

Cabinet Secretary for Infrastructure, Investment and Cities
Keith Brown MSP



Jim Eadie MSP
Convenor
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Scottish Parliament
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Dear Convenor,

I enclose the Scottish Government's response at Annex A to the recommendations contained in Committee's Report to the Finance Committee on the Draft Budget 2016-17, published on 29 January 2016 that relate to my responsibilities as the Cabinet Secretary for Infrastructure, Investment and Cities.

For the Committee's convenience the response follows the order of the recommendations contained in the report.



KEITH BROWN

The Scottish Government welcomes the Committee's report. Responses to each of the Committee's recommendations are presented below.

Recommendation

28. The Committee therefore welcomes the publication of the Infrastructure Investment Programme 2015 (IIP 2015) and its contents in relation to meeting its GHG emissions targets. However, the Committee still wishes to monitor how the Scottish Government's future budgets will assist in meeting the targets contained in IIP 2015 and therefore recommends that it reports back to the Committee or its successor committee ahead of the next spending review.

Response

The Scottish Government will consider this recommendation in the context of overall monitoring of the IIP.

Recommendation

31. The evidence received by the Committee suggests that a lifecycle/consequential approach to carbon impact assessment would result in more informed Government decision making and enable more effective budget scrutiny. The current carbon assessment methods could inadvertently result in resource allocation decisions that act against meeting Scotland's GHG emission targets. The Committee recommends that the Scottish Government review the effectiveness of its methods of Carbon Assessment of Draft Budget 2016-17 and Infrastructure Investment Programme 2015 in line with the evidence submitted to the committee.

Response

The figures presented in the Carbon Assessment of the Draft Budget are estimated using the Scottish Government Environmental Input-Output Model (EIO). As discussed in the Transport, Infrastructure and Climate Change Committee in 2009 (<http://archive.scottish.parliament.uk/s3/committees/ticc/or-09/tr09-2102.htm#Col2112>), we continue to believe that the current method is appropriate for meeting its aim of allowing the Scottish Government to place the carbon impact of its use of goods and services within the wider context of the national and global economy on the same day as the Draft Budget.

It is understood that the Carbon Assessment does not take account of emission impacts associated with all of the outcomes arising from Government spending. For that we need a forward-looking approach for individual policies and projects using bottom-up data. Such an approach is taken in the analysis underpinning the Second Report on Proposals and Policies (RPP2) (<http://www.gov.scot/Publications/2013/06/6387/16>), which sets out the cost to society and abatement associated with measures, out to 2027, for meeting the 2050, interim and annual targets in the Climate Change (Scotland) Act.

The Scottish Government will consider this recommendation in the context of overall monitoring of the IIP.

The Scottish Government will publish the Third Report on Proposals and Policies at the end of 2016, setting out measures that could achieve emissions reductions required to meet our 2050, interim and annual targets, covering the period to 2032. The analysis underpinning these reports is based on the United Nations Framework Convention on Climate Change (UNFCCC).

Recommendation

32. While the Committee acknowledges the difficulty in producing the report on climate change mitigation measures, the absence of the report this year did make it challenging for the Parliament and stakeholders to properly review the material during what was a very short scrutiny period. The Committee therefore repeats its recommendation contained in its Report of Draft Budget 2015-16 which endorsed the Finance Committee's recommendation in its report on the 2014-15 Draft Budget that —funding information for climate change mitigation measures should be published alongside publication of the draft budget and calls on the Scottish Government to ensure that this happens in future years.

Response

Details of funding for climate change mitigation measures is published as soon as reasonably practicable after publication of the level 4 data on which it is based, allowing time for additional analysis and quality assurance. The Scottish Government will continue to work to ensure that information about the funding of measures intended to help the achievement of greenhouse gas emissions reduction targets is available to assist the scrutiny of draft budgets as soon as reasonably practicable.

Recommendation

33. The Committee restates its recommendation from its report on the Draft Budget 2014-15 and Draft Budget 2015-16 that the Level Three Budget for Support for Sustainable and Active Travel, be separated into Support for Sustainable Travel and Support for Active Travel in future draft budgets, infrastructure investment programmes and climate change mitigation measures reports. (see response from the Scottish Government in Annexe D)

Response

It is not a straightforward proposition to precisely disaggregate the levels of expenditure allocated to active travel alone from the wider support for sustainable transport budget. For example, some elements of our funding on sustainable and active travel are awarded to Local Authorities and they will decide later in the year precisely how the allocations will be spent. The Scottish Government therefore cannot pre-empt these decisions.

Nonetheless, officials within Transport Scotland will carefully consider how we can provide greater clarity on the breakdown between active travel and wider sustainable transport whilst also allowing for a credible and valid comparison to be made against funding allocations awarded in previous years.

Recommendation

36. The Committee welcomes the substantial 26.5% increase in funding for sustainable and active travel. It nevertheless notes from evidence that there have been recommendations of further increased spend of between £8.2m (1% of the Motorway and Trunk Road budget)⁷ and £140m (to increase the spend to 10% of the overall transport budget)⁸ to this budget. The Committee therefore recommends that consideration be given to any appropriate in-year savings from across the transport budget be passed to the active and sustainable travel budget for the 2016-17 financial year. The Committee also recommends that the Scottish Government make further significant changes to the active and sustainable travel budget in future years.

37. It is also recommended that in the next spending review the Scottish Government make a step-change to the level of funding for sustainable and active travel, perhaps linking the budget to a percentage of the overall transport budget, taking into account the wide range of benefits associated with increasing levels of sustainable and active travel. The Scottish Government should also separately identify spending programmes on Sustainable travel and Active travel to reflect the substantive differences between sustainable travel investments and active travel investments. The committee also requests that the Scottish Government provides a breakdown of road related infrastructure budgets that separately identifies expenditure related to facilitating improved levels of active transport.

Response

In terms of the Committee's recommendation that any savings made within the transport budget be reallocated to sustainable and active travel, the Scottish Government has a proven track record of reinvesting savings made elsewhere within the transport budget into sustainable and active travel wherever possible, most recently evidenced by the reallocation of funds derived from efficiency savings made in the Forth Replacement Crossing project to cycling and walking infrastructure projects. I will continue to make the case for in-year reallocations to sustainable and active travel wherever possible. I would however remind the Committee that the outcome of the UK Government's Comprehensive Spending Review resulted in a real terms cut of 4.2% to Scotland's total discretionary budget between 2015-16 and 2019-20 so this will be a very challenging period for all Portfolios.

On the Committee's calls for the next Spending Review to herald a step change in the levels of funding for sustainable and active transport, I would firstly thank the Committee for acknowledging elsewhere in their report the substantial increases in funding for sustainable and active travel proposed in our Draft Budget. The proposed increase in funding by 26.5% builds on the significant upscale in funding for sustainable and active travel that this Government has already delivered. Compared to 2013-14 we have increased investment in active travel by over 80% (from £21.35 million for 2013-14 to £39.2 million in 2015-16). This is at a time when our overall capital budget decreased significantly in real terms. In our Draft Budget we promised to match these record levels of funding for active travel in 2016-17. On wider sustainable transport measures we also announced plans to extend the Future Transport Fund (FTF) into 2016-17, once again maintaining the FTF's record levels of funding in 2015-16 into 2016-17. The FTF currently supports the development of priority active travel infrastructure projects in partnership with local authorities; projects to accelerate

the widespread adoption of low carbon vehicles, including the ChargePlace Scotland network of electric vehicle charging points; the purchase of low emission buses through the Green Bus Fund; and the Freight Facilities Grant (FFG) encouraging the transfer of freight from road to rail or sea. We will review the programmes that the FTF supports to ensure that it is targeted effectively.

Of course decisions on expenditure priorities in the next Spending Review will be a matter for the next Scottish Government. Nonetheless I trust that my comments reassure you that this Government is fully committed to increasing funding for sustainable and active travel wherever possible.

Recommendation

41. Greater investment and support for alternatively fuelled vehicles should be continued, but it has to be recognised that without adequate traffic demand reduction or management systems alternatively fuelled vehicles may worsen levels of road congestion and adversely affect modal shifts to public or active travel. Future investments in the road networks, road vehicles and demand reduction should be targeted to balance the social and economic benefits of improved connectivity within Scotland with its social, economic and environmental costs.

Response

The Scottish Government is committed to supporting an efficient, well-managed, trunk road network which facilitates faster, more sustainable growth in a low carbon economy. This vision complements the work underway to develop low carbon vehicle technology, support freight modal shift and promote active travel choices and modal shift to public transport.

Our Infrastructure Investment Plan (IIP) makes clear our intention to build new routes and more capacity into the trunk road network. It is essential our strategic routes - new and existing - are as efficient as possible to help improve journey time reliability and minimise carbon impact. Accordingly, work is underway to explore how best Intelligent Transport Systems (ITS) can be applied to enhance capacity and operations on key routes connecting our cities.

Road projects delivered and committed through our capital programme have impacted positively on the environment e.g. promoting active travel (greater share of road space and/or improved links for pedestrians and cyclists) and reducing vehicle emissions resulting in improved air quality.

Recommendation

43. The committee welcomed this commitment to explore alternative fuelled ferries in terms of its contribution to reducing emissions, enhancing Scotland's record of technical innovation and employment opportunities and recommended that the Scottish Government continue to support this innovative low carbon infrastructure technological development

Response

The Scottish Government will continue to support innovative low carbon technological developments.

Recommendation

52. The committee notes the potential negative impact of this ruling on the ability to fund future infrastructure programmes and requests that the Scottish Government reports back to the committee the results of its review of future funding mechanism with any implications for future programmes.

Response

The Committees interest is duly noted. The Scottish Government – as with governments in other EU Member States – will consider future investment strategies in the light of the evolving landscape around classification and other factors such as in Scotland's case, the possibility of enhanced borrowing powers. Scottish Ministers will consider all the levers at their disposal for enhancing infrastructure investment as a driver of growth and the case for using different models of investment for a range of purposes within the programme.

Recommendation

55. The Scottish Government should review the appropriateness of its carbon accounting methodologies, in light of the evidence presented to the committee and other developments in this field, in order to ensure that the evaluation of infrastructure expenditure plans takes into account the best possible estimate of life cycle carbon consequences. The committee also requests that a more comprehensive process of providing carbon emissions, economic costs/benefits and social costs/benefits for all infrastructure expenditure proposals is developed and forms part of future spending reviews and Draft Budgets.

Response

Please see the response to recommendation 31.

Recommendation

57. The committee requests that in order to improve the quality of its evaluation of IIP 2015 that the Scottish Government provides further details on the forecast carbon emission implications of each programme in sufficient time for the next spending review. In relation to recording wider social and economic benefits accrued from low carbon infrastructure programmes, the Committee repeats its recommendation from previous years that a more holistic approach to making visible these benefits would strengthen the case for greater levels of low carbon infrastructure investments.

Response

The Scottish Government recognises the wider social and economic benefits of low carbon infrastructure programmes. We will continue to explore opportunities for evaluating the holistic benefits of low carbon infrastructure investments as we develop the Third Report on Proposals and Policies and the next IIP.

