

# Response to the Scottish Government Independent Budget Review: Initial Call for Contributions

by the Scottish Environment LINK

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## Introduction

We are grateful for the opportunity to respond to the Scottish Government's Independent Budget Review. We recognise that there will be a reduction in the Scottish budget in the face of the current economic situation and support efforts to ensure that public expenditure is sustainable.

Scottish Environment LINK is the forum for Scotland's voluntary environment organisations, with over 30 member bodies representing a broad spectrum of environmental interests with the common goal of contributing to a more environmentally sustainable society.

## Summary

### Sustainability.

- A sustainable economy should be viewed as one that “lives within environmental limits” (ref: UK SD Framework) – and sustainable development must remain a fixed aim of the Scottish Government. Public expenditure has a central role to play in helping secure sustainable development in Scotland and can also give directions towards sustainability to the private and third sectors. Most importantly, it should be zero-carbon development, as climate change, with all its associated economic, social and environmental consequences, is the result of exceeding the atmosphere's capacity to absorb emissions. As the Stern Report concluded, the medium and long term consequences of climate change will be disastrous for us all if no, or inadequate, action is taken. Other environmental limits are also important – and recognised by international agreements and law. These include the UN and EU commitments to protect and restore biodiversity, including in the marine environment.
- The Scottish Government's carbon budgeting requires strengthened, in particular with regard to full appreciation and accounting for the broader carbon impacts and implications of public expenditure. As an emerging policy tool, carbon accounting requires to be regularly updated.

### Spending for Sustainability

- Public expenditure in Scotland needs to be compatible with objectives established in the Climate Change (Scotland) Act 2009, as well as other

environmental legislation such as the Nature Conservation (Scotland) Act 2004 and the Marine (Scotland) Act 2010. Equally important are the Government's National Performance Framework indicators on reducing our global footprint, protecting biodiversity, increasing active travel and encouraging outdoor access.

- In considering the public finances, a much longer term view of the benefits of public spending should be taken. Examples of public expenditure on environmentally beneficial developments where the downstream economic and social benefits can deliver cost savings abound. For example spending on active travel schemes maximises good health and, at the same time reduces the current and future costs of items such as obesity, energy usage and sickness at work. Investment in improving the energy efficiency of our housing stock (and energy efficiency generally); in active travel and public transport; in the new marine planning system and the identification of Marine Protected Areas (MPAs); and to ensure all school pupils receive high quality education for sustainable development, should all be high priorities.
- Several major capital projects proposed by the Scottish Government are, simply, outwith the bounds of sustainability, and should be cancelled or postponed. Cutting the replacement Forth Road Bridge and the Aberdeen Western Peripheral Route alone could provide an opportunity to save a highly significant part of the budget in coming years. Efficient and affordable public transport options to replace them could be economically, socially and environmentally more sustainable. There are other potential savings (or re-directions of expenditure) that should be explored in other policy areas that, in addition to financial benefits, secure environmental or social benefits for fewer resources (or more overall beneficial outcomes for the same resource input). These include the agriculture and forestry budgets, and the management of water resources and the water industry.

### **Fiscal Powers**

- Scottish Government should consider use of its limited fiscal powers to raise more income and to promote sustainable behaviours and sustainability in doing so. All attempts so far to create fiscal levers such as congestion charging, waste prevention charges or road tolls have been half-hearted failures.
- The Calman Commission has proposed an amendment to the current settlement to devolve aggregates tax, landfill duty and other "green taxation powers". Such new financial powers would provide future Scottish Governments with the opportunities to continue or expand these levies on environmental "bads" while also creating a revenue stream to fund environmental "goods".

### **Planning for Sustainability**

- A key policy to secure reductions in carbon emissions is the development of renewable energy – however, the Climate Change (Scotland) Act 2009 and

Government planning and energy policy also require that such developments, themselves, must be carried out in a sustainable manner. This means that they must be well-sited and managed – this requires investment in strategic planning and environmental assessment, but creates savings in reduced conflict (less time and resources wasted on unnecessary public inquiries etc) and speedier deployment of the most appropriate schemes.

## **Principles for Spending to Deliver a Sustainable Scotland**

Public expenditure has a major part in moving us towards a more sustainable Scotland. All public expenditure in Scotland should be allocated in a way that is compatible with securing a transition towards a sustainable Scotland. A sustainable economy should be viewed as one that “lives within environmental limits”. Most importantly, we must move towards a zero-carbon economy – as climate change, with all its associated economic, social and environmental consequences – is the result of exceeding the atmosphere’s capacity to absorb emissions. Thus, expenditure plans must be in accordance with plans to deliver the climate emissions reduction targets established in the Climate Change (Scotland) Act 2009, as well as other environmental legislation such as the Nature Conservation (Scotland) Act 2004 and the Marine (Scotland) Act 2010. Equally important are the Government’s National Performance Framework indicators of reducing our global footprint, protecting biodiversity and encouraging outdoor access.

The Government’s recently published consultation ‘Towards a Low Carbon Economy for Scotland’ sets out many areas where public expenditure needs to be directed if we are make this transition. The strategy for moving us to a zero-carbon economy must not be sacrificed in the face of financial pressures. The transition is of such importance and transcends current difficulties. It is crucial that it is given even greater emphasis.

The requirement as set out in the Climate Change (Scotland) Act to produce a carbon assessment to accompany the Scottish budget is welcome. This approach needs to be developed to ensure that the long-term carbon implications of spending decisions are assessed and, rather than simply presenting the carbon impact of planned spend, the approach should be used in an iterative way to influence spending decisions ensuring they are consistent with Climate Act commitments.

The Government commitment to ‘Sustainable Economic Growth’ implies a welcome recognition that growth should not come at any cost. We strongly support such an approach and caution against economic targets driven solely by GDP growth which can undermine environmental and social goals. ‘Sustainable Economic Growth’ cannot, in itself, achieve sustainability and its use as a mantra should be avoided. Our economic system needs to operate within environmental limits with a purpose that reflects the need to deliver ecological and human wellbeing rather than

growth for its own sake. Improved quality, activity, stability and strength of the economy are more important than increasing quantity as measured by GDP alone and public expenditure should be allocated in ways that support the development of such an economic system.

Public expenditure provides many opportunities for job creation in sustainable industries supporting a move to a zero carbon competitive economy. As an example a recent report found that achieving a 42% reduction in emissions from Scottish homes could create or safeguard 10,200 jobs over the 10 years to 2020 through the installation of 1.5 million efficient boilers, 1.8 million solar panels, 2.2 million draft-proofing strip packages and 1.5 million loft insulation packages, as well as smaller numbers of wood fuel boilers and insulation for solid wall.<sup>1</sup> The Scottish Government have identified that low carbon employment in Scotland could increase from 70,000 current jobs to 130,000 jobs by 2020 extending across renewable energy, emerging low carbon technologies and environmental management.<sup>2</sup>

A key policy to secure reductions in carbon emissions is the development of renewable energy – however, the Climate Change (Scotland) Act 2009 and Government planning and energy policy also require that such developments, themselves, must be carried out in a sustainable manner. This means that they must be well-sited and managed – in a way that has not always happened thus far in the development of renewables. This requires investment in strategic planning and environmental assessment, but creates savings in reduced conflict (for example less time and resources wasted on unnecessary public inquiries) and speedier deployment of the most appropriate schemes.

## **Best value is long term, targeted and carefully procured**

The benefits of public spending should be viewed in a strategic manner which recognises the scale of returns over longer timescales and the support given to the wellbeing of the people of Scotland for decades. There are many examples of public expenditure which can deliver “win-wins” for environmental, health and social objectives, and as such also produce economic returns over the long term through the improvements to health or wellbeing that will result. As examples we would highlight

- Long term health benefits of spending on active travel – currently the Scottish budget allocates just £11.5m and £11.2m in years 2009/10 and 2010/11 to ‘Support for sustainable and active travel’ as compared to £1,102.2m and £1,153.0m for ‘Motorways and trunk roads’.<sup>3</sup> Spending on active travel schemes supports local economies, is cheap and cost effective, maximises good health, and, at the same time reduces the current and

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<sup>1</sup> [http://www.ukace.org/index.php?option=com\\_content&task=view&id=520&Itemid=1](http://www.ukace.org/index.php?option=com_content&task=view&id=520&Itemid=1)

<sup>2</sup> Towards a Low Carbon Economy for Scotland: Discussion Paper

<sup>3</sup> <http://www.scotland.gov.uk/Publications/2009/09/17093831/4>

future costs of items such as obesity, energy usage and sickness at work. Moving towards an allocation of approximately 10% of the transport budget towards active travel would help deliver these benefits, especially with a focus on walking/cycling to school.

- Long term health benefits through eradicating fuel poverty through improving the energy efficiency of homes.

We believe that in a number of areas expenditure could be better targeted and in this manner deliver more sustainable outcomes.

- Farming is fundamental to achieving a healthy countryside that produces food sustainably, is rich in wildlife and supports rural industry. The vital countryside goods and services managed by farming need to be properly supported through measures such as agri-environment schemes. However, the current subsidy system in the UK spends more than £2.5 billion per year on direct payments that have unclear objectives, and fails to spend enough money on paying for public goods. In Scotland, these direct payments amount to nearly £500m pa (Single Farm Payment plus LFA support scheme) while only around £60m pa of the SRDP budget is allocated to agri-environment payments. Far better value for money would be delivered by re-directing payments so that, as well as supporting farming incomes and rural economies, these funds rewarded environmental protection, protected area management, improved water quality, wildlife restoration, recreational access and landscape-scale conservation.
- Business funding from the Enterprise Network and through local authorities could be more closely targeted on low-carbon economic activity. No business funding should be provided unless it can demonstrate long-term sustainability.

Public expenditure is a very important lever for change and we note the role that procurement policy can play in requiring sustainable products and services and in this way reducing impacts and stimulating market responses. Specific examples include opportunities for public bodies to specify:

- Sustainably sourced fish (MSC) and palm oil (CSPO) as part of food procurement policies;
- FSC timber in construction procurement;
- Low emission and electric vehicles in public transport contracts and public body fleets;
- 100% renewable energy and locally sourced food for the public sector; and
- Best-of-class energy efficiency standards for new buildings and in refurbishment projects.

## Raising the revenue stream and sustainability

We recognise that the devolved settlement limits opportunities for amending Scotland's tax policy however we urge the Scottish Government to use the powers

it does have in this area to implement environmental taxation measures in order to raise the revenue stream and hypothecate this into projects compatible with supporting the move to sustainable Scotland. All attempts so far to create fiscal levers such as congestion charging, waste prevention charges or road tolls have been half-hearted failures. In particular we note opportunities for Scotland to introduce:

- Waste charging to support efforts to deliver a zero waste Scotland.
- Bridge tolls & congestion charging to support public transport investment.

It should also be noted that the Calman Commission has proposed an amendment to the current settlement to devolve aggregates tax, landfill duty and other “green taxation powers”. Such a new financial arrangement would provide future Scottish Governments with the opportunities to continue/expand these levies on environmental “bads” while also creating a revenue stream to fund environmental “goods”. The potential financial consequences and opportunities any such change, which may occur during the period covered by this review, should be explored.

## Cutting wasteful expenditure

There are opportunities to cut expenditure in some areas that are particularly unsustainable and environmentally destructive and allocate these towards more sustainable outcomes.

Particular examples that we identify as priorities and which would help deliver the objective noted of ‘responding effectively to the challenges presented by climate change’, reflecting the Climate Change (Scotland) Act commitment to cut Scotland’s emissions by 42% by 2020 and 80% by 2050 and delivery of the National Performance Framework commitments to cut Scotland’s climate emissions by 80% by 2050:

- Reduce the budget allocated to capital expenditure on Scotland’s roads (2009/2010 includes £649.1 million allocated to support completion of M74, M8, M80, Aberdeen Western Peripheral).<sup>4</sup>
- Cancelling the Aberdeen Western Peripheral Route alone would save between £295 and £395 million (at outturn cost in 2012) <sup>5</sup>
- Cancel the replacement Forth Road Bridge (estimated cost of between £1.7 and £2.3 billion at outturn cost in 2016)<sup>6</sup>

## Priorities for public expenditure

We have identified a number of areas where public investment is critical if we are make progress in realising a sustainable Scotland and support the principle of ‘responding effectively to the challenges of climate change’ as set out within the

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<sup>4</sup> <http://www.scotland.gov.uk/Publications/2009/09/17093831/4>

<sup>5</sup> <http://www.scottish.parliament.uk/business/pqa/wa-10/wa0205.htm>

<sup>6</sup> <http://www.scottish.parliament.uk/business/pqa/wa-10/wa0201.htm>

remit of the review. In several areas public investment can leverage in substantial individual/private investment.

- It is estimated that £542m is required each year to 2020 to ensure emissions from Scotland's housing stock to deliver at least a 35% reduction in emissions from this sector.<sup>7</sup>
- The Existing Homes Alliance have assessed the multipliers of different schemes which can be used to support such energy efficiency improvements and identifies that multipliers of Government expenditure to work carried out on site for favourable schemes range from 4.0 to 5.9 highlighting the huge potential to leverage in substantial individual/private investment.<sup>8</sup>
- Investment in the new marine planning system and the identification of MPAs should be a priority.
- Investing to ensure all school pupils receive high quality education for sustainable development should be a priority.

## **This response was compiled on behalf of Scottish Environment LINK and is supported by:**

- The Ramblers Association Scotland
- The Whale and Dolphin Conservation Society
- Living Streets Scotland
- Butterfly Conservation Scotland
- WWF Scotland
- RSPB Scotland

## **For more information**

Please contact: Andy Myles (Parliamentary Officer)

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<sup>7</sup> [http://assets.wwf.org.uk/downloads/carbon\\_homes\\_2.pdf](http://assets.wwf.org.uk/downloads/carbon_homes_2.pdf)

<sup>8</sup> [http://www.existinghomesalliance.org/media/ExHA%20Finance%20Paper\\_%20Paying%20for%20it%20v4%20FINAL.pdf](http://www.existinghomesalliance.org/media/ExHA%20Finance%20Paper_%20Paying%20for%20it%20v4%20FINAL.pdf)