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19 June 2023

Dear Convenor,

Update on the Scottish Budget 2023-24

Thank you for your letter dated 19 May 2023, seeking an update in relation to the Scottish Budget 2023-24.

Please find within the Annex to this letter responses to the questions and requests for information raised within your letter. I trust you will find this information useful.

I would also like to take this opportunity to thank the Committee for the recommendations issued as part of the pre-budget scrutiny and look forward to engaging with you on the 2024-25 Scottish Budget cycle.

Yours sincerely,

MAIRI MCALLAN

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ANNEX

The Fair Fares Review and Bus Travel

1. We seek an update on how much funding has been made available to bus operators during 2023-24, and how much of this funding has been allocated at this stage in the financial year.

A total of £62.508 million was included within the 2023-24 budget for Support for Bus Operators. Of this, almost £45 million RDEL (Resource Departmental Expenditure Limit) has been allocated at this stage of the financial year through the Accountable Officer governance process, which will be required to support the Network Support Grant. A further £5 million CDEL (Capital Departmental Expenditure Limit) has been allocated to support the Community Bus Fund.

2. We seek an update on how much of this £359 million [to support concessionary travel across Scotland] has been drawn down, and whether the Cabinet Secretary expects that the full amount will be drawn down over the course of this financial year.

The £359 million set aside for concessionary fares is drawn down on a period-by-period basis across the 13 reporting periods during the financial year. At this point in the financial year, £49 million has been drawn down but it is anticipated that the full £359 million will be drawn down over the course of the financial year.

3. We request information on the total amount of funding awarded by the Scottish Government through its Bus Partnership Fund since the Cabinet Secretary's response.

As you have noted, the former Cabinet Secretary NZET stated that £25.8 million of the £500 million long-term commitment to bus priority measures had been awarded. Since this response, a further £200,000 has been awarded. Further details on this allocation are included below. This brings the total amount allocated to £26 million.

At the end of March 2023, we awarded £200,000 to Aberdeen City Council, on behalf of the North East Bus Alliance, to implement bus priority on key City Centre routes in Aberdeen.

Since the last update was provided, we have also received a number of studies from various Partnerships that have identified further bus priority measures. Where these align with the Bus Partnership Fund grant criteria, and subject to relevant governance processes, we will be looking to award further funding to Partnerships in the coming months for the development and delivery of these.

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Electric Vehicle Charging Point Infrastructure

4. We seek further details on how much of the £60 million [for the EV Infrastructure Fund (EVIF)] has been allocated by the Scottish Government to date, and how many charging points have been installed as a result of the funding.

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.

To date, a total of £7.25 million of this funding has been allocated across all of Scotland's local authorities to support development of Electric Vehicle Public Charging Strategy and Expansion Plans, market engagement, procurement strategies, associated procurement documentation, contract management and enabling works. An initial planning phase that will establish public electric vehicle charging strategies covering all of Scotland is now nearing conclusion and further funding allocations are anticipated from the summer of 2023. There has been a significant amount of work undertaken by local authorities to develop local and regional electric vehicle charging strategy and expansion plans, with related market engagement also underway. Current forecasts suggest that the Fund will meet or exceed the target of doubling the public charging network to 6,000 charge points. No new charge point installations have been directly supported by the fund to date; installations are expected to begin early 2024.

Scottish Government's Response to our Report on Our Energy Price Rises Inquiry

5. We request further details in relation to the current values allocated for the Fuel Insecurity Fund and Winter Heating Payment and how much of this funding has been administered so far in the budget cycle.

The first act of the new First Minister was to build on the doubling of the Fuel Insecurity Fund last year to tripling it to £30 million for 2023-24. The Fund is a critical element of our support to people who are struggling with their energy costs. It continues to provide a lifeline to households who are at risk of self-rationing or self-disconnecting their energy use. Fund allocations were announced in a press release at the beginning of May, our delivery partners have flexibility to drawdown their grant as required across the year. To date, £2 million has been paid out.

Winter Heating Payment (WHP) is a new benefit that was launched in February 2023 and is paid by Social Security Scotland on an annual basis. The budget for 2022-23 was set at £21.4 million and the official statistics, which will include detail on annual expenditure, will be published on 6 June. The benefit was uprated in April 2023 from £50 to £55.05 and the budget for 2023-24 was set in line with the Scottish Fiscal Commission's December 2022 forecast at £23.6 million.

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6. We request an update on how much has been spent so far on Heat in Buildings/Fuel Poverty, including in relation to national schemes such as Warmer Homes Scotland and other individual insulation programmes.

The £366 million allocated in the 2023-24 budget includes a range of funding for capital schemes (including those covered in question 7 below). We only have data for the first month of the financial year (P1) which provides limited information given that many schemes provide data quarterly or have staged windows for applications. We have therefore summarised the position for individual capital schemes below and in Question 7.

A summary of the position for national, domestic schemes:

- **Area Based Schemes (ABS):**
 - Total funding of £64 million has been allocated to Councils for the scheme. Councils have been informed to enable them to start planning works and grant letters are in the process of being issued. We are also working with Councils to develop an approach which will provide certainty of funding (within the constraints of the annual budget process) over a 3-year time horizon – this should support Councils' ability to deliver as many schemes will cut across multiple years. We do not have P1 data for the scheme, as ABS reports come from Local Authorities on a quarterly basis.

- **Warmer Homes Scotland:**
 - The current Warmer Homes Scotland contract finishes at the end of September. New applications for the scheme have now ended to allow for the current customer journeys to be completed before the end of the contract. All applications received from 1 April 2023 will be assessed by Home Energy Scotland under the eligibility criteria for the successor scheme and will be passed to the managing agent for delivery when the new contract goes live on 2 October 2023. The successor scheme will run for a minimum of 5 years and the contract includes the option to extend a further 2 years which would see the programme run until October 2030.
 - Warmer Homes Scotland is continuing to provide energy efficiency measures to fuel poor households. Improvements will continue to be installed up until the end of the current Warmer Homes Scotland contract on 29 September 2023.
 - The successor scheme expands significantly on the offer of the previous scheme with a greater focus on deep, whole-house retrofit and zero emissions heating where this is not detrimental to the fuel poverty objectives. This new approach requires significant preparation from the managing agent and sub-contractors which will take place between now and October.
 - The scheme has seen highest ever installation in recent months and we expect this to continue as current applications are progressed. The allocated budget for the scheme is £55 million for 2023-24. Warmer Homes Scotland invoice for April was around £5.5 million.

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- **Home Energy Scotland and Business Energy Scotland loans and grants:**
 - £50.5 million has been allocated to providing funding to individuals and SMEs for energy efficiency works and installation of renewable energy and heating technologies. Take-up of this scheme is currently high, and we expect that demand may exceed allocation. We will manage this through adjusting the scheme to manage demand and using the flexibility within the overall budget envelope from the Heat in Buildings Strategy. Circa £7 million of funding has been paid out in grants and loans in P1.

7. We request an update on the funding being provided through the Scotland’s Heat Network Fund, Social Housing Net Zero Heat Fund and the Green Public Sector Estate Decarbonisation Scheme, including how much of the budgeted amounts have been allocated so far during 2023-24.

These schemes are included in the £366 million budget for 2023-24 referred to in question 6. The budgets allocated to these schemes are as follows:

- Green Public Sector Estate Decarbonisation Scheme - £50 million
- Social Housing Net Zero Fund - £40 million
- Scotland’s Heat Network Fund - £27.4 million

Of this, the following is already allocated to projects via issued grant letters with a number of further grant offers due to be made in May/June:

- Green Public Sector Estate Decarbonisation Scheme - £15 million
- Social Housing Net Zero Fund - £22 million
- Scotland’s Heat Network Fund - £20.2 million

A number of changes have been made to the schemes to support increased take up of the schemes. These include:

- Move from loan to grant funding for part of the Green Public Sector Estate Decarbonisation Scheme
- Increasing the maximum grant funding to 60% for the Social Housing Net Zero Fund
- Introducing the Heat Network Support Unit to support pre feasibility work to enable projects to progress to capital readiness and be in a position to access grant under the Heat Network Fund.

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The Publication of the Final Hydrogen Action Plan and Associated Capital Investment, as well as the Anticipated Energy and Just Transition Strategy

8. We ask the Scottish Government to set out its plans for the remaining £3 million from the Hydrogen Innovation Scheme. We also request an update on whether a call for projects has now been opened by the Scottish Government for the Green Hydrogen Fund and, if so, how much of the £90 million fund has been allocated for developments so far.

The Hydrogen Action Plan, published on 14 December 2022, confirmed that £100 million from the Scottish Government's Emerging Energy Technologies Fund (EETF) would be made available to support renewable hydrogen production and our hydrogen production ambition of 5GW by 2030.

The first tranche of our hydrogen investment programme, the Hydrogen Innovation Scheme (HIS), opened in June 2022 and is targeting support for innovation in the production, storage, and integration of renewable hydrogen in our energy system. On 10 May, at the All-Energy conference, the First Minister announced that grants worth a total of £7 million would be allocated to 32 diverse projects. Further steps to support innovation in hydrogen technology in Scotland will be considered following an assessment of the outcomes of the successful HIS projects.

The EETF Green Hydrogen Fund will make available capital funding to support the emerging hydrogen sector and is scheduled to launch later this year.

9. We seek information on how much of the Emerging Energy Technologies Fund has been spent and if this £80 million remains earmarked for the development of CCUS.

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 and we continue to urge the UK Government to provide a timetabled solution for when the Scottish Cluster will be awarded.

By continuing to delay on the Scottish Cluster, the UK Government is putting our Net Zero objective, and that of the rest of the UK, at risk.

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