House of Commons

Scottish Affairs Committee

Cost of living: impact on rural communities in Scotland: Government Response to the Committee's First Report of Session 2023–24

Second Special Report of Session 2023–24

Ordered by the House of Commons to be printed 15 April 2024

HC 680
Published on 18 April 2024
by authority of the House of Commons

The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the offices of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

Current membership

Pete Wishart MP (*Scottish National Party, Perth and North Perthshire*) (Chair)

Alan Brown MP *(Scottish National Party, Kilmarnock and Loudoun)*

Wendy Chamberlain MP (*Liberal Democrat, North East Fife*)

Alberto Costa MP (*Conservative, South Leicestershire*)

David Duguid MP (*Conservative, Banff and Buchan*)

Sally-Ann Hart MP (*Conservative, Hastings and Rye*)

Christine Jardine MP (*Liberal Democrat, Edinburgh West*)

Mark Menzies MP (*Conservative, Fylde*)

Ms Anum Qaisar MP *(Scottish National Party, Airdrie and Shotts)*

Douglas Ross MP (*Conservative, Moray*)

Michael Shanks MP (*Labour, Rutherglen and Hamilton West*)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO. No.152. These are available on the internet via www.parliament.uk.

Publication

© Parliamentary Copyright House of Commons 2024. This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/copyright.

Committee reports are published on the Committee's website and in print by Order of the House.

Committee staff

The current staff of the Committee are Bradley Albrow (Clerk), Stephen Aldhouse (Senior Committee Specialist), Samantha Colebrook (Committee Operations Officer), Matthew Eaton (Committee Specialist), Jonathan Finlay (Second Clerk), Hadia Garwell (Committee Operations Manager), Colin Harrison (Finance Specialist), Lulu Meade (Committee Specialist), Michael O'Leary (Committee Specialist), Duncan Sim (Committee Specialist), Ben Walker-Collins (Senior Media and Communications Officer), and Hennie Ward (Committee Specialist).

All correspondence should be addressed to the Clerk of the Scottish Affairs Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 8204; the Committee's email address is scotaffcom@parliament.uk.

You can follow the Committee on X (formerly Twitter) using @CommonsScotAffs

Contents

Second Special Report

On 24 January 2024 the Scottish Affairs Committee published its First Report of Session 2023–24, Cost of living: impact on rural communities in Scotland (HC 153). The Government response was received on 25 March 2024 and is appended below.

Appendix: Government Response

Introduction

1. The UK Government is grateful to the Scottish Affairs Committee (SAC) for their recent report following their inquiry into 'Cost of living: impact on rural communities in Scotland'.

2. This response addresses the Committee's recommendations in the order in which they appear in the 'Conclusions and Recommendations' section of the inquiry report; we have addressed recommendations 7 through to 10 together.

3. Furthermore, this response focussed on the report's specific recommendations relating to the UK Government. This response therefore does not address the recommendations 5 and 6, which remain a matter for the Scottish Government.

4. Transport infrastructure underpins economic growth and is essential to the viability of island and rural communities in Scotland, and such communities elsewhere in the UK. Investment and improvement in transport is needed for the UK to reach its net zero ambitions. Barriers and failures in this sector can cause severe damage to the functioning of these communities and can compound the cost of living crises for them with delays and unreliability issues creating extra cost and undue pressures.

5. Transport policy in Scotland is devolved and is of course the responsibility of the Scottish Government. The UK Government sees its role as assisting and supporting the Scottish Government wherever possible and appropriate to get the best transport outcomes.

6. We look forward to continuing to work with the Scottish Affairs Committee on this matter. Having carefully considered the Committee's report and the evidence provided, the UK Government's response to the Committee's recommendations is set out below.

Defining and measuring rural Scotland

Recommendation 1: ***The term "rural communities" encompasses a broad gradation of populations across Scotland and this results in a varied experience for people living in rural areas. Successful cost of living interventions need to account for and be tailored towards that variable experience.*** (Paragraph 14)

7. The UK Government notes this recommendation. The UK Government recognises the importance of those in 'rural communities' - both within its remit of providing support for the whole of the UK and all its population, as well as the unique role they play in our national life.

8. As set out in our written evidence, to understand the expectations of Scottish rural communities, the UK Government engaged with public sector bodies, civil society groups and community organisations (representing rural businesses and communities) to hear first hand the key challenges, as well as to ensure that cost of living support measures are designed to adequately address these needs.

9. The challenges faced by our rural, remote and Island communities are often complex and cross-cutting, with no single solution. The lived experiences across rural communities in Scotland can be varied and distinguished from other parts of the UK. It is therefore important that both reserved and devolved policy levers are exercised in tandem to support these communities in Scotland against the worst of the impacts brought about by the cost of living challenges.

10. The UK Government recognises that the cost of living impacts different people in different ways and notes the Committee's view that support could have been more tailored, but this would have required these novel schemes to be adapted and further complicated. This would have ultimately delayed UK households, including millions of Scottish homes, from receiving vital support.

11. In response to the cost of living challenges, the UK Government reacted quickly to protect households from the spike in energy prices caused by Russia's illegal invasion of Ukraine last winter, with the Energy Price Guarantee, Energy Bill Support Schemes, and the Alternative Fuel Payment schemes. The UK Government devised, developed, and delivered a range of complex and novel schemes at significant pace to ensure that households could receive this vital support as soon as possible. In addition to focusing on the most vulnerable in our society, these packages of support recognised the immediate needs faced by rural and remote communities, where issues with the affordability and availability of goods and services can be more acute.

12. The UK Government recognises the difficulties faced by rural communities and understands the importance of a regular and reliable public transport system. Whilst public transport is a responsibility that is devolved to the Scottish Government, the UK Government welcomes the opportunity to share the work done on developing its paper on the "Future of Transport: Helping local authorities to unlock the benefits of technology & innovation in rural transport" and other measures to improve the transport offer for rural communities. One measure in addressing the cost of living for rural communities the UK government would highlight is the £2 pound bus fare policy. It has been both an effective and popular policy with bus users, with almost half of the respondents to the Department for Transport's (DfT) initial analysis of the scheme saying the fare cap is the main reason they are using the bus more.

13. Seven in ten (71%) respondents were aware of the £2 fare cap. Of these, 39% of respondents said they had used the bus instead of other types of public transport because of the cap, and 40% reported they had undertaken more bus journeys since its introduction. Of those who reported switching mode as a result of the £2 fare cap, 73% reported that they had saved money on their travel costs.

14. Furthermore, and as stated previously, it has seen that in rural and non-metropolitan areas, DfT's statistics show the overall price of bus fares between September 2022 and September 2023 dropped by almost 11%.

Recommendation 2: ***Whilst accepting the UK Government were keen to get support out to assist people as quickly as possible, the UK Government should carry out a review to assess the effectiveness and value for money of cost-of-living support provided by the UK Government during winter 2022/23. This review should evaluate:***

a) How effectively this support met the needs of Scottish rural households;

b) How the UK Government could have better targeted the support; and

c) Whether all levels of Government have sufficient data and administrative systems to deliver more effective, targeted cost of living support in the future, if required

The UK Government should write to us with the findings of this review once completed. (Paragraph 15)

15. The UK Government's role in supporting the needs of Scotland, and rural households, transcends just the cost of living package.

16. The 2021 Spending Review set the largest annual block grants of any spending review settlement since the devolution acts. This provided £41 billion per year for the Scottish Government, who are receiving around 25% more funding per person than equivalent UK Government spending in other parts of the UK. That translates into £8.5 billion more per year on average.

17. On top of the substantial share of UK funding they receive, the Scottish Government have also agreed tax powers to increase their funding, as well as the ability to borrow up to £450 million per year to enhance their capital investment. These limits will be uprated annually, using the latest OBR forecast for the GDP deflator.

18. As set out in both the written evidence and oral evidence provided by the UK Government, a historically large support package was provided throughout the UK in response to the significant pressures relating to the cost of living. This included both UK-wide and targeted measures to protect households, businesses and communities against the worst of these impacts.

19. The UK Government is already in the process of undertaking reviews on the wider issue of cost of living. Individual UK Government departments are conducting reviews on respective schemes deployed, for both internal and external use with different timelines and expected outputs, which will address much of this recommendation.

20. Impact assessments were conducted for both the 2022/2023 and 2023/2024 Cost of Living Payments for means-tested and disability benefit recipients and included estimates for payments at parliamentary, local authority and regional levels.

21. The Department for Work and Pensions (DWP) has published management information on the number of payments made and the amount spent for each type of payment as they have been made. More detailed information on Cost of Living Payments including similar geographical breakdowns are planned as the subject of an upcoming statistical release.

22. An evaluation of the Cost of Living Payments is also underway. This will seek to understand their effectiveness as a means of support for low-income and vulnerable households. Fieldwork has recently commenced with full findings expected to be available later in the year.

23. In response to the rising cost of energy in 2022, the UK Government introduced a cost of living assistance package to support domestic consumers with rising energy bills, comprising of programmes including (but not limited to) the Energy Price Guarantee (EPG), the Energy Bill Support Schemes (programme) and the Alternative Fuels Payment (AFP). The EBSS programme was comprised of five schemes:

a) Energy Bills Support Scheme (EBSS);

b) Energy Bills Support Scheme and Alternative Fuel Payment Northern Ireland (EBSS AFP NI);

c) Energy Bills Support Scheme Alternative Funding (EBSS AF);

d) Energy Bills Support Scheme Alternative Funding for Northern Ireland (EBSS AF NI);

e) Energy Bills Support Scheme Alternative Funding for Continuous Cruisers (EBSS AF CC).

24. The UK Government introduced the Energy Bills Support Scheme (EBSS) as a one-off £400 reduction to energy bills between October 2022 and March 2023 for domestic electricity customers in Great Britain. The scheme intended to provide universal support to around 28 million households.

25. The Energy Bills Support Scheme Alternative Funding (EBSS AF) launched in February 2023 and closed to new applications in May 2023, providing £400 equivalent support for households and places of residence in Great Britain (GB) who were not eligible to receive support automatically through EBSS.

26. Those eligible for EBSS AF included homes without a domestic electricity supply or contract with an electricity supplier who were typically off grid or receiving energy commercially through an intermediary, for example, individuals living:

a) in a park home;

b) in a care home;

c) on a houseboat;

d) in a mobile home;

e) on a farm;

f) off the electricity grid.

27. The uptake for EBSS AF in Great Britain was approximately 208k applications for the scheme, compared to the uptake for EBSS AF NI at approximately 8k applications (216k total applications). Of this total, approximately 150k claims were paid (145k in GB and 5k in NI) based on eligibility.

28. The Energy Price Guarantee (EPG) protected customers from increases in energy costs by limiting the amount suppliers could charge per unit of grid gas and electricity used. From October 2022 to June 2023, it brought a typical household energy bill in Great Britain for dual-fuel gas and electricity down to around £2,500 per year, saving a typical household around £1,100 compared to what they would have paid under the price cap alone. Homes with higher energy costs would have saved more. EPG was a universal scheme which paid a discount to all households supplied directly with grid gas or electricity. For households not eligible for EPG support, alternative schemes were provided (the alternative fuel schemes described here and for those supplied via a commercial intermediary, specific provision within the non-domestic affordability schemes). The EPG remained in place as a safety net after June 2023, but households have not been receiving an EPG discount in that period due to falls in the Ofgem price cap.

29. The Alternative Fuel Payment (AFP) was also introduced as a scheme contributing to the government's cost of living assistance package for consumers over winter 2022 to 2023. The AFP provided domestic users of alternative fuels with a £200 payment. For identified eligible customers with a relationship with a domestic supplier, this was delivered automatically by electricity suppliers in February 2023. These eligible customers did not need to apply for this payment. Alternative funding was made available to provide the £200 payment to those households in Great Britain who were not able to receive automatic payments under the scheme.

30. The EPG and EBSS were universal discounts which were not targeted. The AFP and Alternative Funds for these schemes were introduced to provide equivalent support to households who otherwise would not have received support.

31. On 20 October 2023, the UK Government published the final statistics for the domestic energy affordability grant schemes which were delivered last winter. These statistics show a breakdown of support delivered through:

Energy Bills Support Scheme;

a) Energy Bills Support Scheme and Alternative Fuel Payment Northern Ireland;

b) Energy Bills Support Scheme Alternative Funding;

c) Energy Bills Support Scheme Alternative Funding for Northern Ireland;

d) Alternative Fuel Payment;

e) Alternative Fuel Payment Alternative Fund.

32. The statistics show a breakdown of support received by households across different regions of the UK, including Scotland.

33. A comprehensive process (including lessons learned) and early impact evaluations are underway for the schemes that supported UK households with energy bills during winter

2022. A further UK final impact and value-for-money evaluation is being commissioned which will run until summer 2025. The findings will be shared with the Committee when available and will be published.

34. The evaluations are being conducted by independent evaluation contractors and cover a wide range of research and analysis to assess the impact and value for money of the schemes. The evaluation will assess how the schemes were delivered and lessons for policy making, including:

a) What was the reach of support to different household groups including by location and other geographical breakdowns?

b) What were the experiences of support among recipient households and by sub-groups of households (including by location and other geographical breakdowns)?

c) What processes worked well and less well for delivering the intended benefits (including data and systems implemented)?

d) What barriers, challenges and issues were encountered by different stakeholders in delivering the schemes as intended?

35. These lessons learned activities will ensure that if similar schemes are utilised in the future, they will be better positioned to provide targeted support even more effectively than last winter.

36. Further to this, we would point the review that has already been completed by the Department for Levelling Up, Housing and Communities (DLUHC) on the impact of energy and cost of living support to households in Scotland, Northern Ireland and Wales[1].

37. This report shows that the UK Government provided significant support to the poorest households, who were the ones most affected by rising energy costs, and higher level of support was thus targeted at these households – mainly through cost of living payments for those on means-tested benefits.

38. The poorest (bottom tenth) households in Scotland received £2,445 of support, 22.0% of average annual household income, equivalent to 2 months net pay, with the average household in Scotland receiving £1,850 of support.

39. Given the ongoing work as outlined, the UK Government does not agree with the recommendation to simultaneously conduct a new UK Government review.

Rising costs of energy

Recommendation 3: ***The unprecedented package of financial support delivered to households across Great Britain by the UK Government last winter was welcome and helped to mitigate the full impact of the dramatic energy price increases experienced during the period. However, the Committee heard that the blanket level of energy support provided was not sufficiently "rural-proofed"–it did not account for additional costs required for many households in rural Scotland. Energy schemes prioritised administrative ease to accelerate funds getting to people over specific targeting. Whilst***

1 https://www.gov.uk/government/publications/impact-of-uk-government-energy-and-cost-of-living-support-measures-on-households-across-the-uk

understandable in the context of the immediate crisis, a system of support more tailored towards the acute pressures faced by rural communities would have been more effective. In addition, many off-grid users reported unacceptably long waits to receive payments. Support measures need to ensure parity between households connected to the grid and those reliant on alternative fuels. (Paragraph 33)

40. The UK Government reacted quickly to protect households from the spike in energy prices caused by Russia's illegal invasion of Ukraine last winter, with the Energy Price Guarantee (EPG), Energy Bill Support Schemes (EBSS), and the Alternative Fuel schemes. This required the UK Government to devise, develop, and deliver a range of complex and novel schemes at significant pace to ensure that households could receive this vital support as soon as possible.

41. We understand the Committee's view that support could have been more tailored, but this would have required these novel schemes to be adapted and further complicated. This would have ultimately delayed UK households, including millions of Scottish homes, from receiving vital support.

42. Some of the schemes were particularly impactful in Scotland, such as the Alternative Fuel Payment (AFP), which sat alongside the EPG and the EBSS and supported households that were off grid.

43. The AFP was a complex scheme to deliver, and the UK Government was always committed to providing support to alternative fuel users as soon as possible. The UK Government moved at pace to develop this complex scheme, working closely with various stakeholders.

44. The AFP was designed to be a universal scheme, open to all households who used alternative fuels and were off the gas grid. It provided a £200 payment to GB households that use alternative fuels, helping around two million off-gas-grid households to meet their energy costs over the winter at a cost of £589 million. This was to ensure that households using alternative fuels that would not benefit from the EPG would receive comparable support to account for price increases in alternative fuels. The scheme particularly supported households in rural areas that were not connected to the gas grid and initial support was doubled to £200 in the Autumn Statement to reflect the price rises experienced by people using alternative fuels to heat their homes.

45. The UK Government is continuing to support those most in need this winter with a support package which is comparative whether your household is or is not connected to the grid. Millions of vulnerable households are receiving up to £900 in further Cost of Living Payments, with an extra £150 to those on eligible disability benefits. These payments are in addition to established financial support which is available for low income and vulnerable households this winter through the Winter Fuel Payment, providing an extra cost of living payment which is being paid to pensioner households worth up to £300. This means eligible individuals will receive between £250 - £600, and the Cold Weather Payment which provides £25 during very cold weather.

46. The UK Government continues to provide support through the Warm Home Discount, which provides low-income households with an annual £150 rebate off their energy bill every winter.

47. In the 2023 Autumn Statement, the UK Government announced the biggest increase to the National Living Wage which is worth £1,800 to a full-time worker and will benefit around 2.7 million workers. We also announced the next generation of welfare reforms with benefit payments increasing by 6.7% and pensions by 8.5%. Earlier in 2024, we also announced a tax cut which will benefit around 27 million people, and a household with 2 average earners will save around £1,000 per year.

Recommendation 4: ***One way to help reduce energy costs in the long-term is to improve the energy efficiency of homes. The challenge of retrofitting and insulating homes, in terms of cost, time and practicality, are particularly acute for rural areas. Rural Scottish households are therefore facing more barriers to accessing home energy efficiency schemes, despite being most in-need of them. Addressing this challenge will be key to reducing the rural premium for these Scottish consumers.*** (Paragraph 36)

48. Energy efficiency is key to tackling fuel poverty, contributing to the long-term reduction of energy bills, and reaching net zero. In England, the UK Government has a statutory target to ensure that as many fuel poor households as reasonably practicable achieve a minimum energy efficiency rating of Band C by 2030.

49. In the case of Scotland, housing policy is firmly a devolved responsibility, with the energy efficiency of homes being a matter for the Scottish Government. The UK Government, in exercising its reserved responsibilities over energy policy - such as through the Energy Company Obligation (ECO), also recognises that it too has a key role in improving energy efficiency in Scotland. The ECO obligates larger energy suppliers to promote energy efficiency and heating measures to low-income and vulnerable households living in the least energy efficient homes across Great Britain. The current ECO schemes – ECO4 and the Great British Insulation Scheme – run until March 2026, at a combined value of £5 billion to accelerate our efforts to improve homes to meet the government's fuel poverty target.

50. Recognising that remoteness can be a particular factor and challenge for some Scottish homes, an uplift on measure scores applies for rural low-income off-gas grid homes in Scotland. In addition, the ECO Flex enables local authorities across Great Britain and the Devolved Administrations to work with energy suppliers in targeting those households assessed to be most in need of support. Since April 2017, around 45,000 ECO Flex measures have been delivered in Scotland, accounting for around 18% of all ECO Flex measures installed.

Food insecurity and food poverty

Recommendation 7: ***We are deeply concerned by the real hardship being experienced across many rural communities in Scotland, such as parents having to skip meals in order to feed their children. Food banks provide a vital service in remote rural Scotland. There has been a significant increase in demand for their services with a record number of food parcels delivered over the past year.*** (Paragraph 59)

Recommendation 8: ***Although there is no agreed definition of food insecurity, it is clear that the difficulties people experience in providing sufficient food for their families are the***

result of a range of issues affecting household budgets—there is no lack of available food, but there is often insufficient income to pay for it. This hardship has been exacerbated by covid-19 and other global events such as the war in Ukraine. (Paragraph 60)

Recommendation 9: ***By Spring 2024, the UK and Scottish Governments should agree on consistent means of defining food insecurity and food poverty and show how it plans to measure this in the context of remote rural communities in Scotland. In its response to this report, both Governments should also set out what it is doing to address high food prices affecting remote rural communities in Scotland specifically***. (Paragraph 61)c

Recommendation 10: ***The UK Government should work with the Scottish Government and local authorities jointly to investigate further the impact of high food prices as well as the scale and nature of food insecurity and food poverty on communities in remote rural Scotland. They should collate this data to identify parts of society worst affected and what must be done to ensure nobody goes without essential food .*** (Paragraph 62)

51. The UK Government is committed to a sustainable, long-term approach to tackling poverty and supporting people on lower incomes.

52. We will spend around £276 billion through the welfare system in 2023/24, including around £124 billion on people of working age and children, and around £153 billion on pensioners. Of this, around £79 billion will be spent on benefits to support disabled people and people with health conditions. (GB, includes non-DWP spend, prices in 23–24 terms).

53. Following on from a 10.1% increase to benefit rates and State Pensions in April 2023, and subject to Parliamentary approval, working age benefits will rise by 6.7% this April 2024 in line with inflation. The Basic and New State Pensions will be uprated by 8.5% in line with earnings, as part of the 'triple lock".

54. To support those in work, the main rate of Class 1 employee National Insurance Contributions (NICs) was cut from 12% to 10% from 6 January 2024, and further from 10% to 8% from 6 April 2024, which has provided a tax cut for 27 million working people.

55. On 1 April 2024, the UK Government will increase the National Living Wage for workers aged 21 years and over by 9.8% to £11.44 representing an increase of over £1,800 to the gross annual earnings of a full-time worker on the NLW.

56. The UK Government recognises the pressures people have been facing as a result of cost of living increases and has acted, providing substantial support across the UK as well as target support to those most in need. Taken together, support to households to help with the high cost of living is worth £104 billion over 2022–23 to 2024–25. This support has included delivering Cost of Living Payments of up to £900 to over 8 million households across the UK on eligible means-tested benefits this financial year. Over 6 million people across the UK on eligible 'extra-costs' disability benefits have received a further £150 Disability Cost of Living Payment, to help with the additional costs they face, while more than eight million pensioner households across the UK have received a £300 Cost of Living Payment paid as a top up to the winter fuel payment.

57. The UK Government takes the issue of food security seriously. We use the internationally recognised definition of food security as the measure of whether households have sufficient food to facilitate active and healthy lifestyles. Low and very

low food security households are considered to be "food insecure." This can include the household reducing the quality, variety, and desirability of their diets, the eating patterns of one or more household members being disrupted, food intake being reduced because the household lacked money and other resources for food.

58. The Department for Work & Pensions (DWP) added internationally used food security questions permanently to the Family Resources Survey in 19/20 and from April 2021 we introduced a set of questions into the Family Resources Survey (FRS) to measure and track food bank usage. The first results of these questions were published in March 2023.[2]

59. The latest statistics for the UK show that in the three years to 2021/22, 7% of all individuals lived in food insecure households. For children, 12% were living in food insecure households and for working age adults, 8% lived in food insecure households.

60. In Scotland, the latest statistics show that in the three years to 2021/22, 8% of all individuals lived in food insecure households. For children, 13% were living in food insecure households and for working age adults, 8% lived in food insecure households.

61. The next release of the Households Below Average Income statistics, covering the year 2022/23, is due in March 2024. This will include national statistics on both food security and food bank use.

Transport

Recommendation 11: ***Ferries are existentially important to island communities, but also create knock-on costs for goods and services. The lack of regular, reliable, affordable and integrated transport provision–including adequate and reliable bus services - is one of the main barriers to remote rural communities mitigating the impact of the current cost of living crisis. Service disruption further hinders connectivity, preventing the movement of people and goods, therefore affecting communities' cost of living in multiple ways. Active travel options provide limited opportunities to ease transport challenges in remote rural locations.*** (Paragraph 81)

62. The UK Government notes this recommendation.

63. The UK Government understands the issues with island connectivity and the knock-on impacts to local communities. We also recognise that managing and funding ferry, bus services and active travel are devolved matters and the responsibility of the Scottish Government (and local authorities, where relevant).

64. As set out in Recommendation 2, The UK Government ensures that the Scottish Government is well funded to deliver on these responsibilities, including transport. The 2021 Spending Review set the largest annual block grants of any spending review settlement since the devolution acts. This provided £41 billion per year for the Scottish Government, who are receiving around 25% more funding per person than equivalent UK Government spending in other parts of the UK. That translates into £8.5 billion more per year on average.

2 https://www.gov.uk/government/statistics/family-resources-survey-financial-year-2020-to-2021/family-resources-survey-financial-year-2020-to-2021

65. On top of the substantial share of UK funding they receive, the Scottish Government have also agreed tax powers to increase their funding, as well as the ability to borrow up to £450 million per year to enhance their capital investment. In addition to this, the Scottish Government have tools to manage their budget, including access to the Scotland Reserve to move funding between years.

66. As well as providing funding and tools such as the taxing and borrowing to help fund transport in Scotland, the UK Government is also always willing to offer further support where possible and has taken positive steps in bringing the various stakeholders together to look at common solutions to transport issues.

67. For example, the Department for Levelling Up, Housing & Communities (DLUHC) has set up the Islands Connectivity Task & Finish Group following the third meeting of the Islands Forum which took place in October 2023. The group includes officials from the UK Government and Devolved Administrations, along with representatives from member councils from islands across the UK. It is looking specifically at island transport connections.

68. The Department for Transport (DfT) are working with DLUHC to support the delivery of these Task & Finish Group sessions. The Scottish Government's Cabinet Secretary for Transport wrote to the Secretary of State for Levelling Up, Housing & Communities soon after the forum, expressing her support for the group. The Task & Finish Group has been meeting since December 2023 to discuss transport connectivity challenges and opportunities across UK islands.

69. Furthermore, the Department for Transport (DfT) has funded several initiatives through UK-wide funds - an additional contribution on top of the previously stated significant block grant the Scottish Government receives. The Zero Emission Vessels & Infrastructure (ZEVI) competition will see Orkney Island Ferries Ltd receive £15.5m for two electric vessels, while the Fair Island ferry project secures £27 million funding via the Levelling Up Fund (LUF), using powers under the UK Internal Market Act.

70. Active travel falls under the responsibility of the Scottish Government. Active travel was discussed at the last Inter-Ministerial Group (IMG) meeting and officials from Active Travel England have since been engaging with the Scottish Government on active travel policy. The UK Government continues to support active travel across the UK, including through the Levelling Up Fund (LUF) from which Fife Council received £19.4m for their River Leven regeneration project which will include an active travel route.

71. The UK Government is also willing to share its experience with the Scottish Government on measures that can be taken on public transport to battle the cost of living crisis, such as the £2 bus fare cap that was adopted in England. Department for Transport (DfT) statistics show that following the introduction of the cap, bus fares in England outside London dropped by 6.2% between September 2022 and September 2023, whereas in Scotland, Wales and London, where buses are devolved, fares increased by 9.8%, 6.2% and 6.0%, respectively. The cap has proven popular with bus passengers in communities across England, particularly in rural and non-metropolitan areas, where our statistics show the overall price of bus fares between September 2022 and September 2023 dropped by almost 11%.

Recommendation 12: ***Given the continued problems the Scottish Government have faced progressing improvements to vital roads and ferry infrastructure, the Scottish Government should work together with the UK Government and local authorities to improve the provision of transport across rural Scotland. The Scottish Government should look to coordinate the operators of these services more rigorously to ensure that timetables are more integrated and meet the needs of people in these communities. Transport investment turbocharges the UK's net zero ambitions and economic growth, and we welcome the action taken by both Governments to tackle this. The Committee shares the anger and frustration of affected communities by the ongoing failure of the Scottish Government to deliver two lifeline ferries which are so far six years late and £250 million over budget. Both Governments should work together to ensure mistakes are not repeated and that timely and cost-effective delivery of vessels happens in the future.*** (Paragraph 82)

72. The Government notes this recommendation, and recognises the importance of transport investment in both supporting local communities and delivering on the UK's net zero and economic growth ambitions.

73. The UK Government also recognises that transport policy is a devolved matter, and therefore remains the responsibility of the Scottish Government. To support the Scottish Government in delivering on this core responsibility, the UK Government has provided the Scottish Government with record funding through the block grant in order to support and improve transport infrastructure across Scotland.

74. The UK Government is also monitoring the issue of transport connectivity closely through the Islands Forum, and subsequently through the Task & Finish Group (as set out above). The UK Government will continue to, where possible and appropriate, support and encourage the Scottish Government in improving rural transport across Scotland through the initiatives set out above.