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19 December 2023

Dear Convenor,

Pre-Budget Scrutiny 2024-25

I thank you for your letter, dated 16 November 2023, in which you outlined a series of questions as part of your pre-budget scrutiny of the Transport, Net Zero and Just Transition portfolio.

I am pleased to provide responses to the Committee's questions, which you will find within the Annex to this letter. As you have noted, some of the questions raised relate to policy areas outside my remit as Cabinet Secretary for Transport, Net Zero and Just Transition (TNZJT). However, as these relate the Committee's remit, these have been consolidated alongside responses within the scope of the TNZJT portfolio as requested. A note has been included alongside the responses with contributions from other portfolios.

The Committee will be acutely aware of the challenges we collectively face within the 2024-25 Financial Year. With high inflation, continuing economic uncertainty, the ongoing cost of living crisis and a 'worst case scenario' UK Government Autumn Statement, which prioritised tax cuts over investment in public services, next year's budget necessitates a series of difficult choices. It is within this challenging environment that we must nonetheless deliver a safe, accessible and resilient transport system, continue to move towards a Net Zero economy and play our role in combatting climate change and nature loss.

I would like to thank the Committee once again for its letter, and for its continued scrutiny of this incredibly important area of Scottish Government policy. I look forward to continuing to engage with the Committee and hope you have found this response useful.

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Yours sincerely,

MAIRI MCALLAN

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Annex – Responses to Committee Questions

1. Support for buses – The Committee seeks details of:

(a) Whether the Network Support Grant will continue in the 2024-25 Budget year:

The Network Support Grant will continue in 2024-25.

(b) Whether the rates paid to bus operators will be reviewed and increased:

We do not currently plan to increase the rates paid to operators through the Network Support Grant in 2024-25.

(c) The impact this will have on the total required funding:

As the rates paid to operators will remain the same in 2024-25, this will not have an impact on the funding required.

(d) The total amount of funding awarded by the Scottish Government through its Bus Partnership Fund and Community Bus Fund in 2023-24 and whether you expect to continue this level of support in 2024-25:

Up to £26.9 million has been awarded to Bus Partnerships through the Bus Partnership Fund to date. The 2023-24 allocation included £1 million in resource funding for pathfinder projects to understand the level of interest amongst local authorities in exploring the options within the Transport Act 2019.

Resources are being allocated according to the priorities of the government. At present, there are no plans to provide direct funding for the Bus Partnership Fund in 2024-25. Through our active travel programmes, we are looking at how we can deliver more synergy between bus priority space and more space for walking, wheeling and cycling. We will provide funding of £6 million for Community Bus Fund, which is a Bute House Agreement policy and will support Local Authorities to continue to progress their options for local bus services.

2. Support for buses – The Committee seeks an update on:

(a) Discussions with COSLA and local authorities on plans for council franchising and improvement partnerships;

Bus franchising and partnership powers in the Transport (Scotland) Act 2019 came into force on 4 December enabling local transport authorities to begin developing their preferred options for improving their local bus services.

The first set substantive regulations made under these powers: the Bus Services Improvement Partnerships and Local Services Franchises (Provision of Information) (Scotland) Regulations 2023, and the Bus Services Improvement Partnerships (Objections) (Scotland) Regulations 2023 were laid on 7 December 2023. We will bring forward further regulations and guidance throughout 2024 which will give the partnership and franchising powers full effect.

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In undertaking this work, we have been working closely with COSLA and local authorities through our local authority stakeholder working group to ensure that the powers reflect local authorities' needs. We have also met with interested local authorities on a one-to-one basis to discuss their intention to explore the use of the Act powers.

(b) Whether the Community Bus Fund is large enough to support future proposals

The Community Bus Fund is intended to support local authorities to explore the options with the Transport (Scotland) Act 2019 but is not intended to support the implementation of future proposals due to potential issues with subsidy control requirements. In exploring the options, local authorities will need to complete various reviews and assessments to understand which option would be most appropriate for their area, and sustainable over the longer term in delivering their relevant general policies.

The 2023-24 allocation included £1 million in resource funding for pathfinder projects to understand the level of interest amongst local authorities in exploring the options within the Transport Act 2019. This demonstrated a high level of interest, and provided an indication of the associated costs, which will be considered alongside other priority programmes for 2024-25 allocations.

(c) What additional support, if any, will be provided for rural bus services:

The Scottish Government continues to provide financial support for bus services with £62.5 million allocated in 2023-24, including through the Network Support Grant. This is paid per kilometre travelled, targeting support to the longer and less commercially viable routes in rural and island communities.

The Scotland-wide free bus travel schemes for Young People and for Older and Disabled people support a much larger percentage of the population than schemes elsewhere in the UK, with over £350 million spent each year to provide over 2 million people in Scotland with access to free bus travel. This helps to increase patronage and support the commercial viability of rural services.

This support compliments our broad package of long-term investment in buses, including the Community Bus Fund, Scottish Zero Emission Bus challenge Fund (ScotZEB) and the Bus Partnership Fund. The funding package sits together with the enhanced suite of options for local transport authorities to improve bus services according to their local needs, including formal partnerships, franchising and running their own bus services.

(d) How the Scottish Government justifies decisions on the level of support provided for concessionary fares against that provided to support the development and ongoing provision of bus services

The Scottish Government continues to work in partnership with operators and local authorities, to look at ways of ensuring that everyone has accessible public transport regardless of where they live and ensuring that sustainable travel is an attractive option.

There is a broad package of support in place to support passengers and the bus sector in Scotland, through the National Concessionary Travel Schemes, Network Support Grant,

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Community Bus Fund, Bus Partnership Fund and ScotZEB (Scottish Zero Emission Bus Challenge Fund) 2.

This funding package sits together with the enhanced suite of options for local transport authorities to improve bus services according to their local needs, including formal partnerships, franchising and running their own bus services.

3. Ticket pricing, Fair Fares Review and Concessionary Fares – The Committee seeks details of:

(a) Whether the £359 million allocated for concessionary travel in the 2023-24 Budget is on track to be fully drawn down over this financial year as you anticipated in June:

The £359 million concessionary travel allocation is on track to be fully drawn down by the end of the financial year.

(b) Whether you anticipate further funding will be required for national concessionary travel schemes next year;

Based on journey trends this year and rising fares, we anticipate further funding may be required. The 2024-25 budget for concessionary travel will increase from 2023-24 levels.

(c) The progress of the review undertaken by Transport Scotland, on the reimbursement model the Scottish Government are using for the concessionary fares schemes;

The review of the reimbursement model for the concessionary travel schemes is on track to be in place for the next financial year.

(d) the Scottish Government's work to evaluate the impact of free under-22 bus travel. In particular—

i. Please outline what matters are being evaluated, including whether this involves evaluating indirect benefits or costs, if any (e.g.) in health;

To understand the impact of the young persons scheme, the Scottish Government has committed to ongoing evaluation of the scheme during the first five years of its operation. As part of this process, we have carried out a one year after launch evaluation which **was published on 14 December 2023 and considers early findings**. The evaluation assesses progress against scheme outcomes and in general does not cover indirect benefits/costs, though antisocial behaviour is considered.

ii. Please also indicate whether and how you will apply any findings of this work to determining whether to extend concessionary travel for young people using ferries, as we proposed should be considered in our report;

The year one evaluation of the under 22 bus travel scheme will inform the Fair Fares Review. The review is considering both the cost and availability of services and the range of discounts and concessionary schemes which are available on all modes including bus, rail, and ferry, to ensure our public transport system is more accessible, available, and affordable, with the costs of transport more fairly shared across government, business, and

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society. Extending concessionary travel for young people using ferries is being progressed as part of the review or as part of the Islands Connectivity Plan.

iii. Does this work include take-up and use of the scheme by young island residents;

The evaluation covers take up and use of the scheme by young island residents.

(e) Whether the Scottish Government plans to gather evidence on how young people use ferry routes which it noted was lacking in its Island Impact Assessment of the National Bus Travel Concession Scheme.

This information is not currently collected. It is something that may be considered as the Islands Connectivity Plan is developed.

4. Ticket pricing, Fair Fares Review and Concessionary Fares – The Committee seeks details of:

(a) The reason for the delay in concluding the Fair Fares Review and the Scottish Government’s assessment of the impact this delay has had on public transport:

It is vital that the Fair Fares Review is informed by the most robust and up-to-date evidence and accordingly the adjusted reporting timeline for the review is taking cognisance of emerging evidence, such as the Year 1 evaluation of the Under 22 free bus travel scheme and emerging findings from the pilot to trial the removal of ScotRail peak fares.

The timeline for reporting the Fair Fares Review has not had a negative impact on our public transport system and those who use it. We have taken action to support the services and make public transport more affordable. Passengers throughout Scotland are benefiting from low fares as a result of our decision to pilot the removal of peak fares on ScotRail for 6 months in 2023-24 and a further 3 months in 2024-25. Also, thanks to the most comprehensive concessionary travel scheme in the United Kingdom, more than 2 million people are eligible to benefit from free bus travel, and 3 million such journeys are taking place every single week.

(b) Whether the Review has considered simplification and streamlining of tickets, particularly ScotRail fares. Specifically, has it considered how to remove fare anomalies in train ticketing, and ensure purchasers are guided to best value fares, whether they use websites, apps or purchase in person?

ScotRail continue to ensure focused and targeted marketing of Scotland’s Railway thereby retaining railway patronage and attracting new passengers to the railway to help meet the Scottish Government’s modal shift and emissions reduction objectives.

The Fair Fares Review will recommend a package of measures which can be considered for implementation from 2024-25 and onwards. These will provide opportunities to address the wider issues for the cost and availability of public transport services across all modes of public transport.

In recognition of the complexity of issues identified from the review, there will no doubt be some recommendations and actions for the immediate and short terms, and areas where

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further work will be required for the medium to long term. The scope of the Review includes the monitoring and evaluation of the ScotRail peak rail fares pilot and the outputs of that will be used to inform medium to longer term rail fares reform work.

(c) How the pilot on removal of peak time fares on railways will be evaluated? When will this evaluation be published?

The monitoring and evaluation of the Peak Fares Pilot encompasses data collection, collation, and analysis as well as an impact report. There are three main strands to the monitoring and evaluation of the pilot:

1. Multimodal evaluation of current travel patterns and impact during (and potentially after) the pilot.
2. Evaluation of the pilot on rail travel patterns before and during the pilot.
3. Provide a value for money assessment of the pilot.

A formal value for money assessment, which includes cross-modal impacts, using the data output from the first two strands will enable an assessment in line with His Majesty's Treasury Green Book principles to be undertaken of value for money at the end of the pilot.

The evaluation will be published following the end of the pilot.

(d) In the event that the pilot is judged a success, how quickly could the reduction be made permanent?

The Value for Money assessment, along with the technical and practical assessment, will inform advice on the outcome and recommendations following the pilot. The overall forward financial position remains extremely challenging with a significant forecast pressure for the Scottish Government. A decision on whether to permanently remove peak fares will be considered alongside the government priorities at that time.

(e) Are further pilots (whether in relation to peak time fares or other ticketing matters) in contemplation at ScotRail:

ScotRail is exploring options as part of the Fair Fares Review which will work to deliver Scottish Minister's vision of a sustainable, inclusive, safe and accessible transport system, helping deliver a healthier, fairer and more prosperous Scotland for communities, businesses and visitors.

(f) When will the consultation on a "Draft Vision for Public Transport" take place (the then Cabinet Secretary for Net Zero, Energy and Transport had advised this would follow the report of the Fair Fares Review)?

The First Minister's Policy Prospectus, "Equality, Opportunity, Community: New leadership – A fresh start", published on 18 April 2023, sets out our commitment to make our public transport system more accessible, available, and affordable, with the costs of transport more fairly shared across government, business, and society. This is our vision for public transport, and the recommendations and actions of the Fair Fares Review will contribute to that vision.

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There has been engagement with a range of operating partners and stakeholders throughout the course of the Review and Transport Scotland has undertaken a wide range of activities which all inform the Fair Fares Review and the future of public transport in Scotland. We know from discussions with our operating partners and stakeholders what we want from our public transport system and we are focussing on the actions required to achieve this. The Review will report a series of recommendations for the immediate and longer term, some of these may require public consultation. We will continue to work with stakeholders to develop and deliver these following the reporting of the Review.

5. Electric Vehicle charging point infrastructure – We would welcome detail on:

(a) How much of the target of £30 million of private investment has the Scottish Government secured?

Work to date has focused on supporting Local Authorities to produce Public EV (Electric Vehicle) charging Strategy and Expansion Plans that forecast uptake of electric vehicles and the volume and mix of public charging infrastructure required to meet the future needs of electric vehicle drivers across the region. These Plans help local authorities understand where they will need to work with the private sector to invest in public electric vehicle charging and will be the basis for securing an appropriate level of private investment going forward.

Transport Scotland and Scottish Futures Trust have assessed Public EV Charging Strategy and Expansion Plans' covering 23 of Scotland's 32 local authorities, with a further 2 currently being reviewed. We expect the majority of local authorities to complete plans by the summer of 2024. Local authorities that have completed plans are now preparing to procure concession contracts with private sector charge point operators, to provide infrastructure in line with these Plans.

Early market engagement activities are already underway and procurement is expected to commence for some projects by early 2024. With the remainder expected begin procurement by the end of 2024.

No private investment has been secured to date; this will be confirmed as contracts are awarded by local authorities. Financial modelling based on strategy and expansion plans, and market engagement already undertaken by Scottish Futures Trust and some local authorities suggests the target of £30 million private sector investment is likely to be delivered.

(b) What work has the Scottish Government done to evaluate projects such as the Ayrshire local authorities' partnership on EV charging infrastructure and to promote best practice in securing private investment across the country?

As with other Local Authority Public EV Infrastructure Strategy and Expansion Plans, Transport Scotland has reviewed the Ayrshire Local Authorities' regional partnership Public EV Infrastructure Strategy and Expansion Plan. Transport Scotland has provided feedback on the approach proposed to ensure that it aligns with the aims of the EV Infrastructure Fund and of Scottish Government's Vision for public electric vehicle charging and that an appropriate level of private sector investment that can be secured.

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The EV Infrastructure Fund aims to target public funding at those areas where the private sector will not currently invest on its own and to support the Vision by focusing on development of a well designed and comprehensive public charging network that is powered by clean, renewable energy, supports businesses and communities across Scotland and works for everyone, regardless of age, health, location or other needs.

Transport Scotland and Scottish Futures Trust will continue to work with the Ayrshire local authorities' partnership to support the partners to finalise a procurement strategy and associated documents. Scottish Futures Trust has developed guidance and template documents to support local authorities as they develop detailed procurement strategies and establish contractual arrangements that will help to secure private investment within Ayrshire and across Scotland.

Transport Scotland and Scottish Futures Trust will continue provide further technical support to the Ayrshire local authorities' partnership as they progress through the next stages of their project, including identifying and sharing lessons learned and best practice from other Scottish local authorities and from similar schemes operating elsewhere in the UK, e.g. the UK Department for Transport Local Electric Vehicle Infrastructure (LEVI) Programme.

Scotland's varied demographics and geography means there is no single solution that can be applied across all parts of Scotland and we will continue to work with individual local authorities and regional partnerships to build capacity and experience.

(c) How much of the £30 million within the EV Infrastructure Fund has so far been allocated?

£4.48 million of the funding from the EV Infrastructure Fund has been allocated to Local Authorities to support development of public EV charging Strategy and Expansion Plans.

(d) How is the allocation of funding taking into account the need to ensure equality of access to reliable charging infrastructure around the country and the different needs of rural communities?

The approach established for the EV Infrastructure Fund is to target public funding at those areas, including rural communities, where the private sector will not currently invest on its own.

The public EV charging Strategy and Expansion Plans being developed by Local Authorities consider a range of factors that might influence the appetite of the private sector to invest within an area or a region.

Local Authorities have begun formal engagement with private sector charge point operators to identify and evidence where public funding is expected to be needed most. Transport Scotland is continuing to support all Local Authorities in Scotland to ensure continued reliability and accessibility of the public charging network they are responsible for.

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(e) How many new charging points have been created so far in this financial year?

Charge points continue to be commissioned onto the ChargePlace Scotland back-office using funding previously awarded by Transport Scotland. In addition, the private sector is increasingly investing in public charging across Scotland. 320 public charge points have been commissioned so far this financial year in Scotland. 220 of those are on the ChargePlace Scotland network.

(f) Your assessment as we near the end of 2023 of whether the target of 6000 charging points will be timeously met.

Based on the analysis undertaken through local authority Public EV Infrastructure Strategy and Expansion Plans, the target of 6,000 charge points is expected to be met by the end of 2026.

6. Energy Prices – The Committee seeks detail of the support on offer from the Scottish Government this autumn and winter to households to mitigate rising energy costs.

The Scottish Government continues to do everything it can within its limited powers to mitigate rising energy costs. We trebled our Fuel Insecurity Fund (FIF) to £30 million this year to provide support to households where there is a risk of self-rationing or self-disconnecting. Estimates suggest that FIF will reach over 100,000 households this year with some level of direct support via our trusted third-sector partner network.

This is in addition to our Social Security support through Winter Heating Payments which provides support for people on a low income with an additional need for heat – targeted at households with a young child, a person with a disability or an older person.

7. Heat in Buildings – The Committee seeks details of:

(a) How much of the £1.8 billion has been spent so far:

Over £1 billion of funding has been allocated through budget rounds to date with c. £540 million forecast to have been spent to end 2023-24.

(b) Whether the £366m spend will be maintained in real terms in the next budget:

Circa £360 million has been allocated to Heat in Buildings in 2024-25 to support the progress to deliver clean heating and energy efficiency measures and development of heat networks.

(c) What outcomes have been achieved so far from this spending:

Our funding is used to deliver installations of clean heating and energy efficiency measures and development of heat networks. We report on outcomes in our annual monitoring report and we have just published a proposed Heat in Buildings monitoring and evaluation framework which will incorporate this reporting in future. Key outcomes in the last two years (2021-22 and 2022-23) include:

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- **ABS:** 13,700 households supported.
- **WHS:** 10,789 households supported through the scheme, saving on average about £160 each year as a result.
- **HES grants/loans:** 11,460 applications for funding for domestic owner occupiers to install energy efficiency and clean heating systems with around 8,600 applications approved.
- **Social housing:** 40 retrofit projects funded to increase energy efficiency and support heat decarbonisation of stock.
- **Public sector:** supported 55 energy and heat decarbonisation projects across public sector estate.
- **Heat networks:** supported the connection of over 2,000 home to low carbon heat networks.

(d) The proposed spending profile for remaining funds for the remainder of this Parliamentary session.

Circa £360 million has been allocated to Heat in Buildings in the 2024-25 budget round – the allocation for future years will be dependant on the outcome of future years budget discussions.

8. Heat in Buildings

The 2023-24 Autumn Budget Revision proposed funding decreases in areas including:

- **Transfer to Housing, More Homes Division to support the installation of zero emission heating systems as part of the Affordable Homes Programme;**
- **Transfer to Local Government for local heat and energy efficiency strategies;**
- **Environmental Services, Zero Waste Scotland to support Heat in Buildings activity; and**
- **Transfer to Public Information and Engagement for marketing campaign activity to support the Heat in Buildings Programme.**

The Committee seeks details of why the funding for these initiatives was reduced and where it has been deployed.

This does not represent a reduction or redeployment of funding for Heat in Buildings (HiBs). Funding is transferred to the area/organisation best placed to carry out specific programmes of work that supports the delivery of the Heat in Buildings Strategy. For example, this includes transfers to:

- Local Government for work on local heat and area efficiency strategies which are a key underpinning of our future delivery approach and will help enable private investment into local authorities,
- Specialist marketing support advice through Scottish Government Marketing colleagues on our advice services, marketing of the Warmer Homes Scotland scheme and a campaign to promote heat pumps to those most likely to be early adopters.
- Contribution to the Affordable Homes Programme.
- Zero Waste Scotland is in relation to the running of the Heat Networks Support Unit which provides pre capital support to local authorities to develop heat network proposals.

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9. Area based insulation and retrofitting schemes – The Committee seeks details of:

(a) How the Scottish Government and councils intend to work together this year on allocating funding to local authorities for area-based schemes and LHEESs [Local Heat and Energy Efficiency Strategies]:

The design of the area based scheme and annual funding allocations continue to reflect fuel poverty and local needs, as agreed by Leaders and Ministers. We are currently working with COSLA to further increase certainty about planning and our investment over the next three years (on a rolling basis).

(b) What additional support will be made available to local authorities next year to deliver energy efficiency and retrofitting programmes at rate commensurate with targets:

The Scottish Government is providing long term funding to support local authorities to develop and deliver their LHEES with funding committed for each local authority of £75,000 per year until 2027-28. Once the LHEES are in place, we also intend to work with local authorities to support them to establish ways forward for delivery of projects.

(c) The £37.7m reduction in local authority Energy Efficiency Capital Grants in the Emergency Budget due to lower than anticipated uptake, which we noted during last year's budget process. We sought assurances this would be reallocated in the next Budget and now request an update.

Local Authority demand for the scheme has resulted in c. £48 million of funding being claimed under the current grant offers made to Councils in 2023-24. We have allocated £64 million for Area Based Schemes in the 2024-25 budget.

10. Warmer Homes Scotland – We seek further detail on:

(a) current spending on the Warm Homes Scotland (WHS) scheme in the 2023-24 year:

We are forecast to spend c. £60 million under Warmer Homes Scotland in 2023-24 with £33 million spend since April. A new scheme was launched during the year which extends the scheme a further 5 years with an option to extend that by 2 years with a maximum total spend under the scheme of £700 million.

(b) What is the target number of installations per year under the programme?

The target number of installations is a factor of the budget allocated to the scheme and the average installations costs. The new scheme has some different factors which means the target range of installations for a given budget will be different than under the previous schemes. These differences include a greater focus on clean heat installations.

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(c) Is the rate of spend and installations on track to meet or exceed the record number of installations from last year?

The rate of installations under WHS continues to increase – there were 5,480 installations during 2022-23 and in March 2023 there were over 3,880 measures installed in 713 households in a single month, the highest ever. Based on current forecasts we estimate we will support over 5,900 households under the scheme in 2023-24.

(d) If not, will additional funding be required in 2024-25 to accelerate installations?

Funding will be at a similar level in 2024-25 to 2023-24.

(e) What action is being taken to increase awareness of the scheme and to target those most in need?

At the start of October, we launched a new campaign, coinciding with the launch of the new Warmer Homes Scotland scheme. The campaign started with radio and PR, with digital, press and TV advertising public relations activity starting on 13 November, partnership activity will begin in January 2024. The campaign has a call-to-action to contact Home Energy Scotland to help access grant funded home improvements including insulation and heating systems. The week the campaign began calls to Home Energy Scotland increased 12% and email enquiries were up 13.5% there has been a sustained higher level of enquiries since.

(f) In June you told us “demand may exceed allocation” for business grants and support for retrofitting and insulation work. How will the Scottish Government respond to this in the 2024-25 Budget?

Business grants are provided under the Business Energy Scotland loans and grants programme. We have taken action during 2023-24 to ensure scheme enables measures that will best deliver decarbonisation objectives to continue to be funded. In addition, we made additional budget available during the course of the year to fund further Business Energy Scotland energy reports which are a prerequisite for accessing the capital funding. We expect to maintain similar level of funding in 2024-25 for the scheme as in 2023-24.

(g) The Heat in Buildings Strategy Annual Progress Report states that there have been "7,570 applications for loans or grants (for energy efficiency measures and clean heating systems)". Is it possible to disaggregate this in terms of homes and business, and how many applications resulted in an actual loan or a grant?

This is all for applications under our domestic owner occupier scheme accessed via Home Energy Scotland. Around 75% of applications are approved – individuals then have 9 months to claim the funding.

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11. Home Energy and Efficiency Scotland – The Committee seeks an update on:

(a) Resources allocated to the national public energy agency so far and proposed resourcing for 2024-25, including any resourcing specifically earmarked for public engagement:

A virtual Agency has been formed in the Heat in Buildings Delivery Division – this includes operating the schemes discussed in previous answers. The resources allocated to the Agency are therefore included in the overall Heat in Buildings (HiBs) revenue allocation of £40.1 million for 2023-24 with £37.8 million allocated in 2024-25. In 2023-24, we are forecasting to have spent c. £1.4 million specifically on public engagement.

(b) Progress in turning the new agency into a “Centre of Expertise” as outlined in the then Cabinet Secretary’s October 2022 letter, and in developing the agency’s “fully integrated front-facing online platform”:

The Heat Network Support Unit (HNSU) was launched in September 2022 sponsored by the Scottish Government, with core partners Scottish Futures Trust (SFT) and Zero Waste Scotland (ZWS) providing a range of services, including feasibility and business case development support. We recently announced the expansion of the HNSU to support Local Authorities to deliver their LHEES heat network related actions and develop a strategic approach for district heating development in their areas.

We will continue to review what other bespoke support will be required as we transition over the coming decade and beyond.

Consideration is being given to the need for, and scope of, a new online platform. Currently households and SME businesses can access support via Home Energy Scotland and Business Energy Scotland. Any new online presence would need to take account of existing and already known platforms.

(c) Progress towards establishing the agency as an autonomous body:

We are continuing to consider the best way to progress with the agency.

(d) What role the Scottish Government wants the agency to play this winter in encouraging energy efficient behaviours at home and in making people aware of relevant support; and its assessment of the agency’s progress so far in carrying out this role.

We recently launched a new campaign, to promote Home Energy Scotland and access grant funded home improvements including insulation and heating systems. Previous campaigns have been successful and have exceeded targets, for example, 61% of the target audience took action upon seeing the campaign compared to the target of 45%, and the current campaign has started positively.

We are proposing to launch a campaign on ‘Improving your home heating’ early in the new year which will promote the uptake of Home Energy Scotland loans and grants to support installation of measures including insulation and clean heating systems such as heat pumps. At a similar time, we will also launch the second phase of our Let’s Do Net Zero campaign

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which this time will focus on heating messages encouraging energy efficient behaviours such as installing insulation.

12. Energy including plans for hydrogen – On the draft Energy Strategy and Just Transition Plan, the Committee seeks confirmation of when the discussion papers which will feed into sectoral plans emanating from the strategy will be published.

To note that this response, for the most part, falls outwith my Transport, Net Zero and Just Transition Portfolio. The below response relates to the Wellbeing Economy, Fair Work and Energy Portfolio.

Three just transition discussion papers were published in June 2023, dealing with the Built Environment and Construction, Transport and Land Use and Agriculture sectors. These were distinct workstreams from the Energy Strategy and Just Transition Plan, the draft of which had already been published for consultation.

Following publication of the discussion papers, the Scottish Government undertook a coordinated series of engagement activities to explore the themes and issues raised. This work is being used for policy development work ahead of further engagement and co-design over winter.

Draft Just Transition Plans for each sector will be published in 2024, following the conclusion of this policy development period.

13. Energy including plans for hydrogen – The Committee seeks details of:

To note that this response falls outwith my Transport, Net Zero and Just Transition Portfolio. The below response relates to the Wellbeing Economy, Fair Work and Energy Portfolio.

(a) How resources will be allocated under the Green Hydrogen Fund:

The Green Hydrogen Fund is intended to support the development and commercial deployment of new electrolytic hydrogen production projects during the 2020s needed to support the Scottish Government's ambition of 5GW installed hydrogen production capacity by 2030 and commitment to reach net zero by 2045. We will continue to consider how we could provide support to hydrogen projects across Scotland on a case-by-case basis, and will continue to actively engage with projects.

(b) What evaluation data has been gathered from the Hydrogen Innovation Scheme to inform the operation of the fund:

The Hydrogen Innovation Scheme offers funding to projects to help develop and demonstrate renewable hydrogen technologies. Over £7 million funding to 32 projects successful projects was announced in May 2023, with 31 projects underway. Innovation in hydrogen production, storage and distribution technology and test and demonstration is being supported. Individual project milestones and deliverables are monitored for the duration of the grant funding.

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14. Energy including plans for hydrogen – What has the Scottish Government undertaken to calculate what additional resources relevant public bodies (local government and regulators) will need in order to make good the ambition to halve consenting time for renewables? What delivery plan is it putting in place for this?

To note that this response falls outwith my Transport, Net Zero and Just Transition Portfolio. The below response relates to the Wellbeing Economy, Fair Work and Energy Portfolio.

The Onshore Wind Sector Deal sets out a number of commitments to support the halving of the average determination timeline for onshore wind Section 36 applications. The first step of this is to understand the pipeline of onshore wind projects likely to come through, as well as when and where they will be. We are waiting for industry to bring this forward, which will then enable us to work with the statutory consultees, the Energy Consents Unit (ECU) and the Scottish Government Directorate of Planning and Environmental Appeals (DPEA) to determine the resourcing and training requirements needed in order to process this expected pipeline.

Whilst waiting for this pipeline analysis, we have been working up some options of how this additional resource and/or training can be accessed, which is expected to be funded through an agreement between the Scottish Government and the onshore wind sector. We expect these proposals to be set out by July 2024, with them in place by the end of 2024.

In addition to the proposals for how additional funding and resources can be accessed by the relevant public bodies, we also have a number of commitments to streamline the application process, including recommending standard scopes and formats for the Environmental Impact Assessments, agreeing templates and guidance to enable consistent formats for section 36 applications and consultation responses, and for developers to submit applications for consent that are based as far as possible on the agreed templates, scopes and formats and are buildable without delay.

15. Carbon capture and storage – The Committee seeks clarity on:

To note that this response falls outwith my Transport, Net Zero and Just Transition Portfolio. The below response relates to the Wellbeing Economy, Fair Work and Energy Portfolio.

(a) How the Scottish Government arrived at the £80 million figure given the uncertainty you and your Cabinet colleague have referred to in relation to current proposals in this area

Following the capital spending review 2021-2022 to 2025-2026, the Scottish Government confirmed in the 2020 Climate Change Plan update the creation of a £80 million capital from the Emerging Energy Technologies Fund (EETF), to support the development of Scottish carbon capture and storage industries.

The EETF was designed to support the delivery of onshore infrastructure required for the establishment of the Scottish Cluster and was developed following engagement with industry partners. The funding was contingent upon Acorn and the Scottish Cluster being selected for Track-1 (Oct 2021) and it remains contingent upon Acorn and the Scottish Cluster being selected for Track-2.

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(b) If that £80m cannot be spent in the 2023-24 budget year, will it be rolled forward into the 2024-25 year?

The UK Government has still not confirmed a timeline for a final decision on Acorn, the associated projects and deployment timeline, and once known, the Scottish Government will consider and respond in accordance with the priorities of the government at that time.

16. Implementation of the Joint Budget Review conclusions – The Committee seeks further information on:

(a) Evaluation of the implementation of Strand 1 on “enhanced climate narrative within budget documentation” and the impact this has had:

Following the Joint Scottish Government and Scottish Parliament review of the budget on matters relating to climate, the dedicated climate annex of the Scottish Budget first published for Budget 2023-24 provided increased scrutiny and transparency on how spending decisions are supporting the journey to net zero. For the 2024-25 Budget, the Annex will outline the revised taxonomy (strand 2).

(b) Whether Strand 2 on “development of a revised approach to a climate impact taxonomy of budget lines” is on track to be concluded in time to inform the 2024-25 Budget process. If so—

The revised approach to the climate impact taxonomy of the budget lines has been developed and will be applied to level 4 spending lines in the 2024-25 Scottish Budget.

i. Will the Scottish Government publish further details about the changes in methodology compared to the existing taxonomy of capital spend?

The dedicated climate annex will set out the changes made to the taxonomy methodology and how this has been developed, including expanding its use to resource spend as well as capital spend. There will also be details on how the High-Level Carbon Assessment will be affected by these changes.

ii. What level of detail on this analysis can the Committee expect in the 2024-25 Budget? Will this be capital and resource spending by portfolio?

Analysis will be carried out on Level 4 spending lines for both capital and resource spend, and a supporting narrative and summary table contained within the dedicated climate annex of the Scottish Budget which will be published as part of the suite of budget documents.

(c) The pilot of the net zero assessment (Strand 3) and confirmation of its contribution to the development of the 2024-25 Budget?

The aim of the net zero assessment is to support and influence the development of policies and once established it will be incorporated into the policy making process appropriately and proportionately. The pilot of the net zero assessment is due to commence before the end of 2023, and will not have a direct contribution to the 2024-25 Budget.

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(d) What does the pilot involve?

The pilot will involve taking a broad sample of new and/or policies which are in development and applying the net zero assessment to the policy as part of its development. The pilot will also be used as a tool to help establish structures and look at how it can be embedded into the policy making process.

(e) Which areas of the Budget is this being applied to as part of the pilot?

The aim of the net zero assessment is to support and influence the development of policies; it is not applied as part of the annual budget setting process – it can and will be applied to policies as they develop. The intention is for the iterative development to continue throughout 2024, with a proposed roll-out to the wider Scottish Government during Quarter 4.

17. Net Zero targets and climate adaptation – The Committee seeks details of discussions with COSLA and local authorities on the challenge of managing flood risk and whether this total funding package (including the core £42 million) will be further increased in next year’s budget given recent storms and resulting damage.

Scottish Government is providing long-standing annual funding of £42 million and the additional £150 million for flood risk management and £12 million for coastal change adaptation over the course of this parliament.

The Scottish Government continues to work in partnership with COSLA and Local Authorities with regards to the funding of flood risk management. There is a joint working group considering the affordability of flood protection schemes and making recommendations for the reform of funding and governance to ensure that maximum benefit is delivered for local communities.

We recognise the challenge of recent storms and resulting damage and have established a taskforce which has provided a pragmatic response to the situation on the ground and to help people directly affected recover from the impacts of the unprecedented flooding. The taskforce will also seek to learn lessons from Storm Babet, which will help to inform future decisions with regards to delivering flood resilience.

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18. Peatland restoration/NatureScot – The Committee seeks details on:

To note that this response falls outwith my Transport, Net Zero and Just Transition Portfolio. The below response relates to the Rural Affairs, Land Reform and Islands Portfolio.

(a) How the £250m peatland restoration funding is being allocated across a 10 year period and how much has been spent each year to date:

Since 2020, £66.7 million has been allocated across the first three years of this 10-year programme commitment. During this period, the funding has put c. 18,500 ha on the road to recovery. This funding is allocated to the Peatland Action partnership which is made up of our five direct delivery partners: NatureScot, Forestry and Land Scotland, Scottish Water, Loch Lomond and the Trossachs National Park Authority, and the Cairngorms National Park Authority.

(b) What plans the Scottish Government has to address skills, capacity, and workforce challenges in relation to peatland restoration and whether any of the £250m allocation is being, or can be used, to support those plans:

NatureScot leads work to support ongoing activity to address skills, capacity and workforce challenges in relation to peatland restoration. This is delivered via the Peatland Skills, Capacity and Training Group which brings together representatives from the Peatland Action delivery partners as well as other organisations like Skills Development Scotland, LANTRA, Confor, Scotland's Rural Collage and the James Hutton Institute to implement coordinated actions for addressing the skills shortages.

(c) Whether the Scottish Government has considered the impact of policy uncertainty around future rural support and carbon financing mechanisms on our ability to meet peatland restoration targets and how landowners can be encouraged to come forward in the short-term:

The [Peatland Code](#), launched in 2015, provides a carbon market mechanism for financing peatland restoration. We will assess options for blending public and private finance that may support private investment in peatland restoration next year. This will be informed by and align with our PFG commitment to establish a Natural Capital Market Framework that strengthens the [Interim Principles for Responsible Investment in Natural Capital](#) published in March 2022. Our Market Framework will set out the requirements for responsible investment in natural capital to contribute to environmental, social and economic outcomes, including benefits for local communities.

(d) Whether the forthcoming climate change plan will require this funding to be increased to ensure Scotland's peatland carbon sequestration capacity is maximised:

Work on the forthcoming climate change plan is ongoing and implications for all future budgets across Scottish Government will be considered as part of that work.

(e) Whether the Scottish Government has considered or sought views from NatureScot on options for allowing ring-fenced, unspent peatland restoration funding to be retained by NatureScot to support related capacity-building or other nature-based solutions:

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We work closely with NatureScot on the management of its annual budget. Where opportunity exists, it is preferred that underspends be utilised on similar projects or long term strategic planning. This is however largely dependent on the Scottish Government's other financial commitments, arising in-year commitments and the timing of identified underspends.

19. Scottish Water – Please outline:

(a) Is the Scottish Government satisfied there is sufficient capital funding available to Scottish Water to maintain current infrastructure?

Scottish Water currently has sufficient finance to maintain current infrastructure but will need to set charges at a level sufficient to sustain services through the remainder of the regulatory period in accordance with the regulatory settlement.

(b) How will the Scottish Government use the budget for 2024- 25 to ease inflationary pressure on Scottish Water's capital investment to maintain progress on net zero projects and its ability to adapt to extreme weather events?

Scottish Water continues to benefit from capital lending agreed through its independent regulatory settlement and will prioritise its expenditure to protect customer services, adapting to climate change and mitigating its own climate impacts as it does so.

(c) How can the Budget process contribute to addressing non-budgetary challenges such as land ownership and land access to deliver peatland restoration and woodland creation as highlighted to the Committee by Scottish Water.

The delivery of services by Scottish Water will support peatland restoration and woodland creation as these deliver water quality improvements.

An additional capital grant has been made available to connect communities who are reliant on private water supplies that are vulnerable to water scarcity to public water networks.

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20. Scotland's environmental regulators and their budgets – The Committee asks:

(a) Taking into account the biodiversity crisis, will the Scottish Government increase grant-in-aid funding for NatureScot to address rising costs of existing core functions such as monitoring protected areas?; and (b) Similarly, will SEPA's grant-in-aid funding be increased to help it address the twin crises of climate change and nature loss?

We remain committed to funding our public bodies, responsible for both raising awareness of, and taking strategic action to address the climate and nature crises facing Scotland, and our planet. In Scottish Budget 2023-24, we increased funding for NatureScot and SEPA by £18 million recognising the pivotal role they play to protect, restore and value nature, and maintain a safe, healthy and sustainable environment for the people of Scotland.

We have worked hard to provide our environmental agencies with the necessary resources to fulfil their statutory functions and enabled them to increase revenue through environmental charges where appropriate. We will continue to work with SEPA and NatureScot to assess the action that must be taken to ensure fiscal sustainability, and delivery of statutory duties, within forthcoming budgetary allocations.

The budgets for both NatureScot and SEPA will see an increase in 2024-25 from prior year levels.

(c) How will the portfolio budget accommodate actions required to deliver the Biodiversity Strategy and supporting Action Plan

Consultation on our Strategic Framework for Biodiversity closed on 14 December. and included a dynamic, adaptive delivery plan which set out the key actions we need to take to deliver on our strategic goals of halting biodiversity loss by 2030 and reversing declines by 2045. We are committed to delivering on the ambitious actions set out in that plan. In implementing the delivery plan we will continue to work with stakeholders to ensure a 'whole of government' and 'whole of society' approach to addressing local and national priorities for nature.

(d) Whether increased resources will be made available to Scotland's environmental regulators as a result of legislative duties imposed in new legislation this year (for example, but not restricted to, the Wildlife Management and Muirburn (Scotland) Bill, the Circular Economy (Scotland) Bill and the Hunting with Dogs (Scotland) Act 2023):

We continually assess the budget requirements for our organisations, including any significant changes such as new duties they may receive, and this is built into financial forecasting and advice to Ministers. In particular, an exercise was undertaken over the summer to identify the financial impact of new duties on our environment bodies, including NatureScot and SEPA, and this has informed the Budget process.

The budgets for both NatureScot and SEPA will see an increase in 2024-25 from prior year levels.

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(e) Whether the Scottish Government can provide an update on NatureScot’s review of its licensing functions, including whether cost recovery will be pursued, and when a decision will be made on this:

Scottish Government has committed to a review the wider species licensing system. This will be an independent review managed by NatureScot, the Chair is yet to be confirmed. Our expectation is that, given the current financial circumstances, this review will form a key part of NatureScot’s efficiency plans with the review itself to be conducted as quickly and efficiently as possible.

(f) Whether additional funding will be made available to Scotland’s environmental regulators in the instance of any legal challenges to the execution of their duties under new legislation?

We expect Public Bodies to identify how to best utilise their resource in relation to existing and new functions, including legal challenge. We also work closely with bodies on the implementation of new policies and powers to manage risks and mitigate the risk of legal challenge.

(g) Whether the Scottish Government is satisfied with SEPA’s current approach to enforcement and whether there is evidence that this is linked to better environmental outcomes, given criticism of its use of enforcement mechanisms, and its response to SEPA’s statement that availability of resources means it is ‘ruthless’ in its prioritisation of how it deploys its resource?

The Scottish Government is supportive of SEPA’s operational management decisions. These are based on a variety of factors. The Scottish Government works closely with SEPA on its prioritisation of Ministerial priorities and Statutory responsibilities. SEPA applies principles in its approach to regulation ensuring they are proportionate and target their work, focussing efforts where there are the biggest risks to the environment and communities SEPA have policies and procedures to support consistent regulatory decision making which are informed by evidence and led by intelligence. Both are recognised as good practice of an effective regulator.

(h) What additional support will the Scottish Government provide SEPA to accelerate recovery from the cyberattack suffered by the organisation, including resources to process increased and outstanding Freedom of Information requests or requests for environmental information, to enable it to be fully compliant with environmental law – noting evidence heard by the Committee that SEPA has not yet fully caught up almost 3 years on from the event?

The Scottish Government has provided additional capital funding to support SEPA’s approach to accelerate improvements already underway by building new systems and ways of working that will set it up for long term success. This includes digital transformation that enables services to be more accessible online, making it quicker and easier for communities and businesses.

The Scottish Government actively monitors SEPA’s performance via agreed milestones within its Annual Operating Plan.

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21. Scottish Water – Has the Scottish Government discussed increasing lending to Scottish Water to help minimise increases in customer charges and ensure long-term sustainability in finance for capital investment?

Lending levels are agreed ahead of each regulatory period, with £1.03 billion available to Scottish Water between 2021-2027. The Strategic review of charges will begin in the New Year looking at the 2027-2033 period and will explore what a suitable level of capital support from Government should be relative to business and domestic customer charge income.

The budget supports Scottish Water's investment programme which is focused on maintaining and improving drinking water and wastewater services. The investment programme has been designed to deliver on Net Zero commitments in 2024 and improvements to rivers and bathing water. Whilst 87% of Scotland's entire water environment is assessed by SEPA as having a 'high' or 'good' classification for water quality – up from 82% six years ago, this investment will support further improvement that we recognise we need to make. Our policies in relation to charges ensures that affordability is at the heart of charging regimes. 50% of Scotland's households receive discounts on published charges – for example single person. In addition, those households receiving Council Tax Reduction can receive a further 35% reduction.

22. Scottish Water – What other options are available to ensure affordability for households during the cost-of-living crisis?

In the Principles of Charging issued by Scottish Ministers support of up to 35% for those in receipt of Council Tax Reduction is detailed alongside other discounts for single household and other groups. Around 50% of customers receive some discount support. The Strategic Review of Charges is an opportunity to review support levels. Overall Water charges in Scotland are the lowest on average across the UK. Consumer Scotland are carrying out research to identify those who are spending the largest proportion of their income on water charges and that work is helping to target support.

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