



# Finance Committee Inquiry into preventative spending

21 September 2010

## Introduction

Spending cuts are dominating politics, and it is critical that Government spending delivers efficiently and effectively. Alongside this, just over a year ago, the Scottish Parliament unanimously passed the Climate Change (Scotland) Act requiring emissions reductions of 42% by 2020. While recognising that the implementation of this will cost money, investment in the right places would also help improve public health, stimulate the economy and reduce poverty. Scotland needs to focus spending on programmes which deliver multiple benefits to the economy, society and the environment. Below we set out examples of such spending which will also directly contribute to the delivery of our statutory climate change targets. These are taken from our forthcoming report '42% Better'.

### 1. Improving the energy efficiency of Scotland's homes

Improving insulation and energy performance offers clear social and health benefits as well as economic and environmental benefits. Research in the UK and New Zealand has shown that tackling fuel poverty through improving insulation and providing efficient heating reduces the number of children and working adults taking time off for illness by 15% and 25% respectively<sup>i</sup>. An evaluation of the Warm Front programme in the UK found that interventions to provide dry, warm homes that prevent people worrying about their fuel bill worries halved the incidence of anxiety and depression ("common mental disorder")<sup>ii</sup>. On the basis of this evaluation it can be suggested that eliminating fuel poverty in Scotland would prevent 180,000 cases of common mental disorder each year, as well as directly reducing material poverty.

Improving the energy efficiency of our homes is also far better for employment than building new fossil fuel power stations. The proposed new coal plant at Hunterston would employ 160 people in the long term. Including construction jobs it might create 25 jobs per terawatt hour (TWh) of electricity generated. Energy conservation would generate 370 jobs per TWh, including indirect effects<sup>iii</sup>. Implementing the Scottish Energy Efficiency Action Plan has been estimated to generate over 10,000 direct jobs for ten years<sup>iv</sup>.

- **Recommendation: Investment in home energy efficiency and renewable domestic heating should be prioritised**

### 2. Improving how we travel

Increasing the share of journeys undertaken by walking, cycling and public transport to 50% (the same as in the Netherlands) could cut obesity rates in Scotland in half, with massive savings to the National Health Service in Scotland, which already spends around £170million a year tackling obesity or health problems – such as heart disease - caused as a direct result. Improving cycling rates alone to Dutch levels could save up to 1,600 lives a year as a result of the net health benefits of greater physical activity<sup>v</sup>.

Improving public transport would also be good for jobs. A £140 million bus scrappage scheme could safeguard up to 4500 jobs within the bus industry, at plants such as Alexander Dennis' Bus Body Group in Falkirk. As well as reduced greenhouse gas emissions, modern buses have significantly lower particulate pollution. Buses are a significant contributor to particulate pollution in our major cities, which is estimated to cause some 2000 deaths a year in Scotland. Lower

polluting, more reliable buses would be a particular benefit for poorer inhabitants of Scotland's cities, the vast majority of whom do not own cars.

- ***Recommendation: Investment in active travel and public transport should be prioritised***

### **3. Cutting obesity through improved diets**

Increased physical activity can contribute significantly to improved health and reduced obesity, as suggested above. But the other side of the equation is diet. Diets high in meat, fats and sugar, and low in fruit and vegetables are both unhealthy, and environmentally unsustainable. Reducing meat consumption to levels that can be sustained through grass-fed domestic production would have both environmental and social benefits, reflected in the longer term in substantial reductions in required levels of health-care spending. Similarly sustainable procurement policies have been found to generate substantial benefits to the local economy as well as social and environmental benefits.<sup>vi</sup>

- ***Recommendation: Climate cross-compliance should be maximised in agricultural support expenditure, and supported with procurement and educational policy to improve diets.***

### **4. Saving money from unnecessary capital projects**

The Scottish Government is planning to spend £2 billion on a second Forth road-bridge. This will require in the region of £583 million across the next two budgets alone<sup>vii</sup>. This is despite the fact that studies have shown that the existing Forth road-bridge can be repaired for a fraction of the cost - £122 million<sup>viii</sup>. At a time of such spending constraints, we believe it is irresponsible to spend so much on an unnecessary bridge. Other road-construction projects, while delivering small benefits in increased construction activity, run counter to policy on climate change and health grounds, and should be reviewed.

- ***Recommendation: Expenditure on road and bridge construction should be frozen, pending a full review.***

## **Conclusion**

Ambitious action on climate change can deliver multiple benefits. This is particularly the case for energy efficiency, transport and agricultural/diet policy. At a time of budget constraints, these areas must be the priority for support, with cuts focused instead on spending that would have negative side effects on society, health or the environment – such as the new Forth Crossing.

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i Somerville et al., Housing and health: does installing heating in their homes improve the health of children with asthma?

<http://www.ncbi.nlm.nih.gov/pubmed/11114752>; Howden-Chapman et al., Effect of insulating existing houses on health inequality: cluster randomised study in the community. <http://www.bmj.com/content/334/7591/460.full>.

ii Green & Gilbertson, Warm Front, better health – health impact evaluation of the Warm Front scheme.

<http://www.apho.org.uk/resource/view.aspx?RID=53281>

iii Wuppertal Institute, Germany. [http://www.kas.de/wf/doc/kas\\_13931-544-1-30.pdf](http://www.kas.de/wf/doc/kas_13931-544-1-30.pdf)

iv Association for the Conservation of Energy (2009), Warm Homes, Green Jobs. <http://www.ukace.org/publications/ACE%20Research%20%282009-10%29%20-%20Warm%20Homes,%20Green%20Jobs%20%5Bbriefing%5D.pdf>

v Transform Scotland Trust, Towards a Healthier Economy, <http://www.transformscotland.org.uk/GetFile.aspx?ItemId=108>

vi Some studies have suggested that for every £1 spent, £6 is created in social, economic and environmental outcomes. See for example:

<http://www.docstoc.com/docs/54413182/Roberta-Sonnino-C-Creative-Public-Procurement-Lessons-from-Italy--green-food>

vii For - 2010/11, 2011/12, and 2012/13 - the Forth Crossing proposals require £613m, 2013/14, 2014/15 and 2015/16 - £1,179m and post 2016 - £196m (<http://www.scottish.parliament.uk/business/research/briefings-10/SB10-05.pdf>).

viii A study by W A Fairhurst and Partners found that replacement of the main cables is technically possible at a cost of £122 million.