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Richard Leonard MSP  
Convener, Public Audit Committee

24 August 2023

Dear Mr Leonard

Thank you for your letter of 26 July, and for the opportunity to give evidence to the Public Audit Committee on 29 June. I have set out below responses to each of the questions set out in your letter, including the further information that we agreed to provide during the Committee meeting.

**Please explain how the National Performance Framework informs decisions on infrastructure spending and how will it be used to inform the re-prioritisation that is planned.**

The National Performance Framework informs all capital spending decisions. Our investment in infrastructure is targeted to maximise wider economic benefits and the delivery of the National Outcomes. Scottish Government routinely prepares business cases considering the likely impact of proposed infrastructure, using the most relevant aspects of the National Performance Framework.

The [Infrastructure Investment Plan for Scotland 2021-25](#) (hereafter the IIP), published in 2021, identified the outcomes from the National Performance Framework most likely to be improved by infrastructure investment and these, in turn, informed the three priorities for investment set out in the IIP and how various projects and programmes contributed to the long-term drive towards a wellbeing economy; reducing inequality and improving the quality of life of all of our people.

The IIP 2021-25 also sets out a hierarchy for infrastructure investment which aids decision making and planning on investment choices by encouraging maintenance and enhancement of existing assets over new assets. To support the application of the infrastructure hierarchy the Scottish Futures Trust and Scottish Government have jointly developed an Asset Strategy Guidance note (link [here](#)) and a Net Zero Public Sector Buildings Standard to support the whole public sector in making good investment decisions. More information on the Net Zero Public Sector Buildings Standard can be found here: [Net Zero Public Sector Buildings Standard](#).

In the context of current challenging economic circumstances, the Scottish Government remains committed to improving the lives of people in Scotland through its infrastructure investment. As we undertake the work to prioritise capital spending, as outlined in the Medium-Term Financial Strategy 2023, we will be considering afresh the alignment between the capital spending plans set out in the IIP and our National Performance Framework Outcomes. This prioritisation will be supported by focusing on the priorities set out by this Government in the Policy Prospectus (published in April 2023), and involve an up-to-date assessment of deliverability, value for money and impact.

**Please explain how the Scottish Government will seek to balance competing priorities e.g., how does it determine an appropriate level of spending on road projects which might conflict with net zero or environmental aims and objectives.**

As we undertake the review of the Capital Spending Review in advance of the 2024-25 Budget, Scottish Ministers are focused on targeting the available capital spending to deliver the right mix of infrastructure that will support employment and the economy, the achievement of net zero emissions targets and underpin the provision of high-quality public infrastructure and services across Scotland.

In determining which projects are prioritised we will assess the impact on all three priorities, as well as the deliverability and value for money of spending proposals. Within this process, a project that has a strong impact on one outcome may receive higher priority than one that has a weak impact on all three. We will publish an updated IIP Major Capital Projects Pipeline alongside the Draft Budget 2024-25 - providing transparency over which projects may now be delivered over a longer timescale.

As part of the prioritisation exercise the Scottish Government will assess future funding and financing opportunities to deliver the right strategic assets in the right places.

**Please provide an update on progress to improve the carbon assessment of infrastructure investment, as per the commitment in the 2021 Infrastructure Investment Plan and the statutory requirements set out in the Climate Change Act of 2019.**

The IIP recognised that the current method of carbon assessing the carbon impact of our capital investment is no longer fit for purpose. During Stage 2 of the Climate Change (Emissions Reduction Targets) (Scotland) Bill, the Government committed to working with the Parliament to review the current processes and outputs around budget information as it relates to climate change. A Joint Budget Review (JBR) Group, comprising officials from the Scottish Government and Scottish Parliament, was established to take that work forward.

On conclusion of the JBR in December 2023 [\[link to conclusions\]](#), three strands of work were identified to be taken forward:

- Establish a dedicated climate narrative in the Budget document;
- Develop an enhanced taxonomy for all Scottish Government spend to support improved budget scrutiny; and
- Develop and implement a Scottish Government wide Net Zero Assessment (NZA).

The Deputy First Minister and Cabinet Secretary for Transport, Net Zero and Just Transition wrote to the PAC and Net Zero, Energy and Transport Committees in June outlining the

expectation of running a pilot of the Net Zero Assessment (NZA) by the end of Quarter 4 of 2023 [\[link to letter\]](#), with a further update to be sent to these Committees on the JBR implementation in September. The full roll out of the NZA will take place iteratively to allow the impact of application to be understood. The NZA will be piloted with a number of policy areas before the end of 2023.

**Please provide an update on the progress that has been made towards development of an overarching framework for assessment and prioritisation of infrastructure investment, as recommended by the Infrastructure Commission for Scotland in 2020.**

The Infrastructure Commission for Scotland's recommendation to "develop and publish a new infrastructure assessment framework and methodology" was accepted and is being taken forward by the Scottish Government with support from the Scottish Futures Trust.

Work has been undertaken to assess available assessment and prioritisation methodologies (both in Scotland and in other jurisdictions) and their suitability for use for infrastructure prioritisation. In parallel, new assessment approaches, such as the Net Zero Assessment, and a consultation on the National Performance Framework Outcomes, are in development and these will be factored in to any overarching framework applied to infrastructure investment.

We will build in learning from the current review of our capital spending plans, identifying the strengths and weaknesses of different approaches, in the next phase of developing a framework.

We have also been working with stakeholders to better understand long term demand for infrastructure in Scotland across a range of infrastructure types to inform the Needs Assessment, as recommended by the Infrastructure Commission for Scotland.

The combination of these strands of work under our infrastructure improvement programme will inform the content and development of the next Infrastructure Investment Plan.

## **Follow up information from the Committee session**

### ***Information on help available for private citizens to reduce emissions from buildings.***

Home Energy Scotland (HES), administered by Energy Saving Trust on behalf of the Scottish Government, is an advice service that acts as a single point of access for free, bespoke, impartial advice on energy efficiency, renewable heating and fuel poverty support in Scotland. HES will be able to advise the customer if they are eligible for support through any of our schemes or wider support available to tackle energy bills or help to decarbonise. Key schemes are outlined below.

The Home Energy Scotland (HES) **Grant and Loan Scheme** was launched in December 2022 and is available to all owner-occupiers across Scotland. It offers applicants a grant, interest free loan or combination of both to support the installation of energy efficiency measures and zero emissions heating. For zero emission heating measures, grant funding of up to £7,500 is available, with an additional £7,500 of funding available as an interest free loan. For energy efficiency measures, grant funding of up to 75% of the combined costs of measures up to a maximum £7,500 is available, with an additional £7,500 of funding available as an interest free loan. There is a rural uplift of £1,500 for both the zero emission heating and energy efficiency grants for rural and island homes.

**Warmer Homes Scotland (WHS)** is targeted at those in, or at risk of, fuel poverty. It makes homes warmer by installing a range of insulation and heating measures into individual properties. Since its launch in 2015 the scheme has invested over £228 million and helped over 34,000 households across Scotland to live in warmer, healthier homes which are more affordable to heat. A successor scheme to WHS is launching in October 2023 that will have higher grant limits per household allowing us to deliver whole house retrofit and install more measures in individual properties. There will also be a focus on zero emissions heating where this is technically feasible and is not projected to increase running costs. Applications for this scheme are currently being accepted by Home Energy Scotland.

**Area Based Schemes (ABS)**, launched in 2013, aims to reduce fuel poverty by funding local authorities to design and deliver energy efficiency measures in fuel poor areas. Local schemes are designed and delivered by councils, in conjunction with utility companies and local delivery partners, targeting fuel poor areas to provide energy efficiency measures to a large number of Scottish households and help reduce fuel poverty. ABS funding enables local delivery partners to offer measures at no cost or a reduced cost to owner occupiers and private landlords with fewer than four properties. In line with our commitments in the Programme for Government, the Scottish Government has maintained our annual investment in local ABS projects at £64 million in 2023-24.

**Business Energy Scotland (BES)** offers free specialist advice and support to small and medium sized enterprises, (SMEs) including not for profit organisations, on implementing energy efficiency and heat decarbonisation measures with the aim of cutting carbon emissions and energy costs, increasing economic competitiveness. BES is also responsible for signposting businesses to the SME Loan and Cashback Scheme and for producing the bespoke energy assessment reports required to support the application for funding.

**The SME Loan and Cashback Scheme** provides interest free loans from £1,000 to £100,000. A cashback grant is also available through the SME Loan Scheme to stimulate the uptake of energy efficiency and renewable heat measures. Through this financial offer SMEs can apply for a 75% cashback grant of up to £10,000 towards the costs of a renewable heating system and a further 75% cashback grant up to £20,000 for energy efficiency measures. In total SME's can access a maximum of £130,000 through the scheme.

### ***Reasons for the delay and increase in budget for the oncology enabling projects at the Edinburgh Cancer Centre.***

The Oncology Enabling Project at the Western General Hospital (WGH) in Edinburgh, comprises of three distinct projects. One of these was a new build on an area of car park and two are refurbishment of existing buildings on a very busy working hospital site. The new build section and one of the refurbishment elements were programmed sequentially whilst the other refurbishment project was dependant on another adjacent earlier project completing – these two elements of the overall project were the critical path.

The new build section was to be the first on site but started later than had been hoped due to the discovery of a site of archaeological interest in the car park area. This delay, compounded by Covid and EU exit related issues which affected progress on site and in procurement, has delayed the commencement of the subsequent refurbishment project. Once the refurbishment project gained access to the existing building it became clear that a number of existing fire compartment walls were in a poor state of repair and remedial work was undertaken. All of these issues have contributed to the programme prolongation and the cost increases.

As noted in the Major Capital Projects Update, the Oncology Enabling Project is expected to be completed in November 2023.

### ***Additional information on the affordable housing supply programme target***

To the end of March 2023, we have delivered 11,570 homes - 10.5% of the 110,000 affordable homes by 2032 target. Within that we have delivered 9,121 homes - 12% of the social rented element of the target and 79% of the total homes delivered which compares favourably with the commitment to at least 70% of homes delivered to be for social rent. There are nine remaining years to deliver the remaining homes and we continue to work closely with partners to plan and deliver the homes as quickly as possible.

We are making available £3.5 billion over the current parliament, to March 2026. The CSR reset will confirm funding to March 2027 and funding beyond this date will be a matter for the next Spending Review, expected to take place after the next Scottish Parliament election.

We do not have fixed annual profiles for homes to be delivered in the target period but will look to maximise the number of homes delivered each year within the available budget. As can be seen from the previous 50,000 affordable homes target, delivery is not evenly spread across all years and is likely to be backloaded to allow sectoral capacity to grow.

Good progress has been made to date at this early stage of the target period and we will continue to update on progress through publication of our quarterly statistics on the Affordable Housing Supply Programme. The next quarterly statistics, to end June 2023, are due to be published on 12 September. We continue to work closely with local partners to progress the delivery of affordable homes as quickly as possible.

### ***Who will own the EV charging network in the future?***

Charge points on the ChargePlace Scotland network are owned by a range of public, private and third sector organisations. There are now over 2,500 charge points on this network and Transport Scotland's role has been to grant fund the costs of installing the infrastructure as well as meeting the costs for the provision of a procured back-office function.

As highlighted in the evidence session on 29 June, it will be impractical for the Scottish Government to fund the development and expansion of the public charging network at the scale and pace required and there is clearly an opportunity to leverage investment from a growing number of well-capitalised private Charge Point Operators. This opportunity is clearly highlighted in the Scottish Government's Vision for Scotland's Public Charging Network that was published on 19 June 2023.

Transport Scotland, through its EV Infrastructure Fund, has made funding available to all of Scotland's local authorities to develop public electric vehicle charging infrastructure strategies and infrastructure expansion plans. As part of these, they are considering future public charge point needs at local and regional level, the investment required as well as the best approaches to collaborative investment with private partners. These are likely to result in the development of new models of delivery. These could include concession-type contracts between local authorities and private partners which will set out the arrangements for charge point ownership, operation, maintenance as well as revenue-share.

Local Authorities have the option to include existing ChargePlace Scotland charge points within new operating models described above, which could necessitate charge points being operated on new, alternative back-office systems, rather than the ChargePlace Scotland

system. Given an ageing ChargePlace Scotland asset base, throughout the course of a new partnership arrangement, charge points may also be replaced with new infrastructure. The ownership of these charge points at the end of a contract would be determined by the terms and conditions of that contract.

As highlighted above, as well as local authorities, there are also a range of other public, private and third sector organisations that own charge points that are on the ChargePlace Scotland Network. Transport Scotland will work with those organisations to identify opportunities for alternative back-office arrangements.

I hope this information is helpful to you and the members of the Public Audit Committee. If you have any further questions, please let me know.

The production of the next Major Capital Projects and Programmes reporting will commence in the autumn and set out the position as at the end of September 2023. My team will continue to liaise with the Public Audit Committee clerks to ensure the information provided is as helpful as possible. As noted in the latest reporting we are undertaking a review of the project pipeline to ensure it reflects current delivery conditions and funding constraints. This will be published alongside draft budget 2024-25 instead of alongside the Project and Programme updates, but we will revert to the usual package of material for future updates.

Yours sincerely

Alison Cumming