



The Scottish Parliament  
Pàrlamaid na h-Alba

Màiri McAllan MSP  
Cabinet Secretary for Transport, Net  
Zero and Just Transition  
Scottish Government

By email only

**Net Zero, Energy and Transport  
Committee**  
c/o Clerk to the Committee  
Room T3.40  
The Scottish Parliament  
Edinburgh  
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Thursday 16 November 2023

Dear Màiri,

### **Budget 2024-25**

Ahead of the publication of the Budget 2024-25, the Committee welcomes the opportunity to set out questions for portfolios covered by the Committee's remit. We agreed to continue consideration of the themes explored during last years' budget process—

- The Fair Fares Review and bus travel;
- Electric vehicle charging point infrastructure;
- Aspects of the Scottish Government's response to [our report on energy price rises](#); and
- The publication of the final Hydrogen Action Plan and associated capital investment, as well as the anticipated Energy and Just Transition Strategy.

In addition, we have maintained our interest in the work of Scotland's environmental regulators and their associated budgets and the implementation of the conclusions of the Joint Budget Review in relation to climate change. We also recently heard from you and other newly appointed Cabinet Secretaries and Ministers responsible for matters falling within the Committee's remit. This has afforded an opportunity to explore priorities, including funding, and commitments in the Programme for Government.

The annexe to this letter contains a series of questions and recommendations to the Scottish Government in preparation of the Budget for 2024-25. These span the Committee's remit. We understand not all of these fall within your portfolio and would welcome a coordinated response to this letter.

Yours sincerely,

*Edward Mountain*

Edward Mountain MSP

Convener

**Net Zero, Energy and Transport Committee**

## Annexe

### Support for buses

As you know, the Committee has a continuing interest in the recovery of the bus sector following the pandemic, particularly in view of the role the sector must play in achieving net zero. Earlier this year, COSLA told us that—

“.. if we want people to come out of their cars and reduce car miles by 20 per cent, we—Scotland, Government, local authorities and everyone else—have to offer an exemplary public transport service.”<sup>1</sup>

The Network Support Grant (NSG) plays an important role in securing the continuing viability of routes and operators. The Confederation of Passenger Transport (CPT) told us that the NSG...

“is paid at 14.4 pence per kilometre, a rate which (setting aside additional emergency pandemic related funding) has remained the same since 2012/13. As industry costs have grown over this period this amounts to a real terms reduction of around 20% over the past decade.”<sup>2</sup>

The CPT estimates the actual spend based on kilometres travelled in 2021-22 at £41.4m.<sup>3</sup>

#### **1. The Committee seeks details of—**

- a. Whether the Network Support Grant will continue in the 2024-25 Budget year;**
- b. Whether the rates paid to bus operators will be reviewed and increased;**
- c. The impact this will have on the total required funding;**
- 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.**

COSLA told us—

“The Transport (Scotland) Act 2019 does give Local Authorities the flexibility to run their own bus services. However, to date no additional resources have been allocated to allow Local Authorities to explore or deliver this action. Moreover, there is concern that incredibly stretched levels of funding in FY23/24 will prevent Councils from providing the bus services they are currently providing, either directly or by subsidising.”<sup>4</sup>

The Minister for Transport told the Committee—

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<sup>1</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 23 May 2023, Col 20

<sup>2</sup> Written Submission. [Confederation of Passenger Transport](#).

<sup>3</sup> Written Submission. [Confederation of Passenger Transport](#).

<sup>4</sup> [Letter](#) from COSLA on Petition PE1866 – 31 January 2023

“The laissez-faire deregulated market has not served us in the way that we might have expected, so how can we help councils take more control over the key routes that they think are important?”<sup>5</sup>.

She also told us the Scottish Government will shortly be laying regulations to give full effect to powers in the 2019 Act relating to buses and local authorities.<sup>6</sup>

- 2. The Committee seeks an update on—**
  - a. Discussions with COSLA and local authorities on plans for council franchising and improvement partnerships;**
  - b. Whether the Community Bus Fund is large enough to support future proposals;**
  - c. What additional support, if any, will be provided for rural bus services; and**
  - 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.**

## **Ticket pricing, Fair Fares Review and Concessionary Fares**

In June, you provided updates to the Committee on spending on bus travel in this financial year.<sup>7</sup> In September, the Minister for Transport told the Committee how under-22s concessionary bus travel supported wider aims such as reduction in health inequality.<sup>8</sup>

In our report on a Modern and Sustainable Ferry Service for Scotland, we said that the Scottish Government should explore the provision of concessionary fares on ferries for young people through the Fair Fares Review.<sup>9</sup> On 30 October, we received notice of the announcement of the extension of the National Ferry Concessionary Travel Scheme to all island residents under the age of 22.<sup>10</sup> This is to be welcomed.

- 3. 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;<sup>11</sup>**
  - b. Whether you anticipate further funding will be required for national concessionary travel schemes next year;**
  - c. The progress of the review<sup>12</sup> undertaken by Transport Scotland, on the reimbursement model the Scottish**

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<sup>5</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 19 September 2023, Col 47

<sup>6</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 19 September 2023, Col 22

<sup>7</sup> [Letter](#) from the Cabinet Secretary for Transport, Net Zero and Just Transition on an Update on the Scottish Budget 2023-24 – 19 June 2023

<sup>8</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 19 September 2023, Col 39

<sup>9</sup> Net Zero, Energy and Transport Committee’s 11th Report, 2023 (Session 6), [A Modern and Sustainable Ferry Service for Scotland](#) (SP Paper 417)

<sup>10</sup> [Letter](#) from the Minister for Transport on Announcement of Extension of Ferry Concessions to Under 22s – 30 October 2023

<sup>11</sup> [Letter](#) from the Cabinet Secretary for Transport, Net Zero and Just Transition on an Update on the Scottish Budget 2023-24 – 19 June 2023

<sup>12</sup> Mentioned in a written Submission from the [Confederation of Passenger Transport](#).

- Government are using for the concessionary fares schemes;
- d. the Scottish Government's work to evaluate the impact of free under-22 bus travel.<sup>13</sup> 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;
    - 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;
    - iii. Does this work include 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.<sup>14</sup>

The Minister for Transport told the Committee a report on the Fair Fares Review will be available by the end of this year, rather than in Spring.<sup>15</sup>

4. 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;
  - 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?;
  - c. How the pilot on removal of peak time fares on railways will be evaluated? When will this evaluation be published?;
  - d. In the event that the pilot is judged a success, how quickly could the reduction be made permanent?;
  - e. Are further pilots (whether in relation to peak time fares or other ticketing matters) in contemplation at Scotrail; and
  - 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)<sup>16</sup>?

## Electric vehicle charging point infrastructure

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<sup>13</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 19 September 2023, Col 40

<sup>14</sup> Scottish Government (2021). [The National Bus Travel Concession Scheme for Young Persons Island Communities Impact Assessment](#)

<sup>15</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 19 September 2023, Col 40

<sup>16</sup> [Letter](#) from the then Cabinet Secretary for Net Zero, Energy and Transport to the Committee in response to the Committee's pre-Budget Scrutiny – 21 December 2022

The Committee remains interested in the development of Scotland’s electric vehicle charging infrastructure. In your letter to us in June, you said—

“The Electric Vehicle Infrastructure Fund is intended to support strategic investment in electric vehicle charging networks across Scotland. The fund will make £30 million of public funding available, targeting areas where commercial investment alone is not currently viable, and aims to lever a further £30 million of private sector investment.”<sup>17</sup>

You added that the fund is on track to meet or exceed the target of 6000 public charge points. You and your officials further told the Committee of the importance of the role of the private sector and the “public sector’s role in giving confidence to the market”.<sup>18</sup>

COSLA told the Committee of a partnership approach taken by local authorities in Ayrshire to securing private investment.<sup>19</sup>

**5. We would welcome detail on—**

- a. How much of the target of £30 million of private investment has the Scottish Government secured?;**
- 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?<sup>20</sup>;**
- c. How much of the £30 million within the EV Infrastructure Fund has so far been allocated?;**
- 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?;**
- e. How many new charging points have been created so far in this financial year?; and**
- f. Your assessment as we near the end of 2023 of whether the target of 6000 charging points will be timeously met.**

## **Energy prices**

The Committee is keen to ensure there is ongoing support for mitigating the impact of high energy prices. The Cabinet Secretary for Wellbeing Economy, Fair Work and Energy said funding provided by the Scottish Government to mitigate the impacts of prices would be kept under review.<sup>21</sup>

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

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<sup>17</sup> [Letter](#) from the Cabinet Secretary for Transport, Net Zero and Just Transition on an Update on the Scottish Budget 2023-24 – 19 June 2023

<sup>18</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 27 June 2023, Col 22

<sup>19</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 23 May 2023, Col 7

<sup>20</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 23 May 2023, Col 7

<sup>21</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 12 September 2023, Col 23

However, given our remit, our main interest in this area relates to securing longer term cost reduction (e.g insulation) and price stability (e.g diversifying our domestic clean energy supply and lowering its cost of production).

For the 2023-24 financial year, £366 million was allocated in the budget for delivering the Heat in Buildings Strategy. This was part of a "...commitment of £1.8 billion over this Parliament to accelerate the deployment of heat and energy efficiency measures as we aim to decarbonise over a million Scottish homes by 2030."<sup>22</sup>

**7. The Committee seeks details of—**

- a. How much of the £1.8 billion has been spent so far;**
- b. Whether the £366m spend will be maintained in real terms in the next budget;**
- c. What outcomes have been achieved so far from this spending; and**
- d. The proposed spending profile for remaining funds for the remainder of his Parliamentary session.**

The 2023-24 Autumn Budget Revision<sup>23</sup> 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.

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

*Area-based insulation and retrofitting schemes*

In the 2023-24 budget, £64m was allocated to Councils for area-based insulation and retrofitting schemes. The Verity House Agreement<sup>24</sup> sets out how the Scottish Government and Councils intend to work together. It sets out intentions to avoid ring-fencing funding; and for early engagement on budgets to provide multi-year certainty. COSLA told the Committee that it anticipated all local authorities would have a Local Heat and Energy Efficiency Strategy (LHEES) in place by the end of the year.<sup>25</sup>

**9. The Committee seeks details of—**

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<sup>22</sup> Scottish Government (2022). [Scottish Budget 2023-24](#)

<sup>23</sup> Scottish Government (2023). [Autumn Budget Revision 2023 to 2024](#)

<sup>24</sup> Scottish Government (2023). [New Deal with Local Government – Verity House Agreement](#)

<sup>25</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 23 May 2023, Col 7



- 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; and**
- 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; and**
- 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.**

*Warmer Homes Scotland (WHS)*

In June, you said the allocated budget for the Warmer Homes Scotland programme was £55 million for 2023-24 and that, by the end of April, £5.5m had been spent.<sup>26</sup> The Heat in Buildings Strategy Annual Progress Report says—

“The last year has seen steadily increasing demand and during 2022-23 we delivered improvements in 5,478 households, a record number of installations through WHS. For the current financial year (as of September 2023), we have delivered improvements to 3,328 households.”<sup>27</sup>

**10. We seek further detail on—**

- a. **current spending on the Warm Homes Scotland scheme in the 2023-24 year;**
- b. **What is the target number of installations per year under the programme?;**
- c. **Is the rate of spend and installations on track to meet or exceed the record number of installations from last year?;**
- d. **If not, will additional funding be required in 2024-25 to accelerate installations?;**
- e. **What action is being taken to increase awareness of the scheme and to target those most in need?;**
- f. **In June you told us “demand may exceed allocation”<sup>28</sup> for business grants and support for retrofitting and insulation work. How will the Scottish Government respond to this in the 2024-25 Budget?; and**
- 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)".<sup>29</sup> Is it possible to disaggregate this in terms of**

<sup>26</sup> [Letter](#) from the Cabinet Secretary for Transport, Net Zero and Just Transition on an Update on the Scottish Budget 2023-24 – 19 June 2023

<sup>27</sup> [Letter](#) from the Minister for Zero Carbon Buildings, Active Travel and Tenants’ Rights on the Heat in Buildings Strategy Monitoring Report – 27 October 2023

<sup>28</sup> [Letter](#) from the Cabinet Secretary for Transport, Net Zero and Just Transition on an Update on the Scottish Budget 2023-24 – 19 June 2023

<sup>29</sup> [Letter](#) from the Minister for Zero Carbon Buildings, Active Travel and Tenants’ Rights on the Heat in Buildings Strategy Monitoring Report – 27 October 2023



## homes and business, and how many applications resulted in an actual loan or a grant?

### *Heat and Energy Efficiency Scotland*

In our report on Energy Price Rises<sup>30</sup>, we recommended that the Scottish Government consider which elements of the retrofitting and insulation programmes could be accelerated. We sought details of how this was being taken forward in our letter in November 2022<sup>31</sup>. The Scottish Government's response said a national marketing campaign was launched over winter 2022-23 "to raise awareness of Home Energy Scotland and the support on offer for energy efficiency".<sup>32</sup>

In October 2022, the then Cabinet Secretary for Net Zero, Energy and Transport Secretary wrote to the Committee providing an update on the establishment of the national public energy agency, Heat and Energy Efficiency Scotland.<sup>33</sup> He said the agency would be a "Centre of Expertise that will provide a dedicated resource to support local authorities, registered social landlords and other developers to enable the development of heat decarbonisation projects at scale, including Heat Networks" and to the intention to develop "a fully integrated front-facing online platform for the agency."

In his response to our pre-Budget Scrutiny last year, the then Cabinet Secretary said that work to increase public awareness and access to advice and support on heat and energy efficiency would continue through the work of the agency.<sup>34</sup>

The Heat in Buildings Annual Progress Report says a Public Engagement Strategy will be launched later this year.<sup>35</sup>

#### **11. 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;**
- 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";**
- c. Progress towards establishing the agency as an autonomous body; and**

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<sup>30</sup> Net Zero, Energy and Transport Committee's 10<sup>th</sup> Report, 2022 (Session 6) [Report into energy price rises](#) (SP Paper 218)

<sup>31</sup> [Letter](#) to the then Cabinet Secretary for Net Zero, Energy and Transport on the Committee's Pre-Budget Scrutiny 2023-24 – 10 November 2022

<sup>32</sup> [Letter](#) from the then Cabinet Secretary for Net Zero, Energy and Transport to the Committee in response to the Committee's pre-Budget Scrutiny – 21 December 2022

<sup>33</sup> [Letter](#) from the then Cabinet Secretary for Net Zero, Energy and Transport to the Committee in response to the Committee's pre-Budget Scrutiny – 21 December 2022

<sup>34</sup> [Letter](#) from the then Cabinet Secretary for Net Zero, Energy and Transport to the Committee in response to the Committee's pre-Budget Scrutiny – 21 December 2022

<sup>35</sup> [Letter](#) from the Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights on the Heat in Buildings Strategy Monitoring Report – 27 October 2023

- 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.**

## **Energy, including plans for hydrogen**

We note that the Scottish Government is currently considering responses to its draft Energy Strategy and Just Transition Plan.

**12. 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<sup>36</sup>.**

In your letter in June 2023, you told the Committee of allocations made in the Emerging Energy Technologies Fund (EETF) Hydrogen Innovation Scheme and the forthcoming EETF Green Hydrogen Fund (previously intended to open a call for projects from early 2023<sup>37</sup>).

**13. The Committee seeks details of—**

- a. **How resources will be allocated under the Green Hydrogen Fund; and**
- b. **What evaluation data has been gathered from the Hydrogen Innovation Scheme to inform the operation of the fund.**

The Programme for Government<sup>38</sup> says the Scottish Government is looking to halve the consenting time for onshore wind developments. The Cabinet Secretary for Wellbeing Economy, Fair Work and Energy told us this would involve local authorities being adequately resourced to achieve this.<sup>39</sup>

We have previously highlighted the problem of resources and staffing experience in local authority planning departments.<sup>40 41</sup> We note the publication of the Onshore Wind Sector Deal for Scotland<sup>42</sup> and its ambition for skills development, training and apprenticeships.

**14. What work 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?**

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<sup>36</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 12 September 2023, Col 12

<sup>37</sup> [Letter](#) from the then Cabinet Secretary for Net Zero, Energy and Transport to the Committee in response to the Committee's pre-Budget Scrutiny – 21 December 2022

<sup>38</sup> Scottish Government (2023). [Equality, Opportunity, Community – Programme for Government 2023-24](#)

<sup>39</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 12 September 2023, Col 4

<sup>40</sup> [Letter](#) from the Convener of the Net Zero, Energy and Transport Committee to the Convener of the Local Government and Housing Committee on the fourth draft National Planning Framework – 4 March 2022

<sup>41</sup> Net Zero, Energy and Transport Committee, 1st Report, 2023 (Session 6) [The role of local government and its cross-sectoral partners in financing and delivering a net-zero Scotland](#) (SP Paper 302)

<sup>42</sup> Scottish Government (2023). [Onshore Wind Sector Deal for Scotland](#).

**a. What delivery plan is it putting in place for this?**

Throughout this session, the Committee has maintained an interest in Carbon Capture and Storage. In December 2022 the then Cabinet Secretary for Net Zero, Energy and Transport said—

“... we made available up-to £80 million from our Emerging Energy Technologies Fund to accelerate deployment of Carbon Capture Utilisation and Storage (CCUS) in Scotland.”

In June you said—

“While the legislative and regulatory levers required to deliver the CCUS Cluster Sequencing process are reserved to the UK Government, we remain wholly committed to supporting the development and deployment of CCUS and stand firmly behind our commitment to make available £80 million of financial support. Due to the unfortunate delays from the UK Government in awarding the Scottish Cluster, it has not yet been possible to deploy this support.”

The Committee explored the availability and purpose of this funding with the Cabinet Secretary for Wellbeing Economy, Fair Work and Energy in September. He said the £80m allocated in the 2023-24 Budget could not be spent without more clarity on what major emitters are to be included in the process.<sup>43</sup>

**15. The Committee seeks clarity on—**

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

**Implementation of the conclusions of the Joint Budget Review in relation to climate change**

Scottish Government updates on the implementation of this important work to clarify the likely net zero implications were provided in [June 2023<sup>44</sup>](#) and [October 2023<sup>45</sup>](#).

**16. 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;**
- b. Whether Strand 2 on “development of a revised approach to a climate impact taxonomy of budget lines” is on track to**

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<sup>43</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 12 September 2023, Col 10

<sup>44</sup> [Letter](#) from the Deputy First Minister and Cabinet Secretary for Transport, Net Zero and Just Transition on Update on implementation of the conclusions of the Joint Budget Review in relation to climate change – 8 June 2023

<sup>45</sup> [Letter](#) from the Deputy First Minister and Cabinet Secretary for Transport, Net Zero and Just Transition on Update on implementation of the conclusions of the Joint Budget Review in relation to climate change –10 October 2023

be concluded in time to inform the 2024-25 Budget process.

If so—

- i. Will the Scottish Government publish further details about the changes in methodology compared to the existing taxonomy of capital spend?;
- 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?;
- c. The pilot of the net zero assessment (Strand 3) and confirmation of its contribution to the development of the 2024-25 Budget?;
- d. What does the pilot involve?; and
- e. Which areas of the Budget is this being applied to as part of the pilot?

## Net Zero Targets and Climate Adaptation

You told the Committee of funding provided to manage flood risk in Scotland—

“We have been funding that to the tune of £42 million a year and will continue to do so. We have also made more funding—£158 million during this session of Parliament—available for distribution to manage flood risk in Scotland.”<sup>46</sup>

Recent extreme flooding events have underlined the importance of continuing to roll out work in this area.

### **17. 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.**

The Cabinet Secretary for Rural Affairs, Land Reform and Islands told the Committee of challenges facing peatland restoration. These related to the timeframes each year in which the work could be done and available skills and capacity. She added there was previously a funding challenge but “we now have the 10-year funding commitment of £250 million.”<sup>47</sup>

The Committee discussed challenges around distributing peatland restoration funding with NatureScot. NatureScot said that the key challenges were not the availability of money but the availability of contractors to do the work and the unwillingness of many land managers to come forward. They told us that many land managers do not know how peatland restoration will relate to future agricultural support mechanisms and to the carbon market.<sup>48</sup> NatureScot said there was “a great deal of understandable reticence from a

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<sup>46</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 27 June 2023, Col 10

<sup>47</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 19 September 2023, Col 18

<sup>48</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 14

number of landowners to come forward with big applications until some of those areas have been sorted out”.<sup>49</sup>

NatureScot also confirmed that peatland restoration funding was ring-fenced and if unspent, is returned to the Scottish Government in the budget year.

**18. The Committee seeks detail on—**

- 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;**
- 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;**
- 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;**
- d. Whether the forthcoming climate change plan will require this funding to be increased to ensure Scotland’s peatland carbon sequestration capacity is maximised; and**
- 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.**

Scottish Water outlined the challenges they face in both responding to climate change and maintaining or replacing ageing assets.<sup>50</sup> They told us they were on track to deliver on climate change commitments, but also said that external economic factors such as inflation and supply chain issues have meant lower than anticipated funding in this regulatory period.<sup>51</sup> Scottish Water told us that this made it especially challenging to maintain a balance of operational investment and investment in net zero projects.<sup>52</sup>

Scottish Water also mentioned delays to woodland schemes and peatland restoration due to complications in negotiating access with tenant farmers and third-party land holders.

**19. Please outline—**

- a. Is the Scottish Government satisfied there is sufficient capital funding available to Scottish Water to maintain current infrastructure?**
- 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?**

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<sup>49</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 15

<sup>50</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 31 October 2023, Col 7 and 8

<sup>51</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 31 October 2023, Col 23

<sup>52</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 31 October 2023, Col 23

**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?**

## **Scotland's environmental regulators and their budgets**

Both SEPA and NatureScot discussed significant pressures in relation to core functions, as a result of long-term real terms budgetary reductions. They told us they needed to rely increasingly on innovations and efficiencies to meet Scottish Government expectations.<sup>53</sup>

NatureScot said its grant-in-aid was its main source of funding and that this was under pressure (noting that increases for peatland restoration and nature restoration funds are ring-fenced).<sup>54</sup> It highlighted that taking account of inflation and increased staff costs, it has had less money to spend on services, and is having to “prioritise very hard”.<sup>55</sup> One example was NatureScot increasingly looking to volunteer-led “citizen science” to support data gathering on protected sites.<sup>56</sup>

These comments are concerning given the wider context of the Scottish Government's formal recognition, since 2019, that we are in a nature emergency, and its committing to a step-change in its approach to combatting biodiversity loss. The 2023 State of Nature report highlighted that nature in Scotland is still in crisis and biodiversity is continuing to decline. The Committee also notes that the Biodiversity Strategy and supporting Action Plan, currently under consultation, includes commitments which may have significant resource implications for NatureScot. These includes a potential expansion of protected areas to align with COP15 '30 by 30' outcomes. You told the Committee that—

“Once the consultation has been completed and we understand how the public feel about what we are proposing and once those proposals are more concrete, I will consider that as part of the portfolio budget.”<sup>57</sup>

The Committee also notes that NatureScot expects to take on new licensing functions under the Wildlife Management and Muirburn (Scotland) Bill in relation to grouse moors and wildlife traps and is considering an approach of cost recovery for those new functions. NatureScot also raised the risk of legal challenge in relation to those new functions which it said could be hugely resource-intensive.<sup>58</sup>

SEPA said grant-in-aid represented 50% of its funding, with the remaining half coming from regulatory fees.<sup>59</sup> It said that budgetary pressures meant being ruthless in prioritising its work, focusing on where it can have the greatest

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<sup>53</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Cols 9 and 10

<sup>54</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 6

<sup>55</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 9

<sup>56</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 9

<sup>57</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 27 June 2023, Col 16

<sup>58</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 13

<sup>59</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 7



impact.<sup>60</sup> The Committee notes concerns from the third sector about SEPA's enforcement approach, including concerns raised with Environmental Standards Scotland, and SEPA's position that its focus is on working with business further upstream in the process as opposed to downstream enforcement measures, and that this can be more effective in relation to environmental outcomes.<sup>61</sup>

SEPA also told the Committee that it had made significant progress following the 2020 cyberattack but had still not fully caught up in some areas. For example, it said that in 2022, only 10% of freedom of information requests were being dealt with within legal time limits, but that by July this year this had improved to 80%.<sup>62</sup>

## **20. 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?;**
- b. Similarly, will SEPA's grant-in-aid funding be increased to help it address the twin crises of climate change and nature loss?;**
- c. How will the portfolio budget accommodate actions required to deliver the Biodiversity Strategy and supporting Action Plan;**
- 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);**
- 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;**
- 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?;**
- 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?; and**
- 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**

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<sup>60</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 10

<sup>61</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 13

<sup>62</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 3 October 2023, Col 20



**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?**

Scottish Water told us that its decision to increase customer charge by below the rate of inflation has resulted in a shortfall of around £500 million in funding for investment. It also explained that this approach of deferring investment is not sustainable, and that customer charges may therefore have to increase more than previous years.

The Water Industry Commission for Scotland told the Committee that if Scottish Water were to increase customer charges in line with inflation, they would have £200m less each year in the next regulatory period (from 2027) to invest.<sup>63</sup>

- 21. 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?**
- 22. What other options are available to ensure affordability for households during the cost-of-living crisis?**

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<sup>63</sup> Net Zero, Energy and Transport Committee, [Official Report](#), 7 November 2023, Col 23