the very near future—the next two or three months. However, as I said, they are individual projects and it will depend on the individual circumstances.

Alex Johnstone: What is the status of the larger NPD projects where issues are still to be resolved?

Keith Brown: As I mentioned, the issue is resolved in relation to the AWPR, although not to our satisfaction. I should mention how frustrating it is that the European statistics authority has taken an approach that seems to me to be absolutely counter to what the Juncker plan is trying to do. When people are trying to put €300 billion into infrastructure investment, it is wrong-headed to change the accounting for that in a way that might prevent a large number of projects from going ahead. You will find the same view expressed by many of the other European institutions and in many other places across Europe.

That has been frustrating. As the member knows, the project that has been classified is the AWPR. The Dumfries and Galloway royal infirmary and the Edinburgh royal hospital for sick kids projects are in the ONS forward work programme, so the ONS is looking at them. The draft budget for 2016-17 makes provision in capital budgets for those projects being classified to the public sector, as well as for two smaller projects—the Scottish National Blood Transfusion Service project, which is a fantastic project on the outskirts of Edinburgh, and the NHS Orkney Balfour project, which is in advanced procurement. Our assumption for budgeting purposes is that those projects will be classified to the public sector, so we have made provision for that.

I do not know whether Andrew Watson wants to add anything.

Andrew Watson: That is correct. The AWPR is the only project that has received a formal ONS classification. The ONS will look at the two hospital projects that the minister identified. The two smaller projects might be too small for the ONS to look at in the same way. The issue there would be the similarities between those projects and the three that have received a classification.

Alex Johnstone: My next question was going to be about the implications for the public finances if those projects remain classified to the public

sector. Do you feel that you have all the bases covered?

Keith Brown: Yes, but it is worth bearing in mind the main point, which is that we will make that provision and contingency available if that is what happens. However, the opportunity to do something else with the money is then foregone. In the 2016 budget, we provided cover of around £398 million. If that is what you mean by having the “bases covered”, we have the budget provision in place if that is the outcome.

Alex Johnstone: Looking ahead, if that is how things are to be done forevermore, what are the implications for public expenditure?

Keith Brown: The road—the AWPR—and the health projects that we have talked about are our infrastructure priorities. Our objective is to ensure that they are delivered—and I give the assurance that there is no question but that those projects will be delivered, because of their economic and health benefits. The question of what funding routes we should use is, in some ways, a second-tier issue. It is of course important, and the need to provide up-front capital budget cover for the projects has, as I have mentioned, an opportunity cost for the wider programme. That means that there is other stuff that we cannot do, but that is the environment in which we live. However, if you look at this Government’s track record since 2007, we, and not least John Swinney, have been pretty good at using innovative financial models, whether that be the growth accelerator model, the tax increment financing model or the non-profit distributing model. Therefore, if we want to maximise our infrastructure opportunities—which we do—we will have to continue to be innovative.

It is worth pointing out one issue. I am sure that, like me, Alex Johnstone will have seen press reports that some people—third parties and commentators—believe that more than 50 per cent of the growth since the recession has been due to public infrastructure works. Others have expressed concern that there is too much investment in that direction and not enough private sector investment. I would like to see the private sector, which has been very supportive of our infrastructure programme, being as confident as we are about investment decisions. However, we want to maximise opportunities.

Interestingly, Patrick McLoughlin, the Secretary of State for Transport, has said that, for decades, Scotland has not had the investment that it needs in its transport infrastructure, for example. As I have said to the committee before, I think that that is right. We are trying to make up for what I believe has been decades of underinvestment, and we have introduced some innovative financing models and a commitment to using them for rail, road and other aspects of infrastructure. If we

want to continue to do that, we will have to be innovative in our approach, and that is our intention.

Alex Johnstone: Over time, will the accounting procedure slow the pipeline of projects?

Keith Brown: I was trying to say that, if we do not want that to happen—and we do not—it is up to us to be innovative. Andrew Watson will be able to give an up-to-date position on the hubs around the country—the much smaller projects—but the ONS seems unlikely to classify them. If you bear in mind my previous point, those smaller projects can have a disproportionately beneficial impact on local economies. Those projects are proceeding. If we want to continue with the large-scale investments that we have made in unprecedented numbers—the Forth crossing is one example—it is up to us to be innovative. However, it would be much better if we went with the grain of what Juncker is trying to do, which is to ensure that economies benefit from large-scale infrastructure projects, and did not have such changes being made five years after ESA10 came into force in 2010.

The challenge is there, and it is up to us to be innovative if we want to maintain the level of infrastructure investment that we have seen up until now.

Andrew Watson: I have a couple of points to add. We are seeing a particular impact of classification changes on projects that have been in procurement or that are in pretty advanced development. Classification changes happen periodically, and Governments across the European Union need to respond to that. We are no different in that respect. However, there is an issue around projects that are live, if you like, at the point at which classification rules change.

The SFT has been asked to look at the future and how we might develop our infrastructure programme, reflecting the latest changes. We also have a wider consideration of how the revenue finance infrastructure programme matches against wherever we end up with the revised fiscal framework, wider capital borrowing powers and the future spending review. The task for Government is to look at the range of options that we have to deliver the pipeline, because there is no reduction in the level of our commitment to have that big pipeline of projects.

The second point is on the hub programme, which the cabinet secretary mentioned. We have made changes to that programme that affect not only the 12 projects that Mr Johnstone referred to but the future pipeline of hub projects. We remain fully committed to that programme of activity.

11:00

The Convener: Cabinet secretary, from what you have said, this is clearly a challenging area for Government, not least because the need to reclassify is happening during the lifetime of the projects and was not envisaged when the expenditure was initially committed. Is one of the dangers for the Scottish Government that, although there are potentially new opportunities through a fiscal framework for additional borrowing powers that would allow the Scottish Government to do more of that type of investment project, that will no longer be possible because of the need to reclassify infrastructure projects?

Keith Brown: To an extent, that is a danger. We are aware of that danger and are trying to avoid it. Traditional capital-funded projects are a very efficient way of financing projects. That is true for local authorities and the Government. The Public Works Loan Board provides some of the cheapest money available, so that approach is very efficient, but that funding has been constrained. Would that the UK Government treated the Scottish Government in the way that the Scottish Government treats local authorities and the UK Government treats local authorities in England and Wales, whereby there is prudential borrowing so that local authorities can borrow what is prudent rather than there being artificial constraints. That would free up the Scottish Government and the SFT to do a great deal more within responsible limits.

Under the current Administration—going back to before I was a minister—John Swinney's attitude has been that no more than 5 per cent of revenue budgets should be devoted to paying down debt for previous projects, which is a very responsible attitude. We are not a Government that has spent irresponsibly, but we have borrowed substantially to improve Scotland's infrastructure. There is a reducing opportunity in terms of capital, although for us in the short-term it is increasing because of the capital borrowing powers that we are getting. However, it is only one tool in the box and we have been keen to try to exploit other ways of maximising funding.

It might not always be evident to us, but what we have done has produced huge interest elsewhere. I think that we had the largest stream of NPD projects in Europe. It is interesting that some of the projects that have been reclassified have been invested in by the European Investment Bank, which is not an irresponsible lender. It seems to me that the contradictions lie with the attitude of the European statistics agency and other aspects of European institutions, but that is the world that we live in, so we will continue to try to maximise traditional borrowing and look for other borrowing opportunities from other

countries and other sources of borrowing. There is a huge amount of money out there on the international markets—and some money that is not on the markets at all—that is looking for a home to invest in. Such investment is not necessarily about Government infrastructure but just about investing in Scotland. We are alert to all those opportunities and will develop them over time.

The Convener: Thank you very much. I am conscious that we are probably straying into the Finance Committee's territory, but that is a helpful statement of the Government's position. As there are no further questions from members, it remains only for me to thank the cabinet secretary and his officials for their attendance this morning and for their comprehensive evidence, and also for the advertisement for the national cycle network in Clackmannanshire.

We will now pause briefly to allow the witnesses to change over.

11:03

Meeting suspended.

11:06

On resuming—

The Convener: We resume this meeting of the Infrastructure and Capital Investment Committee. I welcome from the Scottish Government Margaret Burgess, the Minister for Housing and Welfare, who is accompanied by Bill Barron, the unit head of housing support and homelessness; Caroline Dicks, the unit head of affordable housing investment policy and planning; Orlando Heijmer-Mason, from the social security policy and delivery division—my apologies for any mispronunciation there—

Orlando Heijmer-Mason (Scottish Government): It was perfect.

The Convener: I also welcome Angus Macleod, the unit head of home energy efficiency programmes for Scotland. I invite the minister to make a short opening statement.

The Minister for Housing and Welfare (Margaret Burgess): I do not have an opening statement, other than to say that I will respond to any questions that members may have.

The Convener: Excellent—that is an innovative development for a Government minister. You may be setting a precedent for your colleagues. We are grateful for that.

I ask Mike MacKenzie to kick off our questions.

Mike MacKenzie: Although the committee recognises the 16 per cent increase in funding in

the area of fuel poverty and home energy efficiency, in the draft budget 2016-17 there is an overall reduction of £22.8 million in funding for energy and energy efficiency. I understand that not all of that will relate to your portfolio area—it may relate to district heating support and so on. In addition, there are difficulties as a result of the green deal having stopped, and there are difficulties with initiatives such as the energy company obligation, which seems to stop, then start, then stop again—I am not quite sure where it is now. However, given the complementary nature of a lot of Scottish Government funding for fuel poverty initiatives, are the proposed expenditure levels on home energy efficiency in the draft budget sufficient?

Margaret Burgess: We are making more than £100 million available for energy efficiency measures in 2016-17, which is an increase on the budget for the previous year, which was £89 million—I think that I am correct in saying that. There is an overall increase in the draft budget. I accept that the current budget was increased as a result of £15 million of consequentials from the green deal, which you mentioned. We used that in our cashback scheme, but that money is no longer available to us. However, we think that the £100 million is a considerable investment by the Scottish Government and will go a considerable way to help people make their homes more energy efficient.

We have already installed more than 900,000 energy efficiency measures—one in three houses has had energy efficiency measures installed. There has been a 70 per cent increase since 2010 in homes that are band C or above, including an 11 per cent increase in the past year, so we are making considerable progress given the tight constraints on us. What I will say about the ECO initiative is that the UK Government stopped the green deal home improvement scheme without any warning to us. Our programmes were based on receiving those consequentials.

Given all that and the changes that the UK Government has made over the piece to the ECO initiative and to the various schemes and given the overall constraints on the Scottish Government budget, our contribution is considerable. The £100 million is purely from our budget. There is other funding—as I think you said—from the energy budget. I cannot talk about that in detail, but I know that about £34 million of the energy budget is going into energy efficiency and renewables, district heating schemes and so on.

Our commitment to energy efficiency remains. This is a one-year budget and we have committed more than £100 million to it, which is a considerable investment.

Mike MacKenzie: What I was getting at was that, in talking to local authorities, housing associations and third sector organisations that are trying to deliver projects, I heard that those projects often depended on match funding. They would get some money from the Scottish Government, some through the ECO initiative and some from the green deal. By amalgamating funding from different sources and initiatives, they were able to make projects on the ground stack up and be financially workable. Given the uncertainty of some of those other funding streams—the ECO initiative and the green deal—they found it difficult to take forward projects on the ground and therefore were unable to spend the money that was available from the Scottish Government. Is that a frustration and a challenge in trying to meet the climate change targets and the aspirations that you have in your portfolio area?

Margaret Burgess: Certainly what is happening with the ECO initiative is a frustration, because our schemes—as you rightly pointed out—were based on attracting ECO investment as well. However, we still pull in more than our share of that, with 11.5 per cent of all ECO measures being delivered in Scotland. That is due to the funding that the Scottish Government puts in. Our £100 million helps to attract that investment. This year, we anticipate around £84 million being attracted in from the £100 million that we invest. That is significant.

We have also had to consider whether we can tailor our schemes differently to ensure that our money is being used. We can look at tailoring them differently where local authorities and projects are finding it more difficult to attract the ECO funding, because once the energy company has met its obligation, it can just cut off funding and no longer participate in a particular scheme.

We have to face those difficulties and challenges, but I think that we have risen to meet them and our investment shows clearly that we are committed to energy efficiency and to tackling not just climate change but fuel poverty. We have made the commitment to make energy efficiency a national infrastructure project with multiyear funding, which gives stability to the companies that are involved in the energy efficiency market. That is what we propose to do and the additional powers as a result of the Smith commission will enable us to design our programmes even more effectively and integrate them more with the energy portfolio to ensure that we meet our energy targets.

Mike MacKenzie: If you take into account the commitment that has already been made for the next parliamentary session to deliver 50,000 affordable homes and the building standards that are implementing ever-increasing energy

efficiency, are you confident that housing-related infrastructure expenditure plans in the draft budget and infrastructure investment programme plans will support the achievement of the Scottish Government's climate change targets?

11:15

Margaret Burgess: I presume that our ambition to build 50,000 affordable homes is welcomed by everyone on the committee. We have to build more homes but, in doing that, we recognise and accept that homes use energy. Homes that are built now are built to much higher energy efficiency standards and that will continue to be the case. We will continue, too, to look at ways of improving the standards. I think that I am correct in saying that the standards changed in October 2015. As we go forward, we will look to see whether other changes can be made to the standards, in light of the 2013 Sullivan report, in order to deliver buildings that meet EU standards.

In line with that, we also have the energy efficiency standard for social housing programme for home improvements in the social rented sector, which must bring its homes up to a certain energy efficiency standard. In addition, we are building new homes, improving existing homes and, through Scotland's energy efficiency programme, raising awareness across the sector of energy-efficient homes to ensure that we can meet our climate change targets.

Adam Ingram: Continuing on that theme, I note that Sara Thiam from the low carbon infrastructure task force suggested in evidence that by 2025 all Scottish houses should be rated at least at level C, using energy performance certificate standards. It has been estimated that that would mean that the Scottish Government would have to incur expenditure of £140 million per annum for the next 10 years, but that that would generate significant numbers of new jobs—10,000—mean savings for individual households on their energy bills and generate savings for the national health service. Do you agree with that analysis? If you do agree with it, or with a version of it, can you clarify how the Government aims to achieve the objectives as laid out by the task force?

Margaret Burgess: I do not have enough information, but I do not think that we should be looking at this point at all houses being rated at level C. I do not know whether a one-size-fits-all approach is appropriate for housing and other buildings across Scotland, which is very diverse, as you will be aware. However, I do think that we have to be aware of the carbon reduction plan and make homes energy efficient. We are making £100 million available for that this year and have committed to year-on-year funding for energy efficiency programmes.

We have also said that in the next session of Parliament we will consult on energy efficiency for the private sector for both owner-occupied and private rented houses. As part of that, we will look at whether there should be a minimum standard and what it should be. We have made a commitment to consult on that. As I said, we have made a commitment of £100 million for this year. We will continue that by looking at multiyear funding for not only houses but other buildings.

The £100 million is a budget for one year. Future Governments will set future budgets, but the commitment has been made that there will be year-on-year funding for 10 to 15 years to improve the housing stock and the stock of other buildings in terms of heating and energy efficiency, in order to reduce carbon emissions across the country.

Adam Ingram: So the next Parliament will determine the way forward on this front, albeit that the direction of travel has been established. How far we have to go has not yet been defined.

Margaret Burgess: We have defined that we will go forward and will continue to improve energy efficiency. We have already done that in the social sector through the EESSH programme and we are considering the issue in the private sector. I think that your question was specifically about EPC band C. We have not made that decision yet. We do not know whether that is the appropriate way to go forward, given the diversity of Scotland's housing stock and buildings. However, we will consult on standards in the next session of Parliament.

The Convener: I would like to stay with that theme. The decision by the Scottish Government to make energy efficiency a national infrastructure project has been welcomed by more than 50 civic and business organisations in Scotland. Do you see that as having the potential to be a game changer for energy efficiency?

Margaret Burgess: I certainly hope so, in terms of public awareness as well as energy efficiency. It has to be recognised that our energy efficiency programme and the way in which we regulate for energy efficiency is a national project. It involves a huge number of organisations and experts in the field.

I am not sure whether you are talking about the project being game changing in terms of climate change reductions, warmer homes or something else.

The Convener: The organisations that have welcomed the development clearly see the potential in all the areas that you have outlined.

Margaret Burgess: Absolutely. That is part of the purpose of the project. We want to meet our climate change targets and also improve our

housing stock across the country, while taking with us all our stakeholders.

The Convener: At this stage, is there a budget line attached to that commitment? Is there a specific piece of expenditure associated with the designation of energy efficiency as a national infrastructure project?

Margaret Burgess: I am talking solely about home energy efficiency, which is in my portfolio. It is a one-year budget, and we have committed slightly more than £100 million this year from our budget. It will be for future Governments to determine the amount that is spent each year. We have said that the programme will be multiyear funded and will be funded for 10 to 15 years as a national infrastructure project. As Mike MacKenzie said earlier, the money that is spent in the energy budget will be more integrated in terms of energy efficiency and home efficiency. We can integrate it better. That is what the Scottish energy efficiency programme will be looking at. It is in its early stages at the moment. A meeting of stakeholders took place in December to discuss how we can move forward. I think that I am right in saying that, in the coming year, some of that £100 million will be used to fund a pilot to consider how we can widen our focus to include not only homes but other buildings. That has been agreed with the local authorities that take part. All that is part of Scotland's energy efficiency programme.

Angus Macleod might want to add to that.

Angus Macleod (Scottish Government): I would just confirm that part of the domestic energy efficiency budget will be used to enable councils to develop pilots to test new and innovative approaches to improving the energy efficiency of all buildings in Scotland. We are working with energy colleagues on developing those approaches and working with councils, with the aim of covering non-domestic buildings as well as housing stock.

The Convener: I want to ask about the heat expenditure programmes. It has been suggested to the committee that the country must increase its expenditure in that regard in order to meet its climate change targets. What is the Government's view on that?

Margaret Burgess: That strays into the energy portfolio. I would have to ask my energy colleagues to get back to you on that. That is not a specific part of my portfolio.

The Convener: We look forward to receiving that information.

The Government has a commitment to increasing the number of affordable homes in Scotland. Are you still on target to achieve the figure of 30,000?

Margaret Burgess: We have already met that target. In October, our figures showed more than 30,000 affordable homes in the current year. We have increased our budget for affordable homes for 2016-17, I think—sorry, I get confused with the years—and I have set a new target for 50,000 affordable homes over the next five years. We anticipate that we will meet that target too.

The Convener: What is the difference in grant funding as a consequence of that increased target?

Margaret Burgess: We have increased the grant funding from £262 million—sorry, from £256 million—to £365 million. Grant funding is mainly for social rented houses.

The Convener: I am aware that the announcement of the additional target of 50,000 affordable homes to be achieved over the lifetime of the next session of Parliament has been welcomed by housing organisations, not least because they have been calling for the Government to do more in that area. I am thinking specifically of Shelter Scotland and the Existing Homes Alliance. What difference do you think that that will make in terms of employment? Is there a figure attached to that?

Margaret Burgess: Off the top of my head, I think that the figure is around 15,000.

Caroline Dicks (Scottish Government): The figure is 13,000 to 15,000.

Margaret Burgess: Yes, 13,000 to 15,000 jobs will be supported—that is per year, I believe—with the building of 50,000 new affordable homes.

The Convener: The Government has a range of targets and ambitions across the variety of tenures that we have in Scotland, which include affordable housing, mid-market rent, social housing and home ownership. The Government made a commitment, which it has now followed through in legislation, to abolish the right to buy. You would presumably argue that the Government continues to fund home ownership through the help-to-buy scheme. Does it intend to continue that scheme?

Margaret Burgess: Yes. It has already been announced in the programme for government that £195 million over three years will be provided to continue the help-to-buy scheme.

The Convener: How many purchases will that support?

Margaret Burgess: It will support approximately 6,500 purchases.

The Convener: Over what timescale?

Margaret Burgess: Over three years. It is a three-year programme.

The Convener: Okay, so the Government is committed to continuing to fund the scheme over three years.

Margaret Burgess: We will continue to fund that scheme, as we have stated, with £195 million over three years. That should support the purchase of approximately 6,500 new homes.

Clare Adamson: Good morning, minister. First, I put on record my support for the target of an additional 30,000 affordable houses by 2021. I am seeking to understand the figures and the budget lines a bit better. In the IIP, the commitment for the 50,000 affordable homes has an indicative budget of approximately £3 billion. You have spoken in detail about the housing improvement initiatives that relate to energy efficiency. More housing obviously means more carbon production, so it is always a movable feast for your portfolio in trying to meet the climate change targets.

Is that £3 billion budget line just for building the affordable homes at a certain energy-efficient level, as you have discussed, or is it an indicative figure that includes energy efficiency money? If no energy efficiency money is included in the budget line, is there any indicative figure for how the budget might have to increase in percentage terms to deal with the 50,000 new homes?

Margaret Burgess: The budget of £3 billion that has been committed for the next five years is for the delivery and building of new affordable homes. As I said in response to an earlier question, those homes will be built to higher standards and will be more energy efficient in any case. As the years go on and building methods improve, we will look at how they can be improved to make homes even more energy efficient if at all possible. At the same time, we are still running the programme to enable local authorities to meet the energy efficiency standards in their existing housing stock. That should improve the energy efficiency of, and reduce the carbon emissions from, the existing stock. SEEP, which will deal with buildings and houses in the private sector, will also be bedding in.

All those things together will reduce emissions from existing stock, and I hope that the methods of building the new stock will not increase emissions too much. I am not going to say that there will be an absolute balance or a net reduction, but our analysts will be looking at the situation. The Government is determined to meet our carbon reduction targets—we know that we have to do that—but, at the same time, we know that we have to increase the supply of housing. It is about finding a balance.

Clare Adamson: Absolutely. Thank you.

11:30

David Stewart: Good morning, minister. You will probably be aware that Professor Jan Bebbington has suggested that the carbon accounting methods that are currently used in assessing the carbon impact of the Scottish Government's budget are no longer best practice. Do you agree with that assessment?

Margaret Burgess: I am not making excuses, but how the assessment is made does not necessarily lie within my portfolio. Our analysts are always looking at ways of assessing the reduction of carbon emissions, and, as we move to our housing proposals under RPP3, they will be working on how we can determine the emissions from those proposals. We may have to go to the analysts or the energy portfolio to find that out, unless Angus Macleod has anything to add. It is not something that would come across my desk.

David Stewart: Mr Macleod, do you have anything to add?

Angus Macleod: No. I echo what the minister said. As I understand it, carbon accounting is a fairly niche area of expertise within statistical and economic reporting, and I cannot claim to be an expert in either of those areas. However, I can liaise with colleagues who work in the area to provide further information.

David Stewart: Okay. I presume that there are no plans to change the assessment of carbon emissions from house building programmes or energy efficiency initiatives.

Angus Macleod: The methodology for assessing the energy efficiency of buildings is called the standard assessment procedure—SAP—and it gets updated from time to time. That is what is used to measure both fuel poverty and carbon emissions. The energy efficiency measurement in the Scottish house conditions survey is based on SAP and has now been updated to use the most recent version of SAP, which is the 2012 version. SAP gets updated regularly, and that is generally what we use. I apologise, but I am not an expert in the area.

David Stewart: That is okay. There is a possibility that the new SAP from 2012 takes on board more up-to-date, current accounting methods.

Angus Macleod: Yes, I believe so.

David Stewart: I get the sense that this is not a very fruitful area of questioning, so I will move on.

My final question is on the Scottish Government's corporate planning. Given that there are potential savings to be made in other budgets, such as the health budget, from improved housing quality, is there an argument that your budget

should be increased because of those savings? Have you had any experience of that in the wider corporate management of the Scottish Government?

Margaret Burgess: Discussions about what one portfolio can contribute to or save within another portfolio are going on all the time in the Scottish Government. For example, we have a health representative on the fuel poverty forum and on our homelessness group. We recognise the impact of other services on people's health and wellbeing and we are looking at that. It is more complex to state the exact impact that an energy-efficient home has on someone's health and by how much that could reduce the health budget, but I am not saying that we should not try to do that—we are always looking at policies holistically. It could be said that getting a job would have an impact on someone's overall health and wellbeing, but how much of the impact would be down to their having a warm home—or a home at all—and how much of it would be based on the fact that they had a job? The Scottish Government considers such things all the time but there is an absolute recognition that, if somebody has a permanent roof over their head and a warm home, that impacts on their overall health and wellbeing and increases their chances of getting a job and participating in their community. We are talking about that not only in the health portfolio but right across portfolios.

David Stewart: That is very helpful. Thank you, minister.

The Convener: Minister, you mentioned that the Government's commitment was not only to providing new homes, particularly affordable homes, but to upgrading the existing housing stock. Will you say a bit more about that and how the Government intends to bring the existing housing stock up to the minimum energy efficiency standards?

Margaret Burgess: We already have the arrangement for bringing social housing up to energy efficiency standards under the EESSH programme. We will consult on REEPS, which is—remind me, Angus.

Angus Macleod: The regulation of energy efficiency programme.

Margaret Burgess: That will cover private housing—owner-occupied housing. SEEP will look at the new programme. That is all at an early stage but we recognise that the housing stock throughout Scotland must be more energy efficient if we want to reduce carbon emissions as well as reduce fuel poverty. Before we reached the SEEP stage, we had some discussions on how we should go about that. Adam Ingram asked about the minimum standard. As we roll out SEEP, we

will consult on matters such as whether there should be a minimum standard and, if so, what it should be.

The Convener: Are there any other areas that you would like to cover or expand on? We have covered housing supply, the help-to-buy successor scheme and energy efficiency as a national infrastructure priority. Is there anything else that you would like to touch on?

Margaret Burgess: Someone mentioned housing across all tenures. As a Government, we are keen to ensure that, when we increase supply, we do so across all tenures. Our focus is on affordable housing, but we are also helping with low-cost home ownership and the help-to-buy scheme, which is kick starting the construction industry and keeping jobs going. It is important to recognise that that is all part of increasing supply across all tenures. That is what we aim to do, but our focus is on the 50,000 affordable homes.

The Convener: If members have no final questions, it remains for me to thank you and your officials for attending and for your evidence.

I will now allow a brief suspension for the witnesses to leave the room.

11:38

Meeting suspended.

11:40

On resuming—

Petition

Freedom of Information (Scotland) Act 2002 (Housing Associations) (PE1539)

The Convener: Agenda item 3 is consideration of PE1539, by Anne Booth, on bringing housing associations under the Freedom of Information (Scotland) Act 2002. I welcome Anne Booth and Sean Clerkin, who are in the public gallery. They have waited patiently for this item.

When the committee previously considered the petition at its meeting on 18 November, it agreed that, as the Scottish Government has now decided to formally consult on extending the Freedom of Information (Scotland) Act 2002 to include registered social landlords and to review the Scottish social housing charter, it would seek the petitioner's views on whether she would be content for the committee to close the petition on that basis. The petitioner's response is attached at annex A to paper 4. In that response, Ms Booth expresses a preference for the committee to keep the petition open.

The committee is invited to consider and agree whether it wishes to take any further action in relation to the petition. Should the committee wish to keep it open, it could be carried over to session 5, given the timings involved with the freedom of information consultation and the charter review. In those circumstances, updated guidance from the Public Petitions Committee sets out that this committee has the option to add the petition to its legacy paper for its successor committee to consider further in session 5. Alternatively, we can close the petition should we consider that no further action is required.

I invite comments from members on what further action the committee should take.

David Stewart: We should keep the petition open and it should go to the legacy committee in the next session.

Clare Adamson: I am content with that suggestion. The last time we discussed the petition, we were unclear about how the petitioner would feel about that, but given that she has said that she would prefer to keep it open, that is a reasonable course of action.

Alex Johnstone: I am nodding in agreement.

The Convener: Okay. There is a consensus across the committee that we should keep the petition open. Are we agreed that we will leave it open and add it to our legacy paper for further consideration?

Members indicated agreement.

The Convener: Okay. The petition will be kept open and considered further in session 5 of the Parliament.

11:43

Meeting continued in private until 12:43.

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