



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government and Communities Committee

Wednesday 28 September 2016

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

Wednesday 28 September 2016

CONTENTS

| | Col. |
|--|-----------|
| SUBORDINATE LEGISLATION..... | 1 |
| Council Tax (Substitution of Proportion) (Scotland) Order 2016 [Draft] | 1 |
| “LOW CARBON SCOTLAND: MEETING OUR EMISSIONS REDUCTION TARGETS 2013-2027. THE SECOND REPORT ON PROPOSALS AND POLICIES” | 27 |

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE 6th Meeting 2016, Session 5

CONVENER

*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

DEPUTY CONVENER

*Elaine Smith (Central Scotland) (Lab)

COMMITTEE MEMBERS

*Kenneth Gibson (Cunninghame North) (SNP)
*Ruth Maguire (Cunninghame South) (SNP)
*Graham Simpson (Central Scotland) (Con)
*Alexander Stewart (Mid Scotland and Fife) (Con)
*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Silke Isbrand (Convention of Scottish Local Authorities)
Councillor Kevin Keenan (Convention of Scottish Local Authorities)
Fabrice Leveque (Stop Climate Chaos Scotland)
Paul Manning (Scottish Local Government Partnership)
Councillor Harry McGuigan (Convention of Scottish Local Authorities)
Craig McLaren (Royal Town Planning Institute Scotland)
Jonathan Sharma (Convention of Scottish Local Authorities)
Mike Thornton (Energy Saving Trust)
Dave Watson (Unison)
Chris Wood-Gee (Sustainable Scotland Network)
Derek Yule (Highland Council)

CLERK TO THE COMMITTEE

Jane Williams

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Local Government and Communities Committee

Wednesday 28 September 2016

[The Convener opened the meeting at 10:04]

Subordinate Legislation

Council Tax (Substitution of Proportion) (Scotland) Order 2016 [Draft]

The Convener (Bob Doris): Good morning, everyone. Welcome to the sixth meeting of the Local Government and Communities Committee. I remind everyone present to turn off mobile phones. As our meeting papers are provided in digital format, you may see members using tablets during the meeting to look at the papers.

We have a full house again this morning, and no apologies have been received from members. Agenda item 1 is subordinate legislation. The committee will take evidence on the Council Tax (Substitution of Proportion) (Scotland) Order 2016.

I welcome Councillor Kevin Keenan, spokesperson for resources and capacity, and Jonathan Sharma, policy manager, from the Convention of Scottish Local Authorities; Paul Manning, who is from the Scottish Local Government Partnership and is executive director of finance and corporate resources at South Lanarkshire Council; Derek Yule, the director of finance at Highland Council and the current chair of the Chartered Institute of Public Finance and Accountancy's Scottish local government directors of finance group; and Dave Watson, head of policy and public affairs, Unison Scotland. Good morning, gentlemen. Thank you for coming along to give evidence on this Scottish statutory instrument.

We have a few opening statements, which I hope will be brief, as that will allow us more time for questions. I ask Councillor Keenan to make his statement.

Councillor Kevin Keenan (Convention of Scottish Local Authorities): COSLA welcomes the opportunity to come along here today and to present its case. We have provided written evidence and we are here to take questions on that.

I will just say a few things about the proposed reform. It does not go far enough. The Government needs to publicise its intended increases to band E and above by way of a

multiplier. Clearly, we need to know whether a multiplier factor will also be added to water charges. Perhaps some of my other colleagues will be able to talk about the technicalities of that.

The tax changes that are to be imposed on local government to fund a national project will break the link between local taxation and delivering local services. There could have been a much more equitable way to deliver such a level of change. Indeed, the commission on local taxation, which involved COSLA and the Scottish Government, included a number of proposals that we would have liked to see implemented and that would have been much fairer. I will leave it at that.

The Convener: Thank you very much, Councillor Keenan. I call Derek Yule.

Derek Yule (Highland Council): I, too, welcome the opportunity to give evidence this morning. We will provide a professional perspective on the challenges of implementing the proposal. One of my focuses will be on the accountability of the tax proposals, their perceived fairness and some of the challenges that that might present. I, too, would highlight that the Scottish Government has not addressed the water issue in the proposals—it has been completely silent on that. We see clarification on the implementation of the proposed changes as a major issue, because the ease of implementation will depend on how the Government wishes to proceed. That is all that I wish to say at this stage. Thank you.

The Convener: Thank you, Mr Yule. The final statement is from Dave Watson.

Dave Watson (Unison): Unison welcomes the end of the council tax freeze, which we have argued for for some time. We also welcome some improvement in the progressivity of the bands, and we obviously support anything that would help low-income households cope with the increases in council tax.

You will not be surprised to hear that there is a “but”. We have always argued for a full review of the council tax and not what are, frankly, just a few tweaks. The band changes are not progressive enough. We are particularly concerned that there is to be no revaluation, leaving the bands at 1991 values. We do not like the proposals to ring fence the £100 million revenues from the additional banding or the cap on the council tax increase. Those proposals undermine local democracy. In essence, we believe that the Government should treat local government as local government and not as local administration.

The Convener: Thank you very much, Mr Watson. Mr Watson made reference to the council tax reduction scheme helping lower-income families. I clarify that, although we may indeed ask

questions about or comment on that topic, we will pass on any such information to the Social Security Committee, which is looking at the statutory instrument in relation to that area.

I also want to put on the record the terms of reference of our call for evidence, although that does not restrict witnesses from making additional comments. We asked:

- "1. Overall, do you support the principles of the Government's plans to reform Council Tax?
2. To what extent will the Government's proposed reforms make the system of Council Tax fairer?
3. To what extent will the changes be straightforward for local authorities to implement?
4. Do you support the Government's planned changes to Council Tax reductions?
5. Please add any other comments on any aspect of the proposed reforms."

We have received written evidence around those headings, so thank you for that. The first question is from Graham Simpson.

Graham Simpson (Central Scotland) (Con): I start by declaring an interest, in that I am still a councillor in South Lanarkshire. I have a question for any or all of the witnesses. What will the costs of implementation be? At the end of this, will any councils lose money?

The Convener: I would be delighted for all five of you to answer, but I should point out that you do not all have to. Who would like to start?

Councillor Keenan: We hope that councils will not have lost money and that the committee will support the suggestion that the Government should pick up the tab for any administration costs. We believe that there will be administration costs and there is on-going work to gather those costs. Our plea is that councils do not lose out and that the administration costs are picked up by the Scottish Government. Perhaps somebody can give me technical coverage on how they believe those costs will be accumulated, but at the moment they are being gathered up.

Derek Yule: As Councillor Keenan says, costs are being collected just now. Every council in the country would probably say that it is not fully funded for the administrative costs of the council tax reduction scheme at the moment, so we would stick with the request that the changes be fully funded. I refer to my earlier point about water, because the cost of system changes is a fundamental issue. If the multiplier for the council tax band is not to apply to water charges, there is a possibility that we could end up with two different sets of bills. Although we are collecting information, whether water is to be treated differently from council tax is a major point on which clarification is required. At the moment, there are huge efficiencies in collecting both

charges in a single bill. If you introduce differential charging, that will create a major problem.

Paul Manning (Scottish Local Government Partnership): To add to Councillor Keenan's comments on administration costs, there will obviously be an additional case load in applications for council tax reduction and there will be a processing or administrative cost for that. There are also likely to be more people contacting authorities to say that they do not understand the system, and there will obviously be an administrative burden in dealing with that. Following on from that, there could also be issues around people lacking the ability to pay the increased charges, which could spill over into a cost for councils.

Jonathan Sharma (Convention of Scottish Local Authorities): We are undertaking an exercise at the moment with a number of representative councils to look at the costs. Scottish Government officials are quite well aware of that and are anticipating receiving something from us fairly shortly. We are committed to producing something that is robust and recognises the genuine additional costs that we think councils will incur. That work is happening at the moment.

Dave Watson: The only small point that I would add is that we represent the staff who would have to administer the changes, and they are already under considerable pressure as a result of the salami slicing of staffing levels, so any additional workload would need to be funded.

Graham Simpson: What you say is interesting, Mr Sharma. Do you have a timescale for that piece of work?

Jonathan Sharma: We will produce something for the Scottish Government within the next week or so. We will then need to discuss the process for how those costs are looked at further and how that feeds into any other spending review discussions that are going on at the moment. We will need to find a way of making it part of that process.

Graham Simpson: Are you trying to get an overall figure of additional costs across Scotland, or are they authority by authority?

10:15

Jonathan Sharma: We will work up the costs from the sample. We have tried to make sure that the sample is representative, to cover city councils, rural councils, and the different types and scales of council. We will build that up to give a full Scotland picture and put that to Government officials.

Graham Simpson: It would be useful for the committee to have that information when it is ready, Convener.

The Convener: Absolutely. Alexander Stewart has a question specifically on that point.

Alexander Stewart (Mid Scotland and Fife) (Con): For the change to work effectively, a good communication policy will be needed at council and at Government level. I am not aware yet what the Government plans to put out, but what are councils planning to deal with in their own areas to ensure that there is a good communication network between councils and their taxpayers and that there is no confusion? Otherwise, councils will get an awful lot more phone calls to their call centres, including calls about relief, that staff may have to deal with.

Time is tight between now and the implementation. What areas of communication are in hand and what areas of communication are potential problems and pitfalls?

Councillor Keenan: We believe that, as it is the Government's tax that will increase the extra burden on the bands from E upwards, it is the Government that needs to clearly publicise what it intends to do and make sure that individuals across Scotland know exactly what is expected and what they will pay. As you have heard, we are unsure as to whether the multiplier will be added to water charges; if that is the case, that will be another part of the communication that the Government will need to put out.

We feel that it is the Government's responsibility; it is the Government's tax and the Government's programme of work that it intends to fund through using local government. We think that that breaks the link between local tax being used in local areas, because tax may be collected in one area and handed out in other parts of the country.

The Convener: We will perhaps have more comments on that in a moment, as some other members want to ask about public awareness and communication. To finish Mr Simpson's line of questioning: have there been any discussions between COSLA and the Scottish Government in relation to administrative costs?

Councillor Keenan: I have not personally been part of the spending review team, but I imagine that a meeting will probably happen today. It is something that the COSLA president will raise with Derek Mackay. It is on our radar to make sure that we try to get that resolved.

The Convener: It has not been formally raised yet, but you intend to do that, possibly today—is that correct?

Councillor Keenan: I am not part of the team negotiating on the spending review at the moment. However, as we see costs coming in the direction

of COSLA, we are usually quick enough to try to address them with Government.

The Convener: The committee will be keen to know whether the Government is listening to the representations that COSLA is making. That is why I specifically asked whether those representations have been made yet, but you are not in a position to confirm that. It will be helpful to get that information, as that will inform committee members when we take evidence from Derek Mackay, the Cabinet Secretary for Finance and the Constitution—we do that next week, I think.

There is sometimes a running joke with MSPs that when additional responsibilities are put onto local government, COSLA goes high with the costs, the Government goes low with the costs, and the actual costs sit somewhere in between. It becomes almost a negotiating position with regard to cost recovery.

In those discussions with the Scottish Government, will you share with its officials your modelling work on costs and see whether you can agree the methodology and approach and framework to that, rather than just a number emerging?

Councillor Keenan: It has always been the case that we would share the methodology on how all that is collected. You heard from Jonathan Sharma how we intend to work out the figure that we mean to present. We are not trying to hide anything in the costs that we present, and we would not use overinflated prices when we try to recover the actual costs. However, it will be a matter of opinion.

The Convener: Of course. I just wanted to give you the opportunity to put that on the record.

Derek Yule: My expectation would be that through COSLA collating the information there will be a degree of a sense check applied to the figures, to see whether a consistent approach is coming through from councils and whether the figures look reasonably robust and justifiable.

From my experience of Government funding, I recognise the point that you make. I have been aware in the past of fairly robust challenging from civil servants on what local government is putting forward, and, equally, of a fairly strong defence and justification of figures. I anticipate that a similar sort of discussion will take place.

Before putting forward figures, it is important that that sense check is applied to them.

The Convener: That is really helpful.

Mr Manning, you represent four local authorities that are not in COSLA. Are you letting COSLA lead on the issue? Are you looking at costs for

your local authorities? What is happening with the Scottish Local Government Partnership?

Paul Manning: We are looking at costs for our authorities. What I can tell you is reflected in our submission. The software suppliers with which we are working have advised that the main amendments should be deliverable in the necessary timescale. The risk—which is what makes it difficult to define a cost—in part relates to the waste and waste water issue. As we said in our submission, if we are left in a position in which we must maintain dual multipliers—different multiplier rates for water and for council tax—that will be an additional and significant challenge. That uncertainty prevents me from giving you a definitive figure.

The Convener: To be fair, we are not asking for the figure. We are asking that those discussions take place with the Scottish Government.

Will the methodology that the Scottish Local Government Partnership uses be the same as the methodology that COSLA uses?

Paul Manning: In essence, we are working with the same software suppliers and we will be dealing with the same administration issues, so I do not see that there would be any difference in the methodology of working out the cost.

The Convener: We should not expect a deviation in the figures. I take it that a conversation on that takes place between the four local authorities and COSLA.

Paul Manning: In terms of dialogue between the four local authorities and Government on spending review issues—

The Convener: Sorry, I meant dialogue with COSLA.

Paul Manning: I am not involved in direct dialogue with COSLA on this. We make representation to the Government through the settlement and distribution group.

Andy Wightman (Lothian) (Green): I welcome the panel to the committee. I will follow up on awareness, which Alexander Stewart talked about. There has been no change in the multiplier since 1993 and there has been no change in the rate of council tax since the freeze in 2007. New council tax reduction eligibility criteria are being introduced. There is a question of redistribution of receipts to other local authorities and there is the question that Paul Manning raised about water and sewerage charges.

There are two distinct elements of public awareness here. One is general public awareness that these changes are coming into play. The other element is how that is communicated directly to council tax payers. To what extent do we need

a public awareness exercise that alerts people to the fact that the changes are being made, so that they can anticipate them? To what extent can you communicate on the council tax bill that you send to people the actual changes and why they are being made?

One comment that we got on the tax commission, which I sat on, was that council tax payers did not feel that they were getting as much information as they could, or that it was not presented in an easily digestible way, with modern infographics, and so on. Is there a job you could do there?

My first question is whether there should be a general awareness campaign, so that the public can know that all those things are happening.

The Convener: I will come to Dave Watson first, because your members on the front line will have to deal with the telephone calls and explain why bills have changed and increased.

Dave Watson: As we said in our submission, in our evidence to the commission and elsewhere, a challenge with council tax is that people receive a bill. It is not like VAT or income tax, which are deducted at source. People will face, in many cases, quite big changes.

There is huge concern among a range of staff—not just those who work in call centres, whom Mr Stewart referred to, but also staff on the front line, in one-stop shops and places where people come in off the street and raise issues—that there will be heightened concern when people get their bills. People do not always understand their bills and they have experienced a very long council tax freeze. Their bills will change, albeit that there has been change to the water element, as colleagues have indicated.

More generally, our annual survey of abuse and violence demonstrates that there has been an increase in recent years in both verbal and physical abuse towards local authority staff. Incidents of abuse have gone up fairly significantly year on year and we are clearly very concerned about that.

We accept that, at present, there are a lot of uncertainties and things to be sorted out and that therefore the detail might not be available. One cannot, however, start too soon with that type of communication exercise. We do not care whether it is the Government or councils that do it, but we urge a major communication effort to explain the changes so that our members do not get grief on the doorstep.

Councillor Keenan: If a council chooses to put up council tax, and is held to a maximum of 3 per cent, a band E property in its area could see its tax going up by 10.5 per cent. It is incumbent on the

Government to make sure that it takes responsibility for its part of the increase, the 7.5 per cent. It needs to communicate its responsibility for that increase to people.

Councils will try to explain the proportion of the increase that relates to the Government's policy in the letter that goes out with council tax bills, but that information will be limited. The Government needs to take on the responsibility of making sure that people who are likely to see a 20 per cent or so increase in their council tax because of the high band for their property, and have had a council tax freeze for so long, know that the change is happening and that they should expect an increased bill. Any increase of that level will no doubt be alarming, no matter how much money we believe that someone in a band E or F or whatever property has in their pocket. People live to their expectations and will not appreciate such bills coming in their direction. It is the responsibility of the Government to make sure that they are aware.

Derek Yule: I strongly advise the Scottish Government to take responsibility and ownership of the policy and to explain clearly what the policy objective is. Councils will do what they can, but will give 32 different messages.

In my submission to the committee, I made the point that there needs to be clear accountability for any system to work well. I fear that confusion will be created in the public mind if councils take the opportunity to increase council tax by 3 per cent—the Government cap. There will not only be the impact of the multiplier; there will also be an increase of up to 3 per cent. That will cause confusion in the public mind.

We have already seen how the press have reacted to the fundamental policy change of the redistribution of the £100 million nationally, with funding from one council area to go to another, and how that change has been perceived. That potentially presents us with additional challenges in collection, not just because of the scale of the increase but because of how the public will perceive what has, until now, been a local tax for local services being in effect redistributed, with the money going to other council areas. There will need to be very clear explanations so that the public understand how they should react.

Paul Manning: At the risk of repeating what Derek Yule said, there is likely to be confusion over the increases in people's bills. On behalf of the four councils, we would look to the Government to play a part in publicising the reasons for the increases and the logic behind them.

The Convener: I have a supplementary on that point, but does Andy Wightman want to develop this line of questioning first?

10:30

Andy Wightman: You say that the Government has been silent on any changes to the water and sewerage charges. Therefore, given that the order has been laid, can we assume that any changes to the water and sewerage charges would require an order under the Water Industry (Scotland) Act 2002? Orders must be laid in good time to be ready for the next financial year so, if no such order has been laid and no intimation has been given that it will be laid, is it fair to assume that there will be no change to the charging regime for water and sewerage?

The Convener: I have no reason to doubt Mr Wightman at all but, if accurate, that seems fairly clear.

Andy Wightman: Do the witnesses have any more information on that? They said that they did not know.

Derek Yule: We do not know. The point that you make is entirely right. The issue is the uncertainty. My understanding is that a separate order is required for water charges, which are set nationally. We are trying to differentiate between the charge and how it is applied at the moment to the eight council tax bands. The banding is what we probably have most uncertainty about.

My anticipation was that the multiplier would apply to water and sewerage charges as well and that significant additional income would be raised through them unless the Government reduced the rate. I could not tell you offhand what the proportion is but, if the multiplier will raise an extra £100 million in council tax, a significant additional sum will be raised through water and sewerage charges unless the rate is lowered.

The Convener: Is it your understanding that the legislative position is that an order would have to be laid for a multiplier to be applied to water and sewerage charges?

Derek Yule: That is my understanding, but we need clarity on it.

The Convener: It has not happened.

Derek Yule: No.

The Convener: Have you asked the Scottish Government about it?

Derek Yule: No, CIPFA has not raised it with the Government yet. I think that the point has been raised with civil servants through COSLA, so they are aware of it, but there has been no response yet. We expect clarification on it from the civil servants in the water industry division of the Scottish Government.

The Convener: I hope that we will get clarity from the Cabinet Secretary for Finance and the

Constitution next week. However, no order to apply a multiplier to water and sewerage charges has been laid—if one is needed—it has not been intimated that that will happen and, as far as we understand, the figure of £100 million being raised is not based on water or sewerage charges. It appears that there is not going to be an order, so could it be a red herring?

Derek Yule: I do not think that it is a red herring in terms of the administration of the water charges, because there are two separate elements: how much the charge is and how it is applied to the property bandings as they stand.

The Convener: Either way, there is uncertainty and we need clarity.

Derek Yule: Yes.

Andy Wightman: As you said, the bands are not changing. There will still be eight bands and Scottish Water charges a rate for each band. The question is whether there will be an impact on Scottish Water's charging regime, which might not require a separate order. It just might be Scottish Water that decides that for itself. I do not know.

Derek Yule: That is right. It is generally a matter for Scottish Water. The question that I am posing is what the implications are if we apply the existing council tax bandings to water as well and whether the multiplier will be applied to the element that is charged for water.

Graham Simpson: If the new multiplier is not applied to water, will it make it all the more confusing for you to implement?

Derek Yule: That would give us a major problem. We would envisage a doubling up of the bills. We would have to issue separate bills for water and sewerage or there would be significant software implications. That would give us concerns about the timescale for implementation.

Graham Simpson: We definitely need clarity on that point.

Derek Yule: Yes.

Graham Simpson: From what you say, gentlemen, am I right in thinking that you would like to be able to say when you send out a council tax bill that a certain element of it is down to the Scottish Government and another bit is down to the local council?

Councillor Keenan: That would be fair. I hope that the Scottish Government will put out a publication or undertake an awareness-raising programme to make people aware in advance of the council tax going up. Once the bit that is set by the Government goes through Parliament, it will be in play. The other part of the bill will be whatever the council increases its council tax by within the cap that the Scottish Government sets. We believe

that the Government should go out to people early and make sure that they are aware of the changes.

Graham Simpson: What I am asking, Councillor Keenan, is whether, when the council tax bill goes out—the finance directors here may know the answer to this—you are allowed to separate it out in the way that I am suggesting.

Councillor Keenan: I will answer that from a political point of view. A few years ago, Aberdeen City Council did something differently and was challenged, but I do not think that there was any backlash from that. I suggest that a council would be in a position to do what you suggest. The 32 different messages that go out are probably based on 32 different political positions; hence the message would be better put out by the Government, in which case it would be clear.

Kenneth Gibson (Cunninghame North) (SNP): I do not think that public awareness is going to be an issue. There will be local authority elections next year, and there will be plenty of coverage of the council tax changes in the media. No doubt, political parties will mention the matter in their campaign literature.

If you are suggesting that the Scottish Government should say that it is responsible for an X percentage increase in council tax for band E taxpayers, for example, should it not also send out a letter to taxpayers in bands A to D saying, "By the way, we're not putting your tax up—it's the local council's fault that it's going up by 3 per cent"? That is the other side of the coin. Surely that would be interpreted as being far too overtly political. If you are suggesting that the Scottish Government should take the blame for putting council tax up for people in bands E to H after a nine-year freeze, should it not also take the credit for continuing to freeze it for people in bands A to D?

Councillor Keenan: I have never been able to influence what the Scottish Government puts out in its communications, but I think that it is incumbent on it to make sure that it tells people about the taxes that it intends to implement. If it wants to go a bit further than that and claim credit in some way, it should feel free to do so.

The Convener: Lots of members want to ask supplementary questions on the issue—you have got their interest with your answers.

Dave Watson: As we say in our evidence, our position has always been that the council tax is difficult politically. We understand the challenges for politicians, which is why we have always argued that cross-party consensus should be sought on reform of the council tax. Frankly, our members would be less interested in who is to blame. Given that the Scottish Government is—in

our view unwisely—ring fencing a chunk of the money, councils are entitled to explain that. However, when the tax is going to be increased, particularly after such a long freeze, it is important that the Scottish Government and councils focus not just on the fact that council tax is going up but on what it pays for and what it is doing. Good communication is about saying to people—although it is a difficult message—that council tax is a good thing that pays for things that they and their children want, including education, social work and everything else. We should focus on that message in any communication instead of getting into a political rammy about who is responsible for what bit of the tax.

The Convener: I do not know whether Mr Manning wants to add to that. How do we avoid a political rammy?

Paul Manning: That is a leading question.

The Convener: What can you do to avoid that happening, Mr Manning?

Kenneth Gibson: You personally, Mr Manning.

Paul Manning: I feel put on the spot now. There is an obligation to send out with the council tax bill what amounts to an explanatory accompanying note or letter that details the background to the council tax figure and local authority expenditure. Given that this will be the first time in almost 10 years that there will be any increase in council tax, and it might come from two different directions, I would have thought that each local authority would have to take steps to say, “This amount relates to a decision taken by the council, and this relates to a decision taken by the Government.” They would do that in the accompanying explanatory material that goes out to people; it would not be on the face of the council tax bill.

The Convener: May I check something? I know that the witnesses might have wanted the Scottish Government to go further, but I assume—perhaps I should not do so—that they support local authorities being able to increase the council tax again. Is there a general consensus on that? You are indicating that there is. The consensus might splinter when it comes to whether the increase should be capped at 3 per cent, and we can explore that later, but there is a general consensus that council tax should start to increase again.

Is there also a consensus that the multipliers for bands E to H should be more progressive than they have been in the past? Let us put to one side the issue of who gets the money and how it is used. Does anyone disagree with increasing the multipliers for bands E to H?

Councillor Keenan: I do not disagree with that, but it does not go far enough. There will be a

number of properties across the country that have been extended by an endless amount, and—

The Convener: We will come on to that, Councillor Keenan—

Councillor Keenan: When it comes to discount schemes or whatever, local government's proposals had more checks and balances, to ensure that the approach was delivered much more fairly.

The Convener: I want to get to a final position on this. Everyone here agrees that local authorities should be able to increase their council tax again, should they choose to do so. Let us put revaluation to one side—I have no doubt that we will come on to that this morning. I think that everyone agrees that there should be an alteration to the multiplier for bands E to H. Does anyone disagree with that?

Dave Watson: It is not a case of just doing bands E to H. There needs to be a review across all the bands. At the moment, a £400,000 house pays only three times as much as a £40,000 house pays. The Scottish Parliament information centre's briefing and the commission on local tax reform's report showed a number of different models, and we urge Government to look at those models rather than just four bands. If your question is whether we are in favour of greater progressivity, the answer is yes.

Councillor Keenan: COSLA does not agree with changing only four bands and thinks that the approach needed to go further.

The Convener: My point is that everyone agrees that there should be council tax increases again and that there should be greater progressivity. We are debating whether the current Scottish Government proposals go far enough, and I put to one side the issue of local democracy in relation to how the money will be spent—I think that Elaine Smith will ask about that. Over the past 20 minutes, everyone seems to have agreed that council tax should go up and should be more progressive, and that is going to happen, but we seem to have got into a blame game about whose fault things are instead of having collegiate working by the Scottish Government, COSLA and the Scottish Local Government Partnership.

Have COSLA, the Scottish Local Government Partnership and the Scottish Government had discussions on how they can work together to promote the system? Heaven forbid that the council tax bill that drops through every household's letter box could contain an insert that was agreed between the Scottish Government and each local authority—and heaven forbid that such an insert could be standardised, to make it more efficient to produce. Is that outwith the

realms of what can be achieved? Can we not take some of the politics out of this, where we can?

Councillor Keenan: COSLA wants local government to have the ability to decide whether to raise or freeze council tax, without Government imposing such things on it. That is COSLA's position. Some of our members might have been able to continue the council tax freeze for a period, and others might have preferred to put the council tax up by more; it is about local democracy and local accountability, and what the Government has presented us with does not allow that.

10:45

The Convener: Elaine Smith will ask the next question, which is on that matter, but, to be fair, that is not the question that I asked. The question that I asked is whether there has been any conversation between COSLA or the Scottish Local Government Partnership and the Scottish Government in which it was said, "We all agree that the direction of travel is correct." We know that there are significant caveats in relation to revaluation and to whether all the bands should have been looked at rather than only bands E to H. We can have discussions about the council tax reduction scheme and how we move on in relation to it—I hope that that question is raised by members here today—but, in some respects, there is significant agreement between Government and local authorities. Have local authorities via COSLA or the Local Government Partnership spoken about a joint approach to publicising the changes? There is a debate on who pays for it, be it the Scottish Government or otherwise—I am not suggesting that councils should necessarily pay for it—but have there been any representations to the Scottish Government saying, "Let's have a joint approach, and let's take the politics out of this, because there is a huge amount that we agree on"? Councillor Keenan, have there been any representations?

Councillor Keenan: I do not think that there have been. There has not been any move from the Government, either, to suggest how it would prefer us to handle the changes.

The Convener: I will ask the same question of Derek Mackay next week. Mr Manning, I mentioned your organisation as well.

Paul Manning: I am not aware of any dialogue.

The Convener: Right. Do you think that it would be a good thing for the Local Government Partnership to do?

Paul Manning: It is a step that represents common sense.

The Convener: That is really helpful. Do you think, Councillor Keenan—

Councillor Keenan: I also think that it would probably be a good move.

The Convener: You think that partnership working could still happen even on this. Mr Yule, I am sorry—I cut you off.

Derek Yule: My comment is from a practitioner's perspective rather than a political one. I think that it would have helped if there had been an early dialogue so that we understood the Government's thinking behind the changes. They appeared as an announcement that rather focused on the £100 million, and then we got into all sorts of debates about what it meant for local accountability and what not. We would have liked to have understood why the figure was what it was and what the political directive behind it was.

One of the accusations or jokes that is always made about accountants is that, in looking at an issue, they start from the point of view of what the answer is. It struck me that the answer was £100 million, and the Government worked backward to see what changes would have been made to the multiplier to get there. We would have liked to have understood why that figure was proposed. As I said in our submission, we would like to go that further bit.

We are more than happy to work with the Government on how we can best implement the changes.

The Convener: Thank you. That is helpful to put on the record. I thank Elaine Smith for your patience. Before we move to the local democracy angle, Ruth Maguire has a final supplementary.

Ruth Maguire (Cunninghame South) (SNP): We have moved on a bit, but my question relates to the evidence of the directors of finance that it would be fairly easy to implement. We have also heard some stuff about complications in collection. I want to be clear on what those complications are—whether they are to do with the clarification that is needed on water and sewerage and whether there would need to be two bills. Intuitively, the thought of having messages about where people's tax was coming from on their bills sounded like it would not be helpful in a practical sense—if we take the political out of it.

Derek Yule: From the discussions that we have had with software suppliers, we do not think that it would mean a particular material change in the core structure. There are very few council tax systems and only a few suppliers of the software. It seems to us to be a fairly straightforward change to make.

Without going back on what I have just said, the big complication would be if there was, in effect, a different multiplier of bandings in relation to water charges. We strongly emphasise that there are

economies of scale of billing on behalf of Scottish Water. For water and sewerage, it is a much more effective way of collection, and we would certainly want to see that continue. It was just important for the committee to understand that that issue is what we would anticipate to be the single biggest challenge in implementing the proposed changes.

The Convener: Does anyone else want to come in? Alexander Stewart, I am sorry—I lost you off my list.

Alexander Stewart: We have had such a lengthy freeze. Council tax collection varies across the 32 local authorities, but it has been quite standardised because of the freeze. Is it anticipated that, when the new bills go out and the charges change, there could be a backlash that could mean a reduction in the collection rate?

Derek Yule: I would flag that up as a risk. How big a risk it is, I am not entirely sure. We have had some insight into the Government's calculation. It assumes a 97.1 per cent collection level, which is a Scottish average. Given that we are looking at the upper end as regards ability to pay, we would see this group as a stronger group from the point of view of payment. I know that my authority has a significant proportion of customers in the four bands in question who pay by direct debit. It is a risk.

My key point is about accountability and how people perceive the fairness of the changes. We are talking about significant increases. I come back to the issue of communication. If people understand why they are being asked to pay more and accept that, we will have more chance of collecting the tax. We need only go back to the time of the poll tax or community charge to see what happens when there is a tax situation that people do not accept. I am not for a minute suggesting that the proposed changes are remotely like the change that was brought in with the introduction of the poll tax, but that example highlights the fact that, whatever the tax, it must be perceived by people to be fair and understood. Otherwise, there is the possibility of challenges.

The Convener: Does any of the witnesses have anything to add? It seems not, so we will move on to Elaine Smith.

Elaine Smith (Central Scotland) (Lab): I thank all the witnesses for coming along to help us with our scrutiny of the order. If local authorities decide to use the full 3 per cent, they will justify that by saying what they intend to spend the money on and explaining their decisions to the communities that they serve. I will therefore set that issue aside for the moment.

Last week, we took evidence on the changes to the higher bands and asked whether what was proposed was more progressive, less regressive

and fairer. I would be interested to get comments on that.

I have specific questions for Dave Watson but, before I ask them, I will ask Councillor Keenan about the issues of blame, justification and who is responsible for the extra element that people will be paying, which were explored earlier. Would councils be happy to implement the changes to the higher bands and would they think that the proposal was more progressive if they got to decide where the funding was to go? Is it local democracy and local decision making that is the issue?

What is proposed could be seen as reverse ring fencing—I think that that term was used last week—whereby the councils impose a higher charge and the Government, rather than giving councils extra money for a policy decision that it wants to be delivered, takes that funding and uses it to deliver the attainment fund. Is that the basic issue?

Councillor Keenan: There is a real issue with local democracy. We are elected and we should have the ability to make decisions to deliver for the people we represent. At times, a collective approach is needed in the best interests of Scotland. That could be discussed, but it appears that the changes that we are considering are being imposed on local government. The challenge of improving attainment levels is at the forefront of all local authorities' minds and we are looking at ways of delivering that.

Mention was made of the fact that things could be done differently if there was a partnership approach and there was no apportioning of blame. There would have been an opportunity for that if sufficient discussion had taken place. COSLA and members of the Scottish Government got involved in the commission to decide how to replace the council tax; we do not think that what is proposed goes far enough. In some respects, it resembles ring fencing. Other councils might say that that is the case, because there is a demand from the Government for teacher numbers, police numbers and other numbers to remain at a particular level, with the result that local spend is curtailed. If there is a demand from the Government, there needs to be some involvement of local government if we are moving in partnership together.

Elaine Smith: Would you be more relaxed about the change to the bands if your members got to decide what to do with the extra funding?

Councillor Keenan: We in local government would prefer to deliver fairness—hence the number of checks and balances that went into the proposals that we put forward jointly, which would have meant an ability to discount in certain areas. We believe that allowing that amount of local

flexibility would have made a difference and brought about a much fairer tax.

Derek Yule: Government policy is very much a political issue, but it is probably fair to say that councils generally would have welcomed additional flexibility. Budgets are coming under greater and greater pressure and that is where we get the difference between local spending priorities and national Government priorities.

I flag up the direction of travel of the community empowerment policy, because the Government has indicated that it wants 1 per cent of council budgets to be determined locally. I have a question about where that sits against a proposal that we might see as representing a greater centralisation of policy. There seems to be a slight conflict.

If 1 per cent of spending is to be determined locally, how does that sit with a policy that involves raising council tax for a national policy of redistribution? There is a potential conflict, which comes back to the point about communication and how the varying policies fit together.

Paul Manning: To echo what Derek Yule said, if the funding was to be given to local authorities or if they had the discretion to use the money, it would provide much needed flexibility at a time when our finances are being squeezed. However, the perception is that it will go towards a centrally determined priority.

Elaine Smith: If extra funding was found for the centrally determined priority that was not the funding from the local bands, would that be more acceptable?

Paul Manning: If separate money came from the Government for the local government settlement, that would be more acceptable.

Elaine Smith: That would be a move back to ring fencing, but with extra money for a Government priority that was to be delivered by local agencies.

Paul Manning: Yes—that would be Government money funding a Government priority.

Elaine Smith: I have a question for Dave Watson. On the same theme, Unison says in its submission:

“While we are supportive of the government’s aim to close the attainment gap, ring-fencing money raised by local taxation also contravenes the principle of local control over local taxation.”

Will you expand a bit on that?

Dave Watson: Our position is that we have always opposed the ring fencing of funds. It can be argued that the proposal is a sort of reverse

ring fencing but, nonetheless, it is essentially a form of ring fencing.

The Scottish Government made moves some years ago to reduce a lot of the bitty bits of funds and we welcomed that. However, when it put them back in for police numbers, teacher numbers and, of course, the council tax freeze, that was all a form of ring fencing.

Local government is not the same as a non-departmental public body or another Government department. Councillors are directly elected; they are responsible to their electorate. I think that Andy Wightman and others have made the point about the European Charter of Local Self-Government. There are local taxation principles that apply across Europe and elsewhere—local government raises its taxes for its local priorities.

If central Government wants to identify its own priorities and influence policy, it can do that in a number of ways. It does not always have to do it with money. There are other ways—it could set national standards, for example. We have no problem with that. However, local taxation should be applied to local priorities and councillors should be responsible to their electorate for local decisions.

11:00

Elaine Smith: The same question arises. For example, the Government is responsible overall for education and takes the blame for what goes wrong with education across Scotland—if children are not attaining, the Government is subject to questions in this place, day in and day out. Given that education is delivered at local level, if the Government found what it identified as extra funding for what it wanted to prioritise, would you consider that to be ring fencing and would it be a problem?

Dave Watson: In my many years in this role, I have heard ministers frequently use the “Not me, guv” defence when approached on such matters. That is why we have NDPBs and many other things, which have been set up for the same purpose. However, local government is different because of its direct elections. The Government approach needs to reflect that.

A debate that we have not really got a grip on, although we are touching on it in respect of funding, is about the wider issue of local government’s role in relation to central Government’s role. Inevitably, there are different pressures under different Administrations. We are clear that local government is a good thing and that the subsidiarity principle should apply to local decision making, which means that decisions are taken at the lowest possible level. I do not think that taking money out of local taxation—money

that is raised locally—is consistent with that principle.

Elaine Smith: Your submission says:

“The reformed council tax is still a regressive tax.”

Will you comment on that?

Dave Watson: I remember that the committee has had interesting academic debates with professors on the meaning of progressivity. I am a mere lawyer, so I will not risk engaging with the finer points of that debate. The council tax is not purely progressive, although it is possible to make it more progressive. The chart that SPICe has helpfully extracted from the commission on local tax reform shows a way to have what I would call—to avoid any academic rows—a more proportionate allocation. If we applied that sort of proportionality, we would get a better scheme.

The Convener: It is helpful to have all that on the record. The question that we asked in our call for evidence—it will be in your submission—was whether the tax will be more progressive or less regressive. That was last week’s debate. We asked whether the reformed council tax would be fairer and the answer that we got was, “Yes—a bit.” I do not want to misinterpret what you are saying, but is that a reasonable summary?

Dave Watson: I am always happy for you to put words in my mouth, convener. The position will be slightly fairer, but it is not surprising that, as always, we want to go further.

The Convener: I absolutely understand that. I do not want to put words in the mouths of my MSP colleagues either, but I am aware that we have not yet touched on council tax reduction or revaluation, and we have only about 15 minutes left. Let us see what they ask.

Kenneth Gibson: I will ask about those points. I am intrigued by the fact that the submissions talk about the need for local government to raise about 50 per cent of its income on its own—that has been consistent across the board for a number of years—but I wonder how realistic that is.

The last line of the Unison submission says:

“it’s time to stop tinkering and act on the recommendations for a new fair property tax.”

Over what timescale could that be delivered, even with cross-party support? The figures that have been presented show that 15 per cent of local government income is from council tax and 7 per cent is from charges. Unless we were to return non-domestic rates to local authorities—there is an argument for that, although there are issues about how much Edinburgh would raise relative to North Ayrshire, for example—the share of income from council tax would have to be increased from 15 to 43 per cent, which would mean tripling it.

Unless a concomitant reduction was made in income tax—over which the Scottish Government now has powers—the result would be horrific for council tax payers, as I am sure you appreciate. We can say that it would be great for local authorities to raise 50 per cent of their income, but how realistic is that?

To raise a local authority’s budget by 1 per cent—all else being equal—a council would in effect have to raise the council tax by 6.6 per cent, because of the gearing effect. Is that a blunt tool that has passed its sell-by date? Should we look at other, more innovative ways of funding local government?

The Convener: Who wants to take that?

Kenneth Gibson: Dave Watson will go first.

Dave Watson: You will have read our submission. Our view is that a broader reform of the council tax is needed, which is why we think that the proposed tweaking does not quite do it.

We should remember that the council tax used to form 20 per cent of income; it is now down to 15 per cent because of the council tax freeze. In fairness, charges were not previously as high as they are now. Some of the gap has been plugged by charges, which we argue is a regressive way of raising local government funding.

We favour the return of business rates to local government. We have long argued that that should happen. The words “return of” are important there and, in fairness, that was the approach that the Government took a long time ago.

There is therefore a case for broader reform. We favour the Burt proposals for a property tax. That was a thorough piece of work that has been usefully updated by the recent commission.

We can look at business rates and at having a new property tax that might raise different sums of money, and there will always be an element of charging. We have made the point that it is true that the risk with a lot of these schemes is that rich areas gain more than poor areas. That is where equalisation comes from.

Equalisation schemes have been used in the past. They are not easy because, inevitably, there are winners and losers. One reason for that is that we tend to focus equalisation schemes on whole local authorities, and the problem is that our local authorities are a rather strange mix of big regions and quite small areas.

I would restructure the equalisation arrangements by going down almost to postcode areas and building them up. That might not result in massively different changes, but it would be more realistic because, even in council areas that generally have a high proportion of low-income

households, that is not true for the whole council area. Glasgow has wealthy parts and lots that are not. The same is true in Kenneth Gibson's area—there are big differences between the three towns and Largs. Building up a formula that was based on local postcode areas would provide a more realistic formula that targeted resources where they are most needed.

If you gave me a blank cheque and we rewrote the whole local taxation system overnight, we would give councils the power to raise additional local taxes—the bed tax is a well-known version of that. There is merit in looking at things such as the land value tax, but not as a replacement for the council tax, because that would be difficult for a lot of the practical reasons that our members who work in valuation have pointed out.

If we pulled all those elements together, we could get somewhere fairly close to 50 per cent. That is an arbitrary figure, but all that we are saying is that more money should be raised locally and that we need a broader reform on—I hope—a cross-party basis, although that might be my wishful thinking. That is what needs to happen for us to get closer to that local government ideal.

Kenneth Gibson: That approach would have to be commensurate with a reduction in national taxation; otherwise, your members and others would end up being burdened by additional taxes across the board. Do you see that as a concomitant exercise?

Dave Watson: Yes and no, because we favour a property tax. A local income tax, for example, would mean a double hit on working people. Having a basket of taxes, as it is sometimes called, minimises the risk.

The Convener: Mr Gibson, it is only reasonable to give the other witnesses an opportunity to talk about how we should broaden the tax base to get close to 50 per cent. Councillor Keenan might be keen to talk about that.

Councillor Keenan: COSLA had a commission on strengthening local democracy and its paper contains quite a number of thoughts on how we can get closer to local government having tax-raising powers for 40 to 50 per cent of its income, because we believe that we play a vital role in the government of the country.

More than a year ago, we made an offer to the Government that we would do modelling work on business rates, because we realise that there would need to be some equalising factor across areas, as some industrial areas can raise much more.

We would look to do that work but, because that opportunity has not been taken up, we are probably a year or so behind where we could be. If

that joint work was going on, we would have an indication of where the figures are. COSLA would still be keen to do that work if the Government took it on board, but we would like to see a better property tax and more powers.

Although some council colleagues will not be happy about the 1 per cent that local areas are deciding on, I do not have an issue with that. I think that decisions are best made as locally as possible, and the centralising agenda from the Government is not overly helpful.

The Convener: Does Derek Yule or Paul Manning want to add to how we can broaden the tax base?

Derek Yule: Most of the points that I would have made have been covered. Mr Gibson highlighted the fact that, if we wished to move nearer to a 50:50 split, returning business rates to local control would probably be the only way to do it. It is probably fair to say that we have mixed views about that, because we recognise the associated financial risks. I am aware of some areas in which major closures could have a significant impact on a council's finances if they were exposed to that risk. Although the direction of travel is probably welcome, we have to recognise the associated risks.

I am keen to explore additional means of taxation. We are quite interested in pursuing the bed tax or tourism tax in my council area. Having seen the way in which the local hotel industry has responded to supply and demand and to variations in price, I believe that that is certainly worth exploring.

The Convener: I apologise for the fact that we are running out of time. A few witnesses have mentioned revaluation and I know that there is evidence on that in submissions. Could one or two of you say a little about revaluation, which the Government is clearly not doing? We got evidence on that last week, so it would be good to get something on the record today.

Dave Watson: We strongly believe that there should be revaluation. I accept that some risks are involved in that, but with responsibility there always comes risk in terms of volatility. The communication exercise that we talked about earlier is crucial, but telling people that property is valued at 1991 levels makes it twice as difficult to make the change. When 57 per cent of properties are in the wrong band, the committee can imagine what people are saying to our members. If you can tell the Government that we really need to tackle revaluation and get it right, we can start to talk about regular revaluations. My question is: when is the Government ever going to do a revaluation? Are we going to wait another 10 years or another 15 years? We have to do it now.

The Convener: It is good to have that on the record.

Councillor Keenan: We are talking about delivering fairness. If somebody has extended their property by three or four bedrooms and added endless facilities, the chances are that it should be in a much higher band. They ought to pay what they should towards the services that they use from local government.

The Convener: I apologise for not asking the other witnesses to contribute because we are running out of time, but I know that Councillor Keenan wanted to put that on the record.

It has been estimated that an enhanced council tax reduction scheme will extend to roughly 54,000 households in bands E to H that have net incomes of less than £25,000—if I have got those numbers wrong, we will correct that on the record—under a tapered scheme, on which we have no details yet. Do the witnesses have any comments on that? I know that that is a bit like asking, “Are good things nice?”

I assume that you welcome the scheme, but I do not want to put words in your mouths. Mr Watson mentioned the challenges that are involved in implementing the scheme and getting it right and in ensuring that those who do not already get council tax reduction apply for it. We heard some evidence on that last week. Do you have anything to add?

Councillor Keenan: There is probably the potential to incur another administration cost that was not there before. The committee would need to ask a director of finance to comment on where they see the costs that are involved in that. I would welcome anything that delivers to someone who is a bit poorer.

Paul Manning: On the changes to the higher bands, the council tax reduction subsidy will have a mitigating effect for the people it covers, but its effectiveness will depend on uptake. People have to engage in order to know about their ability to get the benefit, and resource will be required to generate awareness so that people contact us.

The Convener: That is now on the record. Mr Yule and Mr Sharma, this might be your last opportunity to comment. Do you want to add anything?

Derek Yule: We are generally supportive. It is important that the Government recognises that there are people in the top four bands who will be impacted by the changes and whose ability to pay will be an issue. Points have been made about the additional administration work that will be associated with the changes. We recognise that but, in general terms, we welcome the proposals.

The Convener: Mr Sharma, do you have anything to add?

Jonathan Sharma: We are collecting information from councils about the cost of administering the council tax reduction.

The Convener: I thank all five witnesses for coming to the meeting. I am sorry that the last few questions were condensed; I wanted to give you an opportunity to put your views on the record.

That ends agenda item 1. We will hear from the Cabinet Secretary for Finance and the Constitution next week as we continue our evidence taking on the statutory instrument.

11:16

Meeting suspended.

11:22

On resuming—

“Low Carbon Scotland: Meeting our Emissions Reduction Targets 2013-2027. The Second Report on Proposals and Policies”

The Convener: Good morning, everyone. Agenda item 2 is consideration of the second climate change report on proposals and policies—RPP2. The committee will take evidence on the progress that has been made with RPP2. Today's session is a precursor to the committee's scrutiny of the draft third climate change report on proposals and policies—RPP3—which is due to be laid in January 2017. The session will take place in a round-table format to allow for a more free-flowing discussion of the issues. It does not always work out this way, but a successful round-table event is usually one in which MSPs talk less and the witnesses talk more. We will see how it goes.

Rather than introduce the witnesses, I invite everyone to introduce themselves, after which we will move to the first question. I am the convener of the committee. Thank you for coming along this morning.

Chris Wood-Gee (Sustainable Scotland Network): I am vice-chair of the sustainable Scotland network. My day job is to look after energy and sustainability for Dumfries and Galloway Council.

Alexander Stewart: I am a member of the Scottish Parliament for Mid Scotland and Fife and a councillor on Perth and Kinross Council.

Mike Thornton (Energy Saving Trust): Hi. I am the head of the Energy Saving Trust's team in Scotland. The trust delivers significant programmes for the Scottish Government that help with the delivery of the policies under the RPP, not least the home energy Scotland network.

Andy Wightman: I am an MSP for Lothian.

Fabrice Leveque (Stop Climate Chaos Scotland): I am climate and energy policy officer at WWF Scotland, and I am representing Stop Climate Chaos Scotland, which is a group of organisations that campaigns to tackle climate change.

Ruth Maguire: Good morning, everyone. I am the MSP for Cunninghame South. I listen as well as I talk, so this will be a good session for me.

Craig McLaren (Royal Town Planning Institute Scotland): Good morning. I am director of the Royal Town Planning Institute covering

Scotland and the Republic of Ireland. We are the professional body for town planners.

Graham Simpson: I am an MSP for Central Scotland.

Kenneth Gibson: I am the MSP for Cunninghame North.

Elaine Smith: I am an MSP for Central Scotland.

Councillor Harry McGuigan (Convention of Scottish Local Authorities): I am a councillor on North Lanarkshire Council and COSLA's community wellbeing and safety representative.

Silke Isbrand (Convention of Scottish Local Authorities): I am from COSLA, on the housing portfolio.

The Convener: Thank you, everyone. You are most welcome.

Before we move to the first question, I intimate to the committee that Councillor Harry McGuigan and Silke Isbrand need to leave at about 12 o'clock. I ask them to slip off quietly when they need to and, because I will not get a chance to thank them at the end of the evidence session, I thank them in advance for their contribution this morning.

Andy Wightman: I have a general question about moving from RPP1 to RPP2. What we have learned from that as we move to RPP3? Will RPP3 just be a continuation of a similar scale of increase and effort, or do we need to make a much more dramatic step change in efforts to tackle climate change?

Mike Thornton: We have laid solid foundations with the previous RPPs, but there is now a need, as you intimate, for a step change to maintain track. The lessons that have been learned can drive that step change, which probably needs to be in areas such as renewable heat and district heating. The strategic infrastructure priority on energy efficiency bodes well. I suppose that we would say that there is a need to crack on, if I can put it colloquially.

Chris Wood-Gee: I endorse that. From the perspective of working with a local authority, we have good foundations. We are starting to record what we are doing much more effectively; the information is now available. We know that there are big gaps, particularly in areas such as demand reduction and renewables, in trying to get more on the ground and to increase the scale of what we are doing to meet our targets.

Fabrice Leveque: It is helpful to look at the overall picture of emissions reduction in Scotland when looking back at the previous RPP and looking ahead to the next one. In the past couple of years since the RPP2 was passed, we have

had good emissions reduction, which shows that policies can work. That is reflected in this year's first hit annual target.

When we look at how the emissions targets have been met, we see good progress in sectors such as electricity and waste. For example, we have seen the benefits of the deployment of renewable electricity in the electricity sector. However, some areas of the economy have not quite seen the same emissions reduction. Buildings, especially housing, and transport are areas in which we have not seen significant progress. For example, if we adjust for recent winters and weather, housing emissions have fallen by only about 4 per cent since the Climate Change (Scotland) Act 2009, compared with a 30 per cent fall in electricity emissions and a 50 per cent fall in waste emissions.

The challenge with RPP3 will be extending the good work that has been done in those two sectors to the other areas. A priority for this committee would be to look at housing emissions and, to reflect what Chris Wood-Gee and Mike Thornton said, the energy efficiency of our buildings. There is a lot of work to be done in specific policy areas such as those, but the RPP is a great opportunity to step up our game.

Councillor McGuigan: We, too, endorse the need for a step change in order to ensure that we tackle the issues in a purposeful and effective way. However, we need also to be in early, so that we can work between the national and the local aspirations in order to show a synergy from that that will enable us to ensure that we are tackling matters in a complementary rather than a confusing way, which can sometimes happen.

We should never move away from the reality that it will be very difficult to effect that step change without the necessary resources and ensuring that we are able to engage fully locally and use the skills and the knowledge that are out there.

11:30

Craig McLaren: Like others, I think that good progress is being made, and we should certainly build on that. I would like to see something that would allow the change that we are trying to achieve to be much more transformational, and I would like us to plan for that much more. RPP2 has 322 pages but only four paragraphs on planning. The planning system can help us to achieve what we are trying to achieve, but it is probably underutilised and is not held up and recognised enough. If we have something that allows us to take forward a planned approach that is coherent but focused, that will help us to achieve the targets.

The Convener: I have a supplementary question, but I would rather give Andy Wightman the opportunity to develop his line of questioning.

Andy Wightman: Thank you very much.

This is an opening dialogue, as we move towards seeing RPP3. I am interested in Craig McLaren's point about planning. We are to have new planning and forestry acts. Is there potential to set the necessity to tackle climate change as a core purpose of systems such as forestry and planning in the basic statutory frameworks for those things? Would that help?

Craig McLaren: Changes that have already been made have helped. The national planning framework and Scottish planning policy, which were published in June 2014, now work towards four outcomes, one of which is a low-carbon economy, so that is central to what we should be trying to achieve. My issue with the national planning framework and Scottish planning policy is that they are very much seen as planning documents, whereas they should be much more influential than that. They should co-ordinate our approach to the development of different places and of infrastructure to try to ensure that we achieve a low-carbon economy. That is not really the case just now. Perhaps, as a planner, I would say this, but we are missing a trick by having a national plan that does not have the ability to influence decisions and policies or where we put resources.

The Convener: Of course, there will be a new national planning framework and a planning bill will come before the Parliament. We will scrutinise that anyway but, as we go through that scrutiny, what should we look out for? Can you give us tips on what we should look out for as we mainstream RPP3, if you like, in the committee's work? Does Mr McLaren or anyone else want to answer that?

Craig McLaren: There are lots of things that we should be doing. To be honest, the planning review that is under way is focusing more on the processes and procedures of planning, but we are doing some work on the big-picture issues, such as what we are trying to achieve, what type of Scotland we want and what type of planning system we need to achieve that. We will publish some stuff on that in the next few weeks. Key to that is a low-carbon economy, and planning can help to provide a route map to get to elements of that.

Dealing with issues to do with how planning is perceived and used might help us to do that. In the planning review, we have talked about the fact that the system has to be much more corporate and collaborative. As I said, it has to have much more influence in local government and in the Scottish Government. We talk about the need to front load

things much more. We need to have discussions and debates about what we want to achieve at the start of the process so that we can all then work out what we can contribute, rather than at the end of the process, when we are immediately in some form of conflict.

We have also talked about the idea of planning being much more focused on delivering things. That is about linking resource to the vision, which does not always happen just now. Such things would help us to meet the targets and achieve the objectives for a low-carbon Scotland.

The Convener: I will bring in Elaine Smith in a second, but I should point out to the witnesses that I can be a bit dim sometimes and if you do not blatantly catch my eye, I will not know that you want to speak. So, before I go to Elaine, this is your opportunity to feed in something on planning. Does anyone want to comment on that?

Fabrice Leveque: I have a more general comment about what the committee can do with RPP3, once it is published, to continue the scrutiny and, as you say, convener, mainstream it. It is not a document that should sit in isolation. One of the problems with RPP2 is that there has not been any process of monitoring or verifying whether policies are actually implemented and whether the emissions reductions have been delivered. It is key for the committee and for the Parliament to continue the work of the RPP. It will contain lots of policies and proposals, but the key is to look out for the implementation of those through bills. The RPP should instigate and set in motion new policies, which could end up in all sorts of consultations and bills, so it is key that the pressure is kept up.

With past RPPs, policies and proposals have been in the document but have not been implemented. For example, as far back as RPP1 there was a proposal to regulate minimum energy efficiency standards for the housing stock. The proposal was also in RPP2, but it has been endlessly delayed and has still not been consulted on. One of the ways to mainstream RPP3 will be to look out for those key measures and see whether they are popping up elsewhere.

The Convener: That is helpful. Does Mike Thornton want to come in?

Mike Thornton: Conflating that with the point about planning, through the first two RPPs we have had a sort of national plan with a small p and some policies at a useful scale to deliver the first steps in that plan. There is a need, both in planning and in regulation of the energy efficiency of the domestic stock, to have a national framework to support the policy delivery. Those decisions are large scale, have winners and losers and are more difficult. However, we have reached

the stage at which such decisions need to be made and implemented both in planning and in other legislation.

Elaine Smith: Craig McLaren talked about getting it right at the start of the process. What do committee members and others think about conflicting aims? An example would be a planning proposal for an incinerator in a local community, which could be argued for as meeting some of the aims of the RPP but the local community may not want it. Where does that leave local government? Do the arguments around the RPP override the community empowerment arguments? I am asking the question not of Mr McLaren specifically, although he may want to comment, but for general consideration.

Craig McLaren: That is a valid point and an issue at a local level. In trying to implement climate change and low-carbon policies, planners always come up against other priorities and initiatives. A key priority at present is the delivery of more housing. The planning profession is under the cosh to ensure that it delivers as many houses as it can. Does that always mean that houses will be located in sustainable places? There is a balance and a lot of work to be done to ensure that we can make that happen.

The planner's job is often to navigate through the different interests to come up with something that suits people. Some people's requirements might not be met and they might not be happy with the decision, although it may be in the public or the greater interest.

Councillor McGuigan: The RPPs have been a very useful tool in the delivery of carbon emission reductions and so on. We must try to make sure that the resources that are needed to effect what is highlighted in the RPPs are well understood. We should not pay lip service to something because we like the aspiration if the resources will not be there to make it happen. We have to get into that territory very early for RPP3, which we welcome.

Local authorities have to deliver 50,000 homes and we want to do that; it is desirable. However, resources are scant. Last year in my area we set a horrendous budget—in all my years as a politician, I never thought that I would see one like it. We need the assurances from the RPP that resources can and will be found. I am hammering the point, but it is crucial. We are kidding ourselves if we do not raise the profile of resources.

The Convener: You mentioned the target of 50,000 affordable homes. There is a significant investment of taxpayers' money in funding that ambitious commitment. Are you confident that the new homes that will emerge from that programme will have suitable energy efficiency measures as standard? It is assumed that new social housing

tends to be the most energy efficient in the business. I think that at least 35,000 of the 50,000 affordable homes are earmarked as social housing, and some of the remaining balance might be social housing and some might not be. I apologise for my ignorance, but will the balance of up to 15,000 homes be built to the same energy efficiency standards as the new social housing?

Councillor McGuigan: It would be an absolute disgrace if that were not the case. If a two-tier system were applied, we would fight to ensure that we tackled it.

The Convener: I am not saying that there is a two-tier system; I just do not know.

Councillor McGuigan: No, but you make a good point.

Mike Thornton: The building regulations will apply, whatever the tenure. Therefore, because the houses are new, they will be 45 per cent more carbon efficient than if they had been built in 2007, which is obviously a significant gain. However, most of the houses that we will live in by the time the climate change targets have to be achieved are already built—people are living in them already. Energy efficient new housing stops things getting worse but only retrofitting existing housing can make them better. New housing is a necessary but not sufficient condition of achieving the targets.

As you said, convener, social housing is the most carbon efficient sector by tenure and, therefore, the people who live in it have more efficient energy bills. That is because the Government has regulated for energy efficiency in the sector. I imagine that that is why there is a strong consensus among the witnesses that the regulatory approach should be extended beyond the social sector. Basically, it works.

The Convener: We might come on to explore greater regulation of the private rented sector, the owner-occupied sector or the buy-to-let sector. For the moment, we will stick to how we can maximise the benefit from the 50,000 affordable homes.

Craig McLaren: As we have heard, there are fairly stringent building standards for new housing, which means that there should be a high standard of energy efficiency in the 50,000 affordable homes. However, we do not often take account of the location of those new houses. We need to think about how that can be made to work in a way that minimises the carbon impact. We need to ensure that they are linked to public transport or are extensions of existing settlements and build on the existing infrastructure, which minimises the need for new infrastructure; otherwise, we will need to open up sustainable sites through investing in infrastructure.

There is a need to think about the housing unit, and the RPP does that. However, it does not consider where we put those units or the importance of the contribution of location to sustainable development.

The Convener: Have we come full circle? We mentioned the planning review, which the committee has had an initial look at. Do we have to consider the reform of section 75 agreements, planning gain and the introduction of a levy—I apologise if I use the terminology wrongly—so that the money goes towards infrastructure and other types of sustainable development? Whether we are talking about the affordable housing target or just what happens when a large housing developer picks a field somewhere and seeks planning permission to build 400 units, do the witnesses have any comments about how we could use procurement or the levies that we could introduce in relation to building and sustainability? Is there more that we can do?

Craig McLaren: We have been saying for some time that the section 75 model is in a bit of a crisis because developers are crying foul and saying that it is too expensive for them to deliver the other facilities as well as housing, and it is left to the state to try to pick up the pieces. There is a bigger role for the Scottish Government and local government in addressing the matter. We should use the continental model, which involves providing the infrastructure. We should pick the sites that we think are developable, red carpet the infrastructure into them to derisk them and leave house builders to develop them. They would be serviced sites, in essence. That would be a change in culture and would mean that we would have to do much more up front than we do at the moment. It would also mean more up-front finance at a time when we are not in the best financial position.

11:45

The Convener: Do you mean that in a positive way, to direct the market, and that you would red carpet the sites that you believe will lead to sustainable housing developments, with all the benefits that that would bring for RPP3?

Craig McLaren: Absolutely.

Councillor McGuigan: That is exactly my sentiment. It is well expressed—I cannot add to that.

Chris Wood-Gee: I think that that is coming. Sites that were pre-started happened with industrial development in the past. It would help particularly with things such as the additional infrastructure costs of putting in heat pipe networks for new housing developments. By the time the planning is in, it is almost too late to get

such infrastructure in place. It is a really positive idea.

Elaine Smith: Building regulations have been mentioned. Are they still fit for purpose for all of this? What is the role of building control officers, and do we have enough of them? Are the companies now more self-regulating with regard to building control standards? I am interested in that area and how it fits in.

Mike Thornton: That was mentioned in our written evidence. The building regulations pathway that the Scottish Government adopted has been good. We argue that that trajectory should continue.

Another aspect worthy of the attention of committee members is that, when a house is built to a certain standard, people assume that the standard is met. Although that is a perfectly reasonable policy, it is not necessarily backed up by sufficient testing and monitoring so that we can be sure that the carbon savings that the Scottish Government books against its targets are actually being achieved. That area needs some attention.

The Convener: If there are no further questions on that area, I will mop up something mentioned by Chris Wood-Gee about heat and power initiatives. Committee members visited the Wyndford estate in my constituency to look at the community heating system. Wyndford is a 50 or 60-year-old development that was retrofitted using grants and moneys from power companies and the like. There are 50,000 new affordable homes planned. Is it anticipated that, as 600 units are built in a community, a heat and power system or a new community heating system will just happen from scratch? Has the Scottish Government indicated that when housing associations, for example, go forward for housing association grants, such things are expected to be part of the mix? Perhaps that would require funds from another source, or a cocktail of funding, rather than conventional housing association grant funding. Do you have any comments or information on that?

Fabrice Leveque: Mike Thornton was on a group that the Scottish Government convened to consider the role of regulation to support district heat networks, so this is without prejudice to his comments. The group considered what needs to be done to improve the roll-out of district heat and whether local authorities have the necessary powers, and made several recommendations.

To answer your question, there is a lot more that could be done to give local authorities planning and other powers to require district heat networks in new developments and to obligate people who might have waste heat to contribute to those district heat networks. There is a proposal for a

warm homes bill in this Parliamentary session, which will be a great opportunity to take forward the group's recommendations to increase local authorities' powers.

With regard to the example that you have just given, although new developments are more likely to have district heat networks, my guess is that the new builds that we are talking about probably will not have district heat networks because they take a lot of planning and up-front investment.

The Convener: That would be disappointing, obviously.

Mike Thornton: I should declare an interest: I chaired the Scottish Government special working group on district heating regulation that Fabrice Leveque mentioned.

I return to my earlier comment and to other comments that have been made about the planning system. The answer to your question about the 50,000 new houses is that some of them may be on district heating—that may or may not be planned into those developments. There is no decisive policy structure that will make that happen at the moment, despite the Government's commitment to renewable and low-carbon heat and the fact that district heating is a key route to that.

The working group on regulation had stakeholders from all sides—the private sector, the public sector and so on. The consensus was very much that something more forceful should be done through the planning system and the regulatory system. We accepted that those were harder choices that would require more political capital to implement, but unless those choices are made and a fairly directed regulatory background is put in, we will not see the progress that the Scottish Government wants, which is a step change in district heating.

Some very specific things can be done, and in our view they should be done.

The Convener: I will bring in Silke Isbrand in a second.

The 50,000 is now a Government target with a timescale. You mentioned that to have district heating systems in those developments might cause delays to the process. Governments like to meet targets; they do not like to not meet targets. Every month or every quarter there is a dance about housing new starts and completions and what number suits one political party over another. If we take all that out of it, is there a way around this? Is it more important to maximise the number of homes among the 50,000 that have such things as district heating systems than it is to hit the 50,000 target bang on in the timescale?

Mike Thornton: I would slightly sidestep that question. We have covered the fact that new houses are built to higher regulatory standards, so they use less energy in the first place. The economics of district heating are much more compelling for existing homes. I am not saying that it would not be a good thing if new houses were used as a stimulus to put in district heating networks, but the real challenge is to get existing properties on to district heating networks. For that, we need the sort of regulatory instruments that say, for example, that if you are upgrading a large building's heating system, you must actively consider district heating as an option, and if it is of equivalent cost benefit to other systems you should go down the district heating route. There should perhaps be a requirement that local authority buildings should form the centrepiece of new district heating systems and that local authorities should put them in as part of their normal development cycle.

We need to do that, because if we want district heating systems that can be built on to and which householders in existing homes can connect to, we must have a way to start them off. Sometimes a new build can be that opportunity, but that will not be the universal panacea. We need to consider what can be done for the vast majority of existing homes.

The Convener: That is very helpful. It places the issue in a realistic context.

Silke, I apologise.

Silke Isbrand: Thank you. I wanted to comment not on the new-build affordable housing—local government is obviously pulling out all the stops to deliver towards the 35,000 social housing figure, but Mike Thornton made all those points—but on district heating.

District heating is a key feature of the new Scottish energy efficiency programme—the infrastructure priorities for the next 15 to 20 years, from 2018 onwards. Local government is quite strongly involved in that programme—as Councillor McGuigan said, councils need to be in there early to shape programme design.

At the moment, 11 local authorities throughout Scotland are involved in the SEEP pilots, which have district heating as a key component. In terms of supporting the overall development of the programme from 2018 onwards, we have a local government reference group that brings together all the different departments that would typically be involved: planning, housing, sustainability, finance and so on. That is quite a high-level group that is coming together to feed very strongly into programme design. Again, district heating is a key component of that in terms of its contribution to overall energy efficiency.

Andy Wightman: This follows Mike Thornton's point about powers for local authorities. A lot of innovation is going on in cities across Europe on the move towards a low-carbon society. Do the local authority representatives believe that local government has all the powers that it needs to be innovative, to experiment, to implement schemes and to reduce carbon emissions? Much of the written evidence from the participants here today talks about lack of monitoring and evaluation of RPP1 and RPP2. What would a good system of monitoring and evaluation look like?

The Convener: Councillor McGuigan, what is your view on more powers for local authorities?

Councillor McGuigan: I am a bit repetitive on this subject. One of the big difficulties is not so much about powers but about the resources that would allow us to use sensibly powers that would enable us to hit the targets that we believe are necessary for particular localities that we are dealing with. Having listened to the discussion, I think that we have to be a bit guarded about thinking that we can come up with a template that we could hold up as one that we could apply right across Scotland. We cannot do that, because there has to be flexibility among local authorities and in the whole localism agenda.

Perhaps Silke Isbrand will come in on powers. We have been in negotiation about some powers, but the main tool will come from national Government, local government and others recognising that if we work together and pull together, and utilise resources collaboratively, we can overcome problems. However, we have to ensure that the resources exist that will enable us to do that.

The Convener: Silke Isbrand was name-checked. Do you want to add to what Councillor McGuigan has said?

Silke Isbrand: I fully back what Councillor McGuigan said. It is essential that we can respond to local circumstances within a wider framework of ambitious national targets and that we have a constructive approach and partnership. When individual authorities chase challenge funds and use a lot of resources on doing that, the result is often a very fragmented approach, which is not the most effective use of resources. Given the financial pressures that exist for local government and every other area, the effectiveness of the approach is part of what makes for success.

The Convener: It is helpful that you put that on the record.

Fabrice Leveque: Monitoring and evaluation need to be done regularly—perhaps each year. We have annual climate change targets and a statement is made to Parliament on whether the country has met them, but there is no real deep

dive into how a target has been met and, more specifically, into how all the policies in each sector are doing. We get a headline figure: that has meant, for example, that this year transport has again been highlighted as an area in which not much is being done to meet the target. However, there is no process within Parliament or Government to feed that back in and to ask whether we need to look again at what RPP2 is delivering and at what policies are in place. I therefore think that there should be yearly evaluation and that it should be embedded in Government. The process of parliamentary scrutiny should consider not only the production of the RPP but the annual target.

12:00

Finally, in the context of how evaluation can be embedded in the Government's policy development, the Westminster Government produces a forecast each year of where it thinks emissions are going and how policies are performing. In Scotland we do not have such a forecast, so we have no way of looking ahead, anticipating where emissions are going and considering whether we are on track. Perhaps the Scottish Government can produce its own tracker, so that we can see how we are doing.

Chris Wood-Gee: This point will not answer the whole question. Mandatory reporting in the public sector will start in November. It is built on what we have done with climate change declaration reporting over several years in local authorities, in particular, which is starting to give us a baseline and more robust information. I have been directly involved in trying to pull the figures together, and I can say that there are challenges—including in transport—but things like changing finance codes are helping us to report more effectively and get to the right place.

We are certainly starting to get information on carbon emissions for buildings, waste and so on. A colleague in SSN, from the University of Glasgow, has said that the data set is one of the better ones that have been developed. It is not perfect by any means, but it is a step in the right direction. The challenge will be to pick up on the bigger gap on what is happening in the country more widely. The public sector is starting to get there and is a good example on which to build.

The Convener: I want to give Andy Wightman a chance to come back in, but Graham Simpson may have a supplementary on the issue that we are talking about.

Graham Simpson: I want to move the conversation on to the private sector.

The Convener: That has already come up, so I will bring you in, to be followed by Alexander Stewart.

Graham Simpson: It seems to me that there is a huge issue to do with existing buildings. I am interested in hearing views on how we can improve energy efficiency in homes in the private rented and privately owned sectors.

I had a chat with Fabrice Leveque yesterday, and he told me that in England there is a system in the private rented sector, for which regulations appear to be stricter than they are here. However, the system does not apply in the privately owned sector. The challenge is about how we get into privately owned homes and improve their energy efficiency. As I said to Fabrice yesterday, if someone knocked on my door and told me that I had to spend £100 on something, I would chase them.

The Convener: I will make sure that I do not knock on your door, Mr Simpson.

Graham Simpson: Don't do it.

Fabrice Leveque: I will talk about how we can tackle the existing building stock. I am glad that Graham Simpson recognises that that is probably the biggest challenge that we have in terms of emissions from housing.

We are already tackling energy efficiency, but we need to do more. We have a grants system for people who are fuel poor, whereby the Government subsidises measures for low-income households. For everyone else, we are proposing regulation that says that after a certain date it will not be possible to sell or rent out a property that does not meet the energy performance standard. We propose that the regulation be backed up by loans and incentives in order to encourage householders to make the improvements.

Graham Simpson is right to say that there is a cost associated with upgrades, but let us remember that upgrading reduces energy bills, so people would invest to make themselves better off in the long run. Upgrading makes homes warmer and can add value to properties.

Energy performance certificates are the cornerstone of such a programme. Someone who is renting a home or has bought or sold a home in the past four years will already have an EPC, which tells them what improvements they can make.

We have made a good start in Scotland through the home energy efficiency programmes. As someone said, the Scottish Government is developing the new Scotland's energy efficiency programme, which will start in 2018. If we are to deliver the kind of climate savings that we need, the programme will need to be backed up with

regulation and a proper programme of loans, information and incentives for all householders. If that does not happen, emissions from housing stock will continue to flatline.

Graham Simpson: It is all very well to step in when people put their houses up for sale or rent, but what about people who have lived in a house for a long time and will continue to live there? How can we get to those people?

Fabrice Leveque: There are different ways around that. There have been proposals to have a backstop, whereby all homes have to be brought up to the required level. After the initial regulatory requirement, at a later date any homes that have not been back on the market and improved would need to be improved. That would probably be enforced by local authorities. You have identified one of the programme's smaller problems—there are solutions.

Mike Thornton: The RPP horizon is quite long, as is the climate change targets policy horizon, so the programme would not be about what happens to a home in the next two years. Once the intention to regulate has been announced, the regulatory shadow can influence people: they know that there will eventually be regulation when they sell their home, which gives them a significant number of years to take action at a time that suits them. The point has been made that that action will, ultimately, lead to them and their successors in that house being better off financially. Although there is psychological resistance, the programme is still a good thing for the individual and for the whole of Scottish society.

There is another stark fact. The Existing Homes Alliance Scotland's ambition for the strategic infrastructure priority for energy efficiency is that by 2025 all homes have an energy performance certificate rating of at least C, and various cost estimates are floating about. I would not like to quote those estimates to the nearest £1 billion, but they are in the range of £10 billion, which is a lot of money. The question is how that money will be found, because if we do not reach that ambition, the climate change targets will be missed. It is that stark.

There is a choice: to regulate, which produces investment from home owners and building owners to their own benefit; or to have some form of public sector subsidy, which would be large and difficult to produce in times of financial stringency.

The Convener: I suspect, given the time constraints, that we cannot tease out what regulation would look like. I have written down "compulsion" and "enforcement" as two significant aspects of deciding to regulate, but I will leave that point hanging.

The home energy efficiency programmes were mentioned. I sat on this committee's predecessor committee back in 2007 and we looked at HEEPs. There was a political stushie about the central heating programme for older people. At the time, the debate was about whether pensioners should get free central heating systems or the programme should be targeted at the most fuel-poor people or at the most energy inefficient homes. Through a few reincarnations, that programme became more and more targeted.

Is that where we are with the home energy efficiency programmes now, or was the programme that I mentioned something different? Where is that predecessor and how focused is it? I think that it was called the energy assistance package. Do we need a bit more support for the private sector in tenement properties and hard-to-heat homes, for example?

Mike Thornton: At the moment, there are twins tracks. There is a national programme of highly targeted grants for fuel-poor households, which will get them insulation and efficient heating systems. There are also what jargon people like me refer to as HEEPs ABS—the area-based schemes under the HEEPs that are focused on specific geographical areas. The local authority people are not here now—the schemes are managed and delivered by local authorities and they are really good programmes. I said at the beginning that some really good things have been done in the previous two RPP periods, and those schemes are part of that. Again, however, it is a question of a step up in scale. In policy terms, that is the dilemma that needs to be wrestled with—how to go from some very good programmes at medium scale to the truly large-scale programmes that are needed to get the housing stock up to C rating by 2025.

The Convener: There is a resource question about whether the money will come from the public purse via subsidy or from the private market via compulsion. Let us put that question slightly to one side. Are the available public funds being suitably targeted and focused?

Mike Thornton: In my opinion—it is just an opinion—the answer is yes. Broadly, the policy is that the Government programme gives grants to those who cannot afford to make the change but need to do so in order to take them out of fuel poverty. That is right: the funds should be concentrated on the truly vulnerable, truly needy sector, and that is being done.

However, if we take that view and we know that the climate change targets mean that the able-to-pay sector has to improve as well, we need another policy instrument to get progress in that sector.

Alexander Stewart: I have a question on access to finance. The crux of the matter seems to be the need to ensure that we have enough money and that people can access it. In order to ensure that that happens, maybe we should be tapping into the private sector to complement what the public sector is doing. I would like to hear some views on how we can do that. If we manage to achieve that, the measures will be implemented—along with many more—and that will give us a real chance.

The Convener: Graham Simpson alluded to that when he mentioned up-front costs for households. Does anyone want to comment on financing and how we make this affordable for households? You have all presented the problems; finding solutions is more challenging. Do you have any ideas? I will give Mr Thornton a slight break and take Fabrice Leveque first.

Fabrice Leveque: It is a crucial time because the Government is redeveloping the HEEPS programme, and the RPP comes at a great time to feed into that process.

The Existing Homes Alliance Scotland—I think that Stop Climate Chaos Scotland supports this—believes that we have to provide a financial offering if we are to compel people to improve their homes. There are various ways that we can do that: for example, we can use low-interest Government borrowing and provide low-interest or zero-interest loans. Germany has done that with great success using its development bank, which provides low-interest loans to cover costs. Ways of doing that also include equity release. I can elaborate on that if the committee wishes; there are a variety of solutions on the table. It will be good if Parliament scrutinises delivery on the proposals when more detail emerges from the programme.

Mike Thornton: I do not mean to be talking so much, but I, too, say that there has to be a finance offering. The current financial climate is a brilliant time for the strategic infrastructure priority. That sounds a bit perverse, but because capital costs are so low, investment in energy efficiency is relatively cheap and relatively good. There are certainly options for Government-incentivised loans and so on. I think that we all recognise that there are not going to be grants, and perhaps there should not be grants for the able-to-pay sector.

However, there is a difficulty. I am beginning to sound like a broken record, but if we think about our own experience, we know that one can go and borrow at low rates right now. If people want to put, say, solid wall insulation in their home, they can probably go out and do that. There are no solid-wall-insulation loans, but there are plenty of loans for general purposes, which they can

probably get at a fixed interest rate of 2 or 3 per cent, which will be cost effective for them. In general, however, people do not do that.

A financial offering is important, but if we do not have a lever for making people take it up—which I argue is regulatory shadow or regulation itself—it will not take the sector forward.

12:15

Craig McLaren: I will talk about the infrastructure side. As I mentioned, we think that there is a role for national Government and local government in funding things earlier, and there are examples of places where that has happened. In Dundee, prudential borrowing has been used very cleverly to redevelop the city centre, which is becoming a fantastic place—it is a work in progress, but it is getting there. The council is being creative in using prudential borrowing to invest in the area, and it will get a return on that investment because it owns the land. It is talking to developers and investors about how they will use that land so that it gets a return on it. There is some thinking going into that.

There are also existing resources that we could perhaps use better. We have an infrastructure investment plan, but I worry that it concentrates on trying to get things and people from A to B instead of thinking about how we can use infrastructure creatively to open up development opportunities or to ensure that we meet broader objectives. There is the possibility of linking that into—dare I say it?—the national planning framework to get a longer-term view and some transformational change rather than a short-term view.

A lot of the resource for the development of our infrastructure just now is the city region deals, and I have a slight concern that they tend to be a list of projects that have been around for some time. They have not quite been picked off a shelf, but they have been identified as something for which the additional funding can be used. I would have liked to see the city deals make much more transformational change and more thought to have been given to how those resources are used to initiate and develop that transformational change. There might be a second round of city deals or there might be the opportunity to use the existing city deals to do that.

My last point on resourcing is that we need to remember that, if we use the money cleverly, it can be preventative spend, which is really important in terms of carbon emissions and energy efficiency. If we invest early and make the right decisions early, we will not have to pick up the pieces later on, which can make a major difference.

The Convener: That is helpful. You got my interest when you mentioned city deals and I am tempted to address my personal hobbyhorse. When I was a regional MSP covering Glasgow, the Cathkin bypass was part of the Glasgow city deal although the communities that I represented at that time would rather have had better park-and-ride facilities and public transport infrastructure than more costly tarmac. I leave that issue sitting there, but there is a wider question: is anyone checking the city deals to ensure that they are consistent with our climate change ambitions and targets?

Craig McLaren: I do not know the answer to that.

The Convener: I suspect that they are not.

Ruth Maguire: I am interested in the point about preventative spend. When we are talking about trying to change behaviour and get people to invest, from a local authority or housing association perspective, having energy efficient buildings and homes will keep the stock in better condition and do a bit to prevent fuel poverty. If we are able to transfer that message to private housing—if there could be a bit of carrot as well as stick—that might help to change behaviours around energy efficiency and investment in private properties.

The Convener: That is helpful.

Fabrice Leveque: To my knowledge, there is no process to measure the carbon emissions for the projects that result from the city deals and the infrastructure investment plan. In the past, there has been a focus on road building and high-carbon infrastructure, and there has been no scrutiny of whether the projects have been aligned with what the Climate Change (Scotland) Act 2009 requires. I definitely highlight the need for improvement in that area.

The Convener: I should say that I no longer represent that part of Glasgow—I am now the member for Maryhill and Springburn. However, that project got my interest at the time.

Craig McLaren: You must remember the way in which city deals are structured. Local authorities put forward proposals that are analysed for what gross value added they will bring to the economy, and they will get the money from the Government only once that GVA has been realised.

There are two points there, first about whether that will be realised and secondly, the fact that the measure is GVA and how that ties in with what we are talking about around reducing carbon emissions and climate change.

The Convener: That is helpful. Graham Simpson, you sparked off that line of questioning—do you have any reflections on that?

Elaine Smith: Convener, sorry, could I ask a question first?

The Convener: Oh, sorry, Elaine—yes.

Elaine Smith: I was listening to the conversation about investment and what happens in other countries. Fabrice Leveque mentioned loans, including interest-free loans. How does the Green Investment Bank fit into this? Does anyone know? Does it fit in?

The Convener: No one is desperate to make eye contact with me but Mike Thornton has, so he is going to tell you everything you want to know about it, Elaine.

Mike Thornton: Banking is not exactly my specialist area but in theory the Green Investment Bank could access capital on the capital markets that could then be loaned out on a retail basis to individual householders. That is in essence what happens in Germany.

The KfW Development Bank is owned by the German national Government and the German states. It borrows with what is, in effect, Government backing, so it can borrow incredibly cheaply on the capital markets and then it lends that money on at a very cheap rate to consumer-orientated banks. Those banks then take a small percentage for their administrative costs and lend on at what is still a very cheap rate to individual householders.

It is a programme on a big scale—it aims to do 2 per cent of the German housing stock every year, which is a big number. It lends only for specific increases in energy efficiency. You cannot say, “I fancy having this but I don’t fancy having that”. You have to buy one of a number of packages, get it costed and so on, and then you get a loan.

The difficulty of reproducing that model in the United Kingdom, never mind in Scotland, is that although there might be some semi state-owned banks, there are no state-directed banks.

I do not want to speak for the GIB but, in theory, it could play a similar role. That would be a policy matter for the GIB and the UK Government, perhaps.

Elaine Smith: Could the bank be doing things such as district heating schemes, which were talked about earlier?

Mike Thornton: Yes. Again, I do not want to speak for the GIB but I know that it invests in a number of capital scale projects. I imagine that, amongst those, it has an interest in district heating. It provides investment for things such as biomass plants, aerobic digestion plants, and all sorts of low-carbon capital intensive projects. The bank lends a lot of money so we can all see that there is a potential connection, I just do not know how close that is to being realised.

Elaine Smith: Perhaps the committee could try to find out a bit more about that.

The Convener: That would be a good thing for us to do.

Chris Wood-Gee: I have a quick comment. Within the non-domestic energy efficiency programme that is being supported through the Scottish Government and the Scottish Futures Trust, the Green Investment Bank is certainly one of the suggested mechanisms to fund the works to deliver energy efficiency across public sector buildings. We have not, however, explored that within Dumfries and Galloway Council. We would probably start with prudential borrowing as a means of funding that sort of work in the first instance.

The Convener: I said earlier that Graham Simpson might want to come back in. Graham, do you have any reflections on what you have heard? You kicked off a line of questioning and we have moved on. Is there anything that you want to add? We are almost at the close of the session.

Graham Simpson: We have got to a point, thanks to Elaine Smith's questioning, where we have ended up with the positive idea of going to an organisation that is there now—the Green Investment Bank. We could speak to the bank in relation to housing, which is within this committee's remit, to see whether we can expand on those ideas. I think that that is a great way to end that line of questioning.

The Convener: We are about to end our entire line of questioning in a second. I will give an opportunity for the witnesses to put any reflections or comments on the record before we draw to a close because, despite our attempts not to speak, the MSPs took up a lot of air time so perhaps you did not always get to say precisely what was on your mind or the lines of questioning went off on a tangent from what you were hoping to say.

We will take it in the opposite order to the introductions and we will start with Mr McLaren. Is there anything that you want to add before we close?

Craig McLaren: There is nothing in particular that I would like to add, except perhaps to reinforce and reiterate that there is a role for planning and the planning system in this area that is currently understated. If we thought about how planning could fit in a more corporate, influential and collaborative way with different disciplines, sectors and agencies, we could take a medium-term to longer-term view, and that could have a real impact.

Fabrice Leveque: The session has been really good, and I am glad to see that the committee is getting involved early with the RPP.

The RPP is a huge cross-Government piece of work that affects—as we have heard today—investment opportunities, the economy and health as well as climate and issues such as fuel poverty. Looking back at the old RPP, the scrutiny process happened entirely in committees, so my final thought is to offer a reminder that your committees play a crucial role in ensuring that the RPP delivers what we need it to deliver. You should keep up the good work, and when the RPP is published, I hope to see it as a big part of the committee's work plan.

Mike Thornton: I have made the points that I wanted to make; I thank you for the opportunity to do so.

The Convener: You are welcome.

Chris Wood-Gee: I have a couple of points. First, it is great that we are going to have a climate change plan. If people are involved in the RPP they understand what it is all about, but a climate change plan will be much more accessible in general, so that is really good. It is important to ensure that there are clear targets in the plan when it comes out. As the public sector, we know what our bit of that job is. We should try to go for smarter targets, as some of that is a bit woolly at the moment. That would be useful.

Secondly—and we have touched on this a lot today—I emphasise the need to ensure that climate change is on the wider policy agendas across the board, because it is quite easy to ignore it. At present, we can perhaps get away with ignoring it, but it is important that we deal with that area effectively. It can help us to tackle issues such as fuel savings and look at all sorts of interesting ideas, and it can improve quality of life if we get it right. That is critical.

The Convener: I thank all the witnesses for coming along. I draw attention to the fact that one way of ensuring that RPP3 and climate change do not just get channelled into a one-off evidence session once a year is to provide written evidence regularly on the legislation that goes through this committee. That will give us the opportunity to have different aspects before us and to question ministers and other stakeholders as we look at various pieces of legislation. You should bear that in mind and follow the committee's work—please contact us if you want to add anything else following today's evidence session.

The committee will now move into private session.

12:27

Meeting continued in private until 13:12.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

All documents are available on
the Scottish Parliament website at:

www.parliament.scot

Information on non-endorsed print suppliers
is available here:

www.parliament.scot/documents

For information on the Scottish Parliament contact
Public Information on:

Telephone: 0131 348 5000

Textphone: 0800 092 7100

Email: sp.info@parliament.scot



The Scottish Parliament
Pàrlamaid na h-Alba