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Scottish Draft Budget 2012-13 & Spending Review

WWF Scotland evidence to the Infrastructure and Capital Investment Committee

October 2011

WWF Scotland welcomes the opportunity to brief the Committee on the Draft Budget. The Budget and Spending Review are very important levers in securing a transition to a low carbon economy and the delivery of Scotland's Climate Act commitments. A low carbon budget must be seen as an investment in the wellbeing of our country, supporting green jobs, more comfortable homes, cleaner energy, active travel and more efficient public transport.

Summary

- The nature of infrastructure and capital investment decisions will impact on our climate emissions for decades ahead by locking us into specific development pathways and behaviour and are therefore of critical importance in delivering a low carbon Scotland.
- The Draft Budget and Spending Review make a welcome commitment to supporting a low carbon economy and the need to help achieve Scotland's climate change targets. However, disappointingly, the spending proposals do not appear to adequately fund key measures set out in the Government's Report on Policies and Proposals (RPP) as necessary to deliver Scotland's Climate Change Act emission reduction targets.
- On homes, the Draft Budget for 2012-13 proposes £65m for energy efficiency and fuel poverty. While greater than current funding (£48m), this is less than allocated in 2009-10 (£65.9m) and 2010-11 (£70.9m) and far short of the £100m that we believe is required to meet our climate and fuel poverty targets.
- On transport, the Draft Budget and Spending Review proposals remain at odds with the need to cut emissions from this sector. While the proposals include welcome commitments to support some key public transport initiatives, spending on motorways and trunk roads is set to increase by 25% by the end of the Spending Review period. Subject to any firm commitment to fund the 'Cycling, Walking & Safer Routes Fund' spending on active travel has been cut potentially by 50% from £32.5m in 2011-12 to just £16m in 2012-13. As a proportion of the total transport budget proposals to support walking and cycling equate to less than 1% of the budget.



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- The Draft Budget and Spending Review fails to capitalise on opportunities to deliver significant green jobs, support Scotland's economy and improve our health through investment in energy efficiency and active travel.
- Budget amendments to increase spending on active travel and home energy efficiency are required to ensure that Scotland is on track to deliver our emission cuts as set out in the Climate Change (Scotland) Act. Such amendments provide considerable scope to support a preventative spend agenda.

WWF Scotland acknowledges the current constraints on public expenditure and believes that effective spending decisions can support long-term solutions that deliver multiple economic, social and environmental benefits and ensure that a 'One Planet' Scotland becomes a reality. By thinking in an integrated way, public spending can deliver better outcomes for less.

Background

WWF Scotland welcomes the commitment to support the transition to a low carbon economy as one of the priorities set out for the Scottish Draft Budget and Spending Review. The explicit recognition that the Draft Budget and Spending Review needs to help 'achieve our world-leading climate change targets, under the Climate Change (Scotland) Act' and that 'helping to tackle climate change is an exemplar of preventative spend' is welcome. Despite these commitments, the Draft Budget and Spending Review fall short of giving WWF Scotland confidence that Scottish Government spending plans are compatible with delivering the Climate Change (Scotland) Act targets, supporting Scotland realise the low carbon job opportunities available and reflecting the scale of preventative spend opportunities available by supporting sustainable transport and improving the energy efficiency of Scotland's housing stock.

The RPP includes both the public and private funding required for relevant activities and we recognise that not all funding is expected to come from the Government. However not only will many policies and proposals rely heavily on Government funding but this funding itself can be used to both lever in funding from elsewhere and provide confidence for investment by the private sector.

Homes

With homes responsible for a quarter of Scotland's climate emissions and a third of Scotland's households suffering from fuel poverty, investment to improve the energy efficiency homes is critical.

The Spending Review includes a commitment to invest just under £200m in fuel poverty and energy efficiency programmes over the coming three years, with specific reference to supporting the 'Energy Assistance Package (EAP), Universal Home Insulation Scheme (UHIS) and Boiler Scrappage Scheme.' Since the Draft Budget and Spending Review announcement, the Government has confirmed that the breakdown on energy efficiency and fuel poverty spend will be £65m, £66m, and £66.25m for each consecutive year. Whilst this constitutes a greater spend than the current year (£48m) it is still less than the 2010-11 budget (£70.9m) and 2009-10 (£65.9m). Given that the numbers of people in fuel poverty are rising, it is disappointing to see the level of investment in these schemes diminishing, not increasing.

This level of funding to improve the energy efficiency of our existing housing stock is inconsistent with delivering the emissions abatement attributed to domestic building energy efficiency in the RPP or the statutory Government target to eradicate fuel poverty by 2016:

- The RPP highlights a doubling of carbon abatement between 2011 and 2012 from home energy efficiency policies (CERT, CESP, EAP and UHIS), yet spending commitments do not reflect an increase in government funding commensurate with this abatement.
- Recent analysis of the emission reductions achieved from current EAP and UHIS programmes (upon which the RPP is heavily reliant) highlights annual emissions reduction equivalent to just a small fraction of the abatement attributed to domestic

building energy efficiency policies for 2012 onwards. We therefore have serious concerns that the level of funding for EAP and UHIS will deliver the abatement attributed to domestic energy efficiency in the RPP.

- In 2006 Energy Action Scotland calculated that an investment of at least £1.7 bn was required in order to meet the 2016 fuel poverty eradication targeted, equivalent to £170m per year. Investment levels to date have fallen short of this level and the Scottish Fuel Poverty Forum Annual Report 2008 report stated that "We do not believe that this Package (EAP) alone will take us to the 2016 target. That requires a step change in investment, as soon as is reasonably practicable".

We note that an additional £50m is set to be allocated through the Warm Homes Fund, though it is unclear what measures this will support. The spending profile of this Fund is also skewed towards later years, with just £6.5m allocated for 2012/13 to be divided between the Warm Homes and Future Travel Fund.

Based on the outcomes of the 2010/2011 Universal Home Insulation Scheme increasing energy efficiency spending by just £35m to bring the total energy efficiency spend to £100 m in each of the following three years would deliver additional carbon dioxide emission cuts of 45,000 tonnes per year as well as significant reductions in fuel poverty.

Transport

Road transport is the second biggest single contributor to greenhouse gas emissions, accounting for over 25% of Scotland's total emissions in 2009 and emissions from road transport have risen by 4.4% since 1990. The transport sector has one of the greatest abatement potentials for carbon emissions in Scotland. However, whereas the RPP acknowledges the need for a 'step-change in devolved policy action', this transport budget remains at odds with the need to cut emissions from this sector. In order to meet the emissions reductions required from the transport sector, many of the most effective interventions in financial terms will be those which require least in the way of expensive infrastructure – for example, the widespread introduction of travel planning, active travel, the introduction or increase in parking charges and reductions in road speeds.

Public transport: The Draft Budget continues to support investment in public transport for projects such as the Edinburgh–Glasgow Improvement project and Borders railway, which is welcome.

Active travel: Spending on walking and cycling in the Draft Budget falls well short of the level required to cut emissions commensurate with the RPP. The Sustainable and Active Travel budget line has been reduced significantly from £25.1m to just £16m in 2012/13. The Draft Budget and Spending Review proposals currently list the 'Cycling, Walking & Safer Routes' (CWSS) budget as 'tbc'. The 2011/12 budget allocates £7.5m in 2011-12 (reduced from £9m in 2010/11) to the CWSS. Current funding proposals therefore equate to a 50% reduction in financial support for sustainable and active travel, and means that a mere 1% of the total transport spend is allocated to support greener transport options such as walking and cycling.

Roads: Spending on motorways and trunk roads is set to increase by 25% by the end of the Spending Review period, as a result of financial support that includes spending to support the Forth Road Bridge, Aberdeen Western Peripheral Route and M8 upgrade. The increase in funding for motorways and trunk roads alone between 2011/12 and 2012/13 equates to more than five times the total budget for sustainable and active travel in 2012/13.

Freight: The Draft Budget cuts 'Support For Freight Industry' and makes no mention of the Freight Facilities Grant Scheme – a successful scheme with an explicit environmental purpose to encourage modal switch from road to rail, despite reinstating the scheme in the last Budget. Attempts to abolish this scheme will limit any further road to rail switch and is likely to increase climate pollution as a result.

The RPP identifies that the proposals of 'eco-driving', 'LCV infrastructure provision and procurement', 'Travel planning', 'Car clubs' and 'Cycling and walking infrastructure investment' alone require funding of £313m, £230m and £171m for 2012, 2013 and 2014 respectively. The Draft Budget and Spending Review does not seem to provide even 10% of this budget giving us little confidence that the government can deliver the emission reductions in transport set out in the RPP.

Preventative Spend – Opportunities in Homes and Transport

The Draft Budget and Spending Review proposals acknowledge that tackling climate change constitutes an important preventative spend. However the proposals fail to fully reflect this opportunity. It is disappointing that there is insufficient recognition given to how a 'preventative spend' approach offers considerable opportunities for long term savings by avoiding the costs associated with the impacts of climate change and improving health whilst also stimulating green jobs.

Homes: Spending on home insulation prevents people from having to live in cold, damp homes, incurring numerous health and social problems. According to the Fuel Poverty Advisory Group for England, for every £1 spent on fuel poverty, 42p is saved by the NHS.¹ Published on October 19th 2011, the Hill Report for the UK Government (DECC) shows that in England and Wales 2,700 people are dying every year as a direct result of fuel poverty, more than the number killed in traffic accidents. Figures in Scotland are likely to be proportionately higher given our cold and damp climate and the poor quality of much of our housing stock.

Based on research from the UK and elsewhere, Friends of the Earth Scotland have estimated that by helping eliminate fuel poverty, home energy improvements could prevent around 180,000 cases of anxiety and depression each year and by cutting the incidence of asthma and respiratory problems, they could reduce the number of children and working adults taking time off for illness by 15 and 25% respectively.²

Transport: Spending on greener transport options such as active travel will support local jobs and improve health. Sir Liam Donaldson, England's former Chief Medical Officer, has described physical activity as "one of the most undervalued interventions in public health."³

Research published by the Transform Scotland Trust has estimated that if Scotland were to secure cycling levels similar to those in continental Europe the Scottish economy could save £1-2bn each year on health care costs.⁴

Capital Spend to support the Scottish Economy – Homes and Transport

The Scottish Government Draft Budget and Spending Review transfers some funding from the revenue budget into capital spend in order to support the Scottish economy. Under a broad heading of capital expenditure different decisions will offer very different opportunities to the Scottish economy and some offer much better multiple benefits.

Homes: allocating capital budget to improve the energy efficiency of our homes not only offers benefits of cutting carbon emissions, tackling fuel poverty but provides significant widespread economic benefits:

- Work undertaken for WWF by the Energy Savings Trust shows that improving all E, F & G homes to a D rating would not only achieve a 25% reduction in residential emissions on 1990 levels and reduce annual carbon emissions per home by 2.70 tonnes but support support nearly 10,000 jobs directly and generate £613 m gross value added (GVA) to the economy.

¹ Poverty Advisory Group, *eighth annual report*, <http://bit.ly/rbBKzE>

² Friends of the Earth Scotland *42% better off – the feasibility and added value of meeting Scotland's climate change target for 2020* (FoES, 2010)

³ <http://bjsm.bmj.com/content/34/6/409.extract>

⁴ <http://www.transformscotland.org.uk/transport-and-the-economy.aspx>

- The Fuel Poverty Advisory group for England reported that tackling fuel poverty will improve local economic activity, particularly in deprived areas where money not spent on fuel bills will find its way into the local economy.⁵
- Expenditure on improving the energy efficiency of our existing housing is spread across the country, helping to ensure all communities benefit from the employment opportunities available.
- The nature of the employment opportunities is likely to be accessible to local people and companies.

In his oral evidence to the Infrastructure and Capital Investment Committee Professor Tom Rye noted that: ⁶

'despite my being a transport professor I might suggest moving the money out of transport as a whole and spending it elsewhere, for example on combating fuel poverty, because such investment can be delivered in small tranches, uses local labour, is labour intensive and is good for social inclusion and climate change.'

Transport: Within the transport budget allocating greater spend to support walking and cycling programmes rather than motorway and trunk road projects provides scope to realise significant economic benefits:

- Commissioned by the UK government the Eddington Transport Study into links between transport and the UK economy concluded that "some of the best projects are small scale, such as walking and cycling schemes."⁷
- Sustrans estimate that the development of the National Cycle Network has resulted in £12m investment a year to SMEs in the construction sector, £100m a year in the leisure and tourism sectors and health benefits equivalent to £60m a year in Scotland. They also note that active travel schemes are often relatively small and support local companies, e.g. the development of the National Cycle Route 78 from Oban – Ballachulish. ⁸
- Research published by the Transform Scotland Trust report that switching 20% of Scottish car commuting journeys to walking or cycling could result in economic savings of between £2.8m and £11.6m per year.⁹

In his oral evidence to the Infrastructure and Capital Investment Committee Transport Professor Tom Rye noted that: ¹⁰

"...smaller and more local projects in transport investment generate more jobs per pound spent. They also reduce leakage from the local economy."

and commenting on very large infrastructure projects noted "we have to be sceptical about the economic development impact of the infrastructure investments."

"...if we are serious about the economy and delivering economic development benefits quickly through transport investment projects, such as they are, large projects appear to be the wrong priority focus."

⁵ Poverty Advisory Group, *eighth annual report*, <http://bit.ly/rbBKzE>

⁶ <http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6449&i=58762&c=1226371>

⁷ <http://www.thepep.org/ClearingHouse/docfiles/Eddington.Transport.Study%20-%20Rod.pdf>

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http://www.scottish.parliament.uk/S4_InfrastructureandCapitalInvestmentCommittee/General%20Documents/Written_evidence_from_Sustrans.pdf

⁹ <http://www.transformscotland.org.uk/transport-and-the-economy.aspx>

¹⁰ <http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6449&i=58762&c=1226371>

Conclusion

Housing and transport are two sectors of the Scottish economy that are responsible for more than 40% of our annual carbon emissions. WWF Scotland urges Ministers to strengthen the Draft Budget and Spending Review to ensure that it adequately reflects Scotland's commitment to secure a low carbon future and reflects the preventative spend opportunities in these areas.

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