



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government, Housing and Planning Committee

Tuesday 21 January 2025

Session 6



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LOCAL GOVERNMENT, HOUSING AND PLANNING COMMITTEE

2nd Meeting 2025, Session 6

CONVENER

*Ariane Burgess (Highlands and Islands) (Green)

DEPUTY CONVENER

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

COMMITTEE MEMBERS

*Meghan Gallacher (Central Scotland) (Con)

*Mark Griffin (Central Scotland) (Lab)

*Fulton MacGregor (Coatbridge and Chryston) (SNP)

*Emma Roddick (Highlands and Islands) (SNP)

*Alexander Stewart (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Alasdair Allan (Acting Minister for Climate Action)

Gareth Fenney (Scottish Government)

Sue Kearns (Scottish Government)

Ellen Leaver (Scottish Government)

Ross Loveridge (Scottish Government)

Neal Rafferty (Scottish Government)

Shona Robison (Cabinet Secretary for Finance and Local Government)

Ian Storrie (Scottish Government)

CLERK TO THE COMMITTEE

Jenny Mouncer

LOCATION

The David Livingstone Room (CR6)

Scottish Parliament

Local Government, Housing and Planning Committee

Tuesday 21 January 2025

[The Convener opened the meeting at 09:02]

Decision on Taking Business in Private

The Convener (Ariane Burgess): Good morning, and welcome to the second meeting in 2025 of the Local Government, Housing and Planning Committee. Mark Griffin and Fulton MacGregor join us remotely. I remind all members and witnesses to ensure that their devices are on silent and that all other notifications are turned off.

The first item on our agenda is a decision on taking business in private. Do members agree to take items 5, 6 and 7 in private?

Members indicated agreement.

Budget Scrutiny 2025-26

09:02

The Convener: The next item on our agenda is an evidence session as part of our scrutiny of the Scottish Government's budget for 2025-26. We have 75 minutes for the discussion, so I would be grateful if we can keep questions and answers as succinct as possible.

We are joined by Shona Robison, the Cabinet Secretary for Finance and Local Government, and her Scottish Government officials, Ellen Leaver, who is the acting director for local government, and Ian Storrie, who is the head of local government finance. I welcome the cabinet secretary and her officials to the meeting and I invite Ms Robison to make a brief opening statement.

The Cabinet Secretary for Finance and Local Government (Shona Robison): Good morning. Thank you for inviting me to give evidence to the committee.

The 2025-26 Scottish budget seeks to improve the lives of the people of Scotland and to deliver on the Government's priorities to eradicate child poverty, grow the economy, tackle the climate emergency and support sustainable high-quality public services. The budget recognises the importance of local government and it provides local authorities with a record funding package of more than £15 billion in 2025-26, which is a £1 billion increase on the budget for 2024-25. Independent analysis by the Scottish Parliament information centre confirms that the 2025-26 local government settlement includes a cash and real-terms increase for both resource and capital.

Through the Verity house agreement, the Scottish Government has renewed its commitment to a relationship with local government that is based on mutual trust and respect, and has agreed to seek new ways of working together to ensure that the people of Scotland receive the public services that they expect and deserve.

As we discussed in the evidence session prior to the budget, the Verity house agreement and the fiscal framework represent a journey, not a destination. We are never going to wake up one day and find that all the challenges have been magically resolved. As with any relationship, it takes time and hard work to make things better. We have invested a lot of time and hard work during the first year of the Verity house agreement and there has been demonstrable positive progress in the implementation of the agreement's principles. That has included joint work on local government pay; enabling councils to double the full rate of council tax on second homes; delivering

a new national allowance for foster and kinship carers; and close engagement around the Circular Economy (Scotland) Act 2024.

The settlement has been informed by extensive engagement with local government, at both an official and a political level. That has allowed for evidence to be jointly developed and an improved joint understanding of the challenges that both spheres of government face. The positive impact of that engagement has been recognised by the Convention of Scottish Local Authorities and acknowledged by the Scottish Parliament information centre in the briefing on local government finance that it published on 20 December. The briefing also emphasised COSLA's positive response to the 2025-26 budget and I welcome COSLA's acknowledgement that the settlement has increased substantially. I remain committed to continuing to make progress against our shared priorities in partnership with local government and to ensuring that we work collectively to deliver sustainable public services across Scotland.

I look forward to engaging with members and to answering any questions that the committee might have.

The Convener: Thank you for your statement. I will begin with a couple of questions on the 2025-26 revenue settlement before I bring in other members. I would be interested to hear your response to COSLA when it says that the settlement

"may not be enough to reverse planned cuts to vital services".

What assessment has the Government made in calculating the cost to councils of providing statutory services and meeting the challenges of inflation?

Shona Robison: As I set out in my opening statement, adjusting for pay and pensions, the budget provides a cash-terms increase in revenue of £599.6 million, which equates to a cash-terms increase of 4.5 per cent and a real-terms increase of 2 per cent. Importantly, it also includes £289 million for local priorities—discretionary spend general revenue grants that are not ring fenced in any way. We have also allocated an additional £108 million of general capital grant, which is a real-terms increase of 14.2 per cent. We have reinstated £31 million that was used for the 2024-25 pay deal, giving a total capital increase of £139 million.

The spending power of local authorities is essentially £707 million higher in 2025-26 than it was in 2024-25. Does that mean that there are no difficult decisions for local government or any other part of the public sector? No, it does not; public sector reform and doing things differently is

as important for local government as it is for any other part of the public sector. However, there is a recognition of the challenges that local government was facing. As confirmed by SPICe, the settlement is fair and should enable local authorities to minimise the impact on local services and minimise any council tax increases. It is probably a fairer settlement than local government anticipated at the start of the process.

The Convener: One of the issues that we are all aware of in relation to that settlement is national insurance funding. Will you update us on the funding that is being provided by the United Kingdom Government to cover the direct and indirect costs to the public sector in Scotland of the increase in employer national insurance contributions? How does the amount of funding compare with the estimated cost?

Shona Robison: First, COSLA's analysis of the estimated cost to local government is £265 million, although I note that the Fraser of Allander Institute said that it was more like £220 million. It depends on what local government has included. Some have included arm's-length organisations and social care commissioned services and so on. We are working with COSLA to get to the fine-tuning of its requirements.

Having said that, we have three pieces of communication to which we have had no response from the Treasury. The most recent was the joint letter from the First Minister and the president of COSLA that was signed by 48 other organisations and made the point that anything short of full funding would not be acceptable. A figure was put into the public domain that had an upper amount of £320 million, which is at least £200 million short of what core public services will require and it does not take into account any commissioned services, general practitioner services or anything like that—it is just core. We have yet to have a confirmed figure from the Treasury, and we have yet to have a reply to our substantive request to the Treasury.

Once there is a final figure, I have said that we will give a fair distribution of that. Clearly, given the figures that I set out at the beginning of this answer compared with what the worst-case scenario might be from the Treasury, local government could not get 100 per cent of its employer national insurance contributions funded, otherwise there would be nothing left for the rest of the public sector. I want to be fair to local government in the distribution.

I should end on an optimistic note. I have not given up on pushing the Treasury for fairer coverage of employer national insurance contributions. We have asked for the full cost to Scotland's public sector to be covered, rather than just a Barnett share, which would not recognise

that we have invested in our public sector and the pay of our public servants over the years. It remains outstanding.

Emma Roddick (Highlands and Islands) (SNP): Given how difficult the increase in employer national insurance contributions is, and given that the UK Government is being asked to fully fund it to make it possible for public services to continue, is it clear to the Scottish Government what the upsides to that policy are?

Shona Robison: Every £1 million of employer national insurance contributions that is not fully funded by the Treasury is £1 million that cannot be used for the delivery of public services or, indeed, to settle pay deals with public servants.

There is also a read-across to council tax. Every £100 million for local government equates to just over 3 per cent in council tax. To be blunt, if there is a £100 million shortfall in employer national insurance contributions for local government, that could equate directly to 3 per cent on council tax bills that we would rather were kept to a minimum.

All those moving parts are impacting on one another. The basic premise, however, is that Scotland and Scotland's public services should not be punished for investing in teachers, nurses and other public sector staff to a level beyond that of a Barnett share. I would have thought that that would be recognised as good investment. However, as I say, there are three outstanding pieces of correspondence with the Treasury, and we are chasing it to get to a final position.

I should have said earlier that I am aware that local government will start to set its budget soon, so time is of the essence. We do not have a lot of time to get an answer from the Treasury—we need an answer now.

09:15

Meghan Gallacher (Central Scotland) (Con): Good morning, cabinet secretary. Pay costs sit at around 60 per cent of local authorities' total spend. If we look at previous years, the cuts that councils have endured mean that they have been unable to provide good public services and they have been worried about maintaining statutory services. There needs to be an overall look at council finances. However, to focus on pay costs specifically, given that councils have previously made representations to the Scottish Government in relation to financial hardship, and given that pay costs are sitting at around 60 per cent of total spend, how confident are you that such representations will not happen again this year?

Shona Robison: Fundamentally, COSLA and local government are the employers and lead any discussions around pay. We have become

involved to support the resolution of some of the pay disputes, because industrial action is also costly. We have therefore tried to support resolution in order to avoid that.

One of the things that COSLA argued for very strongly was for money not to be ring fenced. In this year's settlement, we have therefore minimised ring fencing. Since the Verity house agreement, I think that £1.5 billion of funding has been de-ring fenced, including £500 million for 2025-26.

What we have not done in relation to the £1 billion increase is say, "That is for pay, that is for this" and so on. In essence, it is for local government to decide how it will manage its funding. Within that is, of course, the discretionary funding—the £289 million—and real-terms protection for the revenue grant. Each local authority then has to make a decision about the level of council tax.

I guess that that also brings me back to the point that I made earlier. The pay costs of the public sector are substantial, which requires us collectively, including local government, to look at how we support that going forward. That will mean looking at the size and shape of the public sector and doing things differently. Shared services, for example, are perhaps not as extensive in local government as they could be.

I hasten to add that that is a matter for local government. However, when we are looking at public service reform across other parts of the public sector, such as considering how we can do things differently and how back office functions can be shared, I would hope that local governments are also in the space of looking at some of that, which I think that they are.

Meghan Gallacher: With permission, convener, given that I have a question on ring fencing further down, I will ask it just now.

In previous years, the Scottish Government has intervened when councils were making tough financial decisions; for example, in relation to teacher numbers last year. Can you give a councils a guarantee this morning that the Scottish Government will not say what councils can and cannot cut? Will it be the local authority's decision what to implement in order to create a balanced budget?

Shona Robison: We have managed to secure an agreement with local government to maintain teacher numbers at 2023 levels. That is in recognition of the fact that £145 million was in the system—which has now been uprated to £186 million—to maintain teachers.

I would imagine that everyone on this committee will recognise the value of ensuring that we have

an adequate number of teachers in our schools. There are issues that are current and that are being debated in this Parliament around closing the poverty-related attainment gap and tackling behaviour in our classrooms. It is difficult to see how we would do that with fewer teachers. There is a shared ambition to ensure that we have adequate teaching staff in our schools. In order to stabilise that position, we have an agreement with local government to maintain teacher numbers at 2023 levels.

In addition to that, we have put more money into additional support needs, because we have recognised that, particularly since Covid, there has been an uptick in the number of children with additional support needs.

There is a balance to be struck here. There are Government priorities relating to education and closing the poverty-related attainment gap. Do we maintain some control and influence over how those are delivered, or do we not?

In terms of policy, education policy has been explicitly aimed at closing the poverty-related attainment gap. Teaching staff are not the only workforce in this space and other workforces have a critical impact on it as well, but teachers are at the heart of reducing or closing the poverty-related attainment gap. Therefore, I do not think that it is unreasonable for the Government to say to local government that the funding that we provide for that purpose has to deliver those outcomes, and one outcome has to be that we maintain the teaching staff to deliver that priority.

It is finely balanced. We recognise that local government might have a differing view on these matters, but we have managed to get to a compromise position that recognises the view of local government as well as the policy view of the Scottish Government on an issue that has been debated in the Parliament on a number of occasions.

Meghan Gallacher: Thank you.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. I have a question about council tax, which is everybody's favourite subject at this committee.

You are on record as saying that you do not think that substantial council tax rises are needed. In your opening remarks, you also said that the settlement should minimise any council tax increases that people may face. Is the Government minded to indicate what it considers to be reasonable at the moment?

Shona Robison: When councils set council tax rates, we expect them to give careful consideration to local needs and services, while at the same time being mindful of the impact on

residents and on household budgets, which are still under pressure.

As I said in my earlier answers, for 2025-26 councils will receive over £15 billion through the settlement. I think that that should mean that there is no need for any excessive, inflation-busting increases. What do I mean by that? I am not going to set a figure and say, "This is it, and anything above that is absolutely appalling." I do not think that that would be helpful. I would hope that we will all be in a reasonable space and want to see increases kept to a minimum.

Each local authority will be different. I am aware that some of our smaller authorities might have additional pressures in areas where some of the larger authorities have more resilience. That is why it is important for us to look beyond the budget at the sustainability of some of our local authorities. How can they work together? How can we help them to become more resilient and more sustainable?

We have listened to the desire of local government not to have a freeze or a cap. The other side of that bargain is for them to recognise that, in setting the council tax, they should take account of the needs of local residents. I hope that we can get to somewhere that is a reasonable landing space.

Willie Coffey: Thank you for that. I thought that I would try to get a good answer.

You must be worried about the potential impact of the NI issue. A moment ago, you said that a £100 million shortfall for local government would be equivalent to a 3 per cent rise in council tax. If that ends up being the figure, or if it is double that—as I think COSLA mentioned—that could mean a 3 to 6 per cent rise in council tax. Surely, you would be concerned if that happened.

Shona Robison: I would be very concerned about that, which is why I made the point that getting full funding of the public sector's NI increase in Scotland is very important. Local government makes the same argument. Just because the local government position in Scotland is beyond what the Barnett share for local government would be, there should not be a punishment for local government—or the health service or any other service—because over the years we have invested in our public services beyond what the rest of the UK has invested in its public services. The UK Government made a decision on employer national insurance contributions out of the blue, without any warning, and the onus is on the UK Government to fully recognise the impact on Scotland's public services, including on local government.

When it comes to the final number that we get from the UK, what do we do with it? Whatever that

number is, I have said that I want to be fair to local government. However, being fair to local government does not mean that I can cover 100 per cent of the costs of employer national insurance contributions, because I would have literally nothing left for the rest of the public sector, including the health service, the police and the fire service.

I want to be fair, and I recognise that timing is an issue for local government, given that budget setting will begin soon, so we need to resolve the matter. All that I can say to you and the committee is that we are chasing the Treasury on a daily basis to get an answer.

Willie Coffey: Would continuing to be ignored—you say that you have written three letters with no response—force you to reconsider whether to impose a cap, if local authorities chose to apply a big increase in council tax?

Shona Robison: No, we will not look at any kind of cap. We are working in partnership with local government, which is why the last letter was co-signed by the First Minister and the president of COSLA. We are all on the same page about needing a fair recognition from the UK Government of employer national insurance costs. COSLA absolutely recognises that if that is not forthcoming, the available quantum will have to be distributed fairly. It understands that that does not mean that 100 per cent of its employer national insurance contributions will be covered.

Through the budget statement that I set out—the £15 billion for local government and the record levels of investment in health—we have built some resilience into budgets, but that is an opportunity cost. For every million pounds that has to go on employer national insurance contributions, there is a million pounds that will not go on front-line services or on resolving this year's pay disputes—I am getting ahead of myself; I hope that there will be no disputes—or helping with pay negotiations. Those are opportunity costs but, as I say, the final landing space remains to be seen.

Willie Coffey: You spoke about social care services, and you will be aware of the Feeley review and the Accounts Commission telling us that the demands in that area are pretty severe. If there is any scope, any unallocated resource, would that be among your priorities for additional support, if that were possible?

Shona Robison: I recognise the pressures on social care. It is a whole-system pressure, at the end of the day. I am also aware of the COSLA finance spokesperson's most recent correspondence.

In the draft budget on 4 December, I set out almost £2.2 billion of investment in social care and integration. That exceeds our commitment to

increase funding by 25 per cent over this parliamentary session—it exceeds that commitment by more than £350 million. On social care investment, therefore, we have delivered what we said that we would deliver. That includes £125 million to fund the real living wage uplift for adult social care workers in commissioned services. We have funded that because we recognise that those services are profoundly fragile if they cannot hold on to staff, and the real living wage is therefore important.

09:30

That level of investment does not mean, of course, that there are no pressures. There are still pressures and that is why we are taking a whole-system approach. The First Minister has talked extensively about the interventions to improve the performance of partnerships, because there is variation in that regard that is sometimes quite difficult to explain. With the resources that we have in the system, those partnerships need to be working effectively to reduce delayed discharge and address all the other matters.

There is a worry around employer national insurance contributions for social care commissioned services, as COSLA estimates that the rise will cost around £85 million. We will continue to discuss that with COSLA, because the last thing that we want is for social care commissioned services to cease because of that rise in contributions, as that would impact on the whole system. We are still discussing those matters to ensure that that situation does not come to pass.

Willie Coffey: Thank you, cabinet secretary, for your detailed answers to those questions.

The Convener: Before I bring in Mark Griffin with questions to start on our next theme, which is capital, debt and financial sustainability, I have to ask us all, in the interests of time, to move to more succinct questions and answers.

Mark Griffin joins us online. Mark, come on in.

Mark Griffin (Central Scotland) (Lab): Thank you, convener.

Good morning, cabinet secretary. In this year's financial settlement, there is a real-terms increase of £120 million in capital funding in comparison with last year. How would you respond, therefore, to COSLA, which has said that much of that increase has been committed already, and that it only partly reverses the reduction that was made in capital funding in the current financial year?

Shona Robison: I would say that we have recognised the position of and the importance of capital to local government. The 2025-26 budget sets out more than £7 billion—sorry, I am just

looking at the capital grant figures. *[Interruption.]* I will come to the affordable housing position in a moment.

In my earlier answer, I referred to the general capital grant. We have allocated an additional £108 million of general capital grant, which is a real-terms increase of 14.2 per cent, and we have reinstated the £31 million that was used for the 2024-25 pay deal, giving a total capital increase of £139 million.

I would perhaps push back slightly on some aspects of what COSLA has said. For example, £40 million was allocated from ScotWind for capital funding for local government, which is essentially completely discretionary as long as it is spent in the net zero space. It is new money, but COSLA has perhaps not recognised it as such in the way that I would have liked or expected it to do. There will be very few restrictions on how that £40 million is spent, but it is not regarded as new money in the way that I think that it should have been.

Ellen Leaver has pointed me to the fact that, beyond that, we also have the £768 million for the affordable housing supply programme. That was one of the big asks from COSLA for the housing budget. We also have other investments from which local government will benefit, such as the energy efficiency and clean heat measures.

I know that COSLA has asked for additional capital, but I think that the capital position is fair.

Mark Griffin: I also want to talk about the innovative measures to fund the capital projects that you spoke about. You highlighted the example of the Government working with Edinburgh council to unlock investment in Granton. What specifically is the Government's role in the investment in Granton? What funding streams are being considered, and could other local authorities use similar funding models, particularly in rural areas, where some local authorities struggle because of their size, as you highlighted earlier?

Shona Robison: The agreement with the City of Edinburgh Council for Granton is for outcomes-based funding. The Government will help to unlock funding for site remediation, up-front infrastructure and other enabling works that are required for the development at Granton to proceed. The guarantee is that we will pay the revenue costs of that investment from 2028-29 onwards, on the condition that the development meets pre-agreed outcomes.

The City of Edinburgh Council and the Scottish Futures Trust have been working on the detail of the deal to get it landed. The Granton project is important because phase 1 aims to unlock more than 800 new homes and we know how important they are in the Edinburgh area.

Mark Griffin asked whether that could be done elsewhere, and I think that it could. The Granton project is extensive because of the size of the area that is being developed. There are component parts—a transport element, a housing element and a regeneration element—so there is money coming from different parts of Government. I am happy to follow up with more detail on the various bits of that, if the committee would find it helpful.

In principle, I do not see why we could not come to similar agreements with other local authorities. I have made the offer to COSLA that we could work together on the proposition of what the priorities are and where we need to see growth in affordable housing so that we could bring together a similar deal elsewhere. I do not see why such a funding model could not apply in a rural setting. I also think that there is potential for more than one local authority to come together in partnership to agree a similar deal. It is an innovative way to lever in additional investment beyond the traditional routes, and I am keen to see it being further explored.

Alexander Stewart (Mid Scotland and Fife (Con): How does local government play its role in just transition and net zero, given the conditions of existing infrastructure? We have to manage with ageing schools, libraries, council buildings, leisure centres and road networks. Are councils sufficiently funded to take the action that is required to meet the targets in 2045?

Shona Robison: It is challenging for local government in the same way as it is for the rest of the public sector, because of the enormosity of it. We need to lever in private investment on the back of well-used strategic investment of public finances.

Let me give you one example. Glasgow is quite far advanced on heat networks. Its concept is that it uses public buildings as an anchor to lever in private finance. Through the heat network, those public buildings have a revenue stream, which enables a hub-and-spoke model that brings in other buildings. A heat network could be built up around such a model. That approach is being used in other parts of the UK and in other countries.

We cannot do that through public funding alone. We must lever in private finance, but to incentivise that investment we need to have derisking and clear revenue streams. One of the reasons why I was keen to give local government some of the ScotWind money was to make sure that the benefits of ScotWind reached all communities. It was also so that communities would be able to use that money in an imaginative way to lever in some of their own external funding sources, and to make choices to collaborate with each other and with other public bodies. That funding was very

flexible in order to be able to oil the wheels of investment.

In this space, some local authorities are further ahead of others. It was ever so; 32 local authorities do not all move at the same pace. The cities have an important anchor in the city region. It is more difficult for some of the smaller local authorities to have the capacity and leverage that other, bigger authorities perhaps have, so we will probably see more local authorities working together on a regional basis.

Alexander Stewart: On the financial stability of local government, we have talked in the past about where we are and how confident the Scottish Government is that it has the data that it requires to assess the financial stability of local authorities. We have also talked in the past about the debt and the reserve levels of local authorities.

Given the pessimistic outlook from the Local Government Information Unit's recent survey, which gave us concern, what are the Scottish Government's views on local government when it comes to the debt and reserves that specific councils have and their financial sustainability? It is a major issue for local authorities that what they can deal with depends on what they have in their reserves. Some have large reserves and some have very little, but all councils seem to have debt.

Shona Robison: First, you are right about variation—the 32 local authorities are all very different. Some quite substantial reserves were built up during the Covid period, but much of that is now allocated to specific purposes.

On the issue of debt, local government has borrowing powers—that is actually something that the Scottish Government does not have. Debt is not unusual, but what is important is how that debt is managed and its sustainability. For example, to compare the position of Scottish local authorities with that of local authorities in England, and considering the powers around general competence—it would not be described as that in an English setting—the level of risk in, and the appropriateness of, the decisions that got some English local authorities into difficulty would raise some eyebrows.

Here in Scotland, local authorities do not have the same ability to make those poor investment decisions and they are therefore not carrying the same level of risk that has led to some of the local authority bankruptcies in England. Local government in Scotland is very keen to have a wide array of powers, such as the power of general competence. I am sympathetic to that, but that needs to be done in a context of sustainability, financial prudence and, as Alexander Stewart pointed out, ensuring that debt levels are in a manageable space. Audit Scotland and the

Accounts Commission have important roles here and they have detailed oversight of each local authority, as well as of the collective position. We proceed with caution around the expansion of powers, ensuring that any powers are used within the framework of responsibility that local government would want to operate within.

09:45

The Convener: We will move to a new area—public service reform and the Verity house agreement. We have a number of questions. I start by bringing in Fulton MacGregor, who joins us online.

Fulton MacGregor (Coatbridge and Chryston) (SNP): Good morning, cabinet secretary and officials, and thank you very much for your evidence so far.

As the convener said, we have a couple of questions on public service reform in the context of the Verity house agreement. First, given the demand pressures on council services, which we have talked about and you have acknowledged, how can the intervention and prevention agenda be further advanced within existing resources?

Shona Robison: The approach of prevention and getting far more upstream in our public services is as applicable to local government as it is to any other services. Some local authorities are further along the road than others. In its children's social work services, through better intervention with families and working in a different way, Glasgow City Council has reduced the number of children who are going into care by 50 per cent. If I was in charge of a social work department in any of the other 31 local authorities, I would be beating a path to Glasgow's door to see how the city council has done that.

I saw for myself what the council has done. It involves a very different relationship between social work and the families, which has transformed the way that interventions happen in a very positive space. That has kept families together and supported them, and has avoided children going into care. We know that children remaining with their families—where it is safe for them to do so—is a better outcome.

We are working with local authorities in the fairer futures partnerships in Clackmannanshire, Dundee and Glasgow, where families are getting the help that they need where and when they need it. That is helping to maximise support, to get further upstream and to achieve prevention. We are now expanding that into Aberdeen, East Ayrshire, Inverclyde, North Ayrshire and Perth and Kinross councils. It is a matter of getting upstream and avoiding crisis.

There is a lot of other work going on that I am keen to support and to work on with local government. The single Scottish estate, where services can be shared within the public sector, should apply and must apply to local government, too. Instead of investing in a whole new building or utilising the buildings that we have, many of which are underoccupied, we need to get far smarter at sharing the estate and sharing services.

We have invested in the Oracle cloud system, which provides human resources, financing and purchasing capabilities. There are local authorities that are interested in that system, and I do not see why we should not have more and more onboarding of the public sector, so that we can have shared services and back-office functions.

On procurement, there is much more that we can do, through national collaborative procurement, to help bodies, including local government, to get better value for money in their procurement.

Those are just a few things. There are many other areas of reform happening, but I thought that those were probably the best ones to highlight.

Fulton MacGregor: I appreciate the comments that you made about Glasgow social work, which I think are very relevant.

You talked about buildings and so on being an area in which resources could be better used. Do you have any thoughts on the community asset transfers that councils have powers to use? Could they be better and more quickly used, and could more community asset transfers be done?

Shona Robison: I am a big fan of community asset transfers when they are done well. They are not about offloading surplus buildings to unwilling communities, but about partnership when communities want to take on assets that are underused or are surplus to requirements. When facilities are taken over by communities, something that is hard to explain sometimes happens: facilities suddenly blossom and take on a new lease of life because they are run in a different way, and communities, through their connections, manage to bring people in and breathe new life into facilities. I have seen that happen many times.

That does not mean that community asset transfers are appropriate in every case, but the Government, local authorities and—for that matter—other public bodies should be very open to the idea when there are community interest, demand and willingness. That should certainly be supported.

Fulton MacGregor: You will be aware that the committee asked for specific measures in the budget to support sector-led transformation in

local government. Will you provide an update on what is in the budget that will support public service reform in councils? I appreciate that you touched on that in your opening statement and in previous answers, but I give you the opportunity to elaborate.

Shona Robison: It is for local government to decide how it utilises its resources, but the Convention of Scottish Local Authorities is very much in agreement with us on the need for reform. I encourage local authorities to look across boundaries at providing shared services. There are some good examples of that, but we are scratching the surface of what could be delivered through shared services across local authorities. Quite a lot is happening in planning in that regard, because of the difficulty in attracting planning resource in some local authorities, but far more could be done to share services.

You will be aware that we have established an invest to save fund and have provided up to £30 million for it. I have not said that local government's share of the fund is £X, but I encourage local government to make proposals. We want proposals that will maximise the return on investment and that represent fundamental game-changing reforms that will make a difference to the way in which local services are provided. Financial sustainability is an element of that, because we need to ensure that services can be sustained.

We are very supportive of the single island authority model, the most advanced work on which has been done by the Western Isles. The model is based on a simple concept. If relatively small communities are trying to attract people to work in local government and the national health service and are, as is the case, quite often competing for the same people in management and front-line staff, a single island authority model makes perfect sense. The governance issues—which are not insubstantial, particularly given that the governance arrangements for the health service are different from those for local authorities—are being worked through. That shows ambition of thought, which is why we are keen to support such work. Thinking outside the box merits our support.

Fulton MacGregor: My final question is about multiyear funding settlements. Are you confident that the Scottish Government will be able to provide, from 2025, multiyear funding settlements, which would assist councils in planning for the medium term?

Shona Robison: I am very keen to move into a multiyear funding space. First, however, we need to see the outcome of the UK Government spending review. We are expecting the resource and capital spending review around June: I need to see the envelopes that the Scottish Government

is likely to receive in order then to be able to make multiyear commitments to local government. I am really keen to do so, because—to go back to the point about reform and sustainability—it is much easier to make the changes that need to be made if we have a line of sight of more than one year of budget, which would mean that we could plan changes over what would, in this case, be a three-year cycle with a review every two years. That is one of the better announcements that the Chancellor of the Exchequer has made.

I am keen to move into that space with the third sector, too, but I need assurance from the spending review outcome with regard to knowing what the broad envelopes are likely to be. Given some of the uncertainty—as I might describe it—around some of the chancellor’s plans, I want to ensure that we have certainty before we make that commitment.

The Convener: To continue on the same theme, I bring in Emma Roddick.

Emma Roddick: I recognise the approval of the Visitor Levy (Scotland) Act 2024, but would you consider giving local government the power to introduce other local taxes, if that would make sense, in order to give them some flexibility?

Shona Robison: In principle, I am very keen to look at making sure that local government has the maximum number of levers available to it, although that would have to be within the context of financial sustainability and affordability. That does not necessarily mean that local authorities would all use those powers. The visitor levy is a good example of where local government has the option; it does not have to use the levy, but can choose whether to do so.

We are consulting on the potential for a cruise ship levy, and our “Programme for Government 2024-25: Serving Scotland” document makes it clear that we are going to

“Intensify work on designing a cruise ship levy”.

Again, that will not be for every local authority—it will be of interest to some more than it is to others.

Our “Scotland’s Tax Strategy: Building on our Tax Principles” document commits us to establishing

“criteria that should be considered when determining the level of government at which a tax could be delivered”.

That will allow us to consider proposals for taxation in a consistent way.

The joint working group on sources of local government funding and council tax reform is continuing to meet—in fact, we will meet next week. We are looking at proposals for the future of local taxation, because I think that there is a desire for a fairer system in that regard, but trying to build

political consensus around that is important. It will not get past first base in a new session of Parliament if it does not have a degree of parliamentary consensus.

I mentioned earlier that we will consult on the general power of competence. Again, that has to be delivered in a way that has substance and meaning for local government, rather than simply being something theoretical that might not be used.

Local government has been keen to pursue a number of areas, including a levy on second homes, for example, which we have delivered within the confines of what we are able to do through secondary legislation. Going further than we have already done on that would require primary legislation.

Emma Roddick: Second homes and cruise ships have a huge impact on councils in the Highlands and Islands, and motorhomes are also near the top of the list of issues for those councils and have a negative impact. Is the Scottish Government still open to considering how a motorhome levy could be introduced?

10:00

Shona Robison: Although we remain open to the idea of a motorhome levy, discussions with councils and land management organisations have highlighted some quite significant issues relating to how it would operate in practice. We would not want to have to build a costly and difficult administrative system. We will consider any developed proposals that work well to support the visitor economy. We recognise the impact of motorhomes on communities and some local authorities, and that some local authorities will want to receive support to manage it. We are open to the concept, but discussions are at an early stage.

The Convener: I have a question about the fiscal framework. In your letter to the committee on 4 December, you stated that

“it may be unhelpful to consider a final version of the Framework to be a desirable objective”.

However, the Verity house agreement stated that a fiscal framework would be concluded by September 2023. You told us on 8 October last year that it was “at an advanced stage”. What has changed since 8 October, and why has it been such a lengthy process?

Shona Robison: First, my intention is to publish the fiscal framework alongside the local government settlement next month, if we can reach agreement on it with COSLA. My officials will know more about this, because they have been working on it in great detail, but one of the

issues is about the rules-based framework. Although it seems to be quite straightforward, once you start to explore the pros and cons it becomes anything but. Local government has looked at the pros and cons and is mindful of them. One of the issues with a rules-based framework is whether, if there were to be in-year shifts, that would be it. You cannot have it both ways: you cannot have a rule, then have different set of rules after in-year changes are made. There are a lot of pros and cons. Ian Storrie or Ellen Leaver might want to come in on that.

Ian Storrie (Scottish Government): I am always happy to come in on the fiscal framework, cabinet secretary.

My key observation is that everything that the cabinet secretary has set out about engagement reflects the fiscal framework in action: it is not just a piece of paper. Similar to the Verity house agreement, it is about the relationship and the investment in time. Previously, budget engagement used to happen quite late in the fiscal cycle, but it now starts in April and May and carries on throughout the year.

I will reflect on a few of the issues that have been raised in the discussion. Mr Stewart mentioned the just transition and climate change, which we would be looking to build into the budget engagement process to try to understand their implications and to develop shared evidence on them. Mr Griffin mentioned the Granton project and other fiscal flexibilities.

We are looking to do that kind of work through the fiscal framework, which has been exemplified in the decisions that were set out in this year's budget. Putting the fiscal framework on a piece of paper should not really change the relationship. As the cabinet secretary said, we are hoping to codify it towards the end of next month, alongside the local government settlement.

The rules-based framework is a nice academic exercise, as the cabinet secretary said, but it is hugely complicated. Approximately 20 per cent of the discussion in the meeting has been about employer national insurance contributions. If a rules-based framework had been operating this year and the rule had been set on 4 December when the budget was fixed, we would not have known the answer to that challenge— notwithstanding the uncertainty about the quantum and the decision making. It is not likely that we will know the answer to that challenge until the UK Government publishes its main estimates. How would we accommodate that in a rule? It is incredibly complicated: we could end up revisiting a rule every couple of months, which would undermine the principle of simplicity and usability.

The other factor that we have experienced this year—we have been running this in our heads, in relation to a rules-based framework—is the timetable for setting the Scottish Fiscal Commission forecasts. There is an agreement with the Scottish Fiscal Commission about the four phases of tax setting. Ministers do not really know their ultimate budget until a week or two before the budget. Again, how are ministers meant to plan for that certainty, and how would we apply the rule when we do not know the quantum that is available until days before the final decision?

Some of the complexities have been established jointly with local government, although we might have slightly different perspectives on deliverability. Those discussions are on-going, but they do not really contribute to the fiscal framework. The fiscal framework is very much about the relationship. If you look at the Verity house agreement, you will see that the fiscal framework was about meaningful early budget engagement, simplification and consolidation. Earlier, the cabinet secretary mentioned the £1.5 billion that has been baselined since the Verity house agreement was signed.

The framework was also about multiyear certainty. We have touched today on the fact that that relies on the UK budget. The rules-based framework does not deliver on any of the original principles. Therefore, we think that the fiscal framework can stand in isolation. I hope that we have evidenced that this year, and I think that that is reflected in the pleasant comments in the Scottish Parliament information centre briefing around the change in tone in COSLA's response to the budget. I think that there are enough demonstrations of the fiscal framework in action for us to get it published next month.

The Convener: It strikes me that the idea of a rules-based framework is, as you said, about striving for simplicity, but that what we really need is perhaps what you have been doing, which is about on-going relationships and discussion over the long term, which is actually more effective. It sounds as though there are potentially so many changes, shifts and fluctuations that being engaged and having a relationship with COSLA will be the best thing.

Shona Robison: Yes. Ian Storrie articulated that very well. It is about the way that we are doing business already. It is about the relationship rather than a thing. I have seen many COSLA responses to budgets over the years, and, although this response is not without challenge to us, it is probably one of the most constructive responses. It recognises what we have delivered in the budget while setting out some additional asks. That is, perhaps, a reflection of the earlier and more

meaningful budget engagement, which is part of the framework.

The Convener: While we are talking about frameworks, could we have an update on the monitoring and accountability framework?

Ellen Leaver (Scottish Government): I am happy to do that. The monitoring and accountability work continues. We worked jointly throughout 2024, and we had some good and constructive workshops with a number of officials across local government and the Scottish Government. There was a short pause in the work in the autumn last year, as we focused our attention on the pre-budget stages. From a resourcing perspective, we had to focus our time on that.

However, we are now moving into the next phase to complete that work and we hope, in the spring, to bring forward to ministers and leaders a prototype that can be agreed then stood up in transparent published form. It will be an iterative process as we learn from the better understanding that the monitoring and accountability framework creates.

The Convener: That sounds great. Again, at the moment, it is difficult to understand what is going to be happening—it is difficult to conceive of those eventualities abstractly.

Alexander Stewart has a very important question.

Alexander Stewart: Cabinet secretary, we are aware of the Scottish local authorities remuneration committee's recommendations, and there have been some discussions and updates. The last time that the committee was given an indication of the situation it was told that the Scottish Government had accepted the pay and boundary changes and that it was planning to lay regulations early this year to bring those changes into effect. It would be useful to have an update to confirm the position on that and the timing.

Shona Robison: First of all, as I said when I last spoke to the committee, the SLARC recommendations were important, although I recognise that when it comes to encouraging people into local government they are one part of the picture and not the whole picture.

The uplift in the general revenue grant for 2025-26 will ensure that implementing the recommendations is affordable within the local government settlement. Ring fencing the funding would have sat at odds with the premise that COSLA and local government do not want ring fencing: they are very much against ring fencing. That is why it is within the settlement.

Regulations will be laid shortly—later this week, on 23 January—that will implement the changes

related to pay and banding that were recommended by SLARC. The changes will take effect from 1 April. Other recommendations relate to expenses and the introduction of severance payments. Those recommendations sit better with local government, but my officials are engaging with COSLA on them, because there are questions about how they would be implemented in a fair way. There are differing views within local government on that, so we need to work through it.

The first set of regulations will be laid this week, and we will make further regulations to implement any agreed changes as and when they are required—but not before the next planned local government elections.

The Convener: Thank you for bringing us some good news. I will bring in Meghan Gallacher again, with questions about housing.

Meghan Gallacher: In last year's budget, a fund was made available to support individuals to leave abusive relationships. That was rolled out in five council areas: Glasgow, South Lanarkshire, North Lanarkshire, Edinburgh and Fife. I did not hear anything about an extension, or indeed, a full roll-out of that pilot in this year's budget. Given the importance of the topic, could you give us an update on that?

Shona Robison: It is a very important topic, and I am keen to support it. I will come back to the committee with details, because I want to make sure that I give you accurate information, which I do not have in front of me.

Meghan Gallacher: That would be helpful. My final question relates to the financial memorandum of the Housing (Scotland) Bill. Given the commentary on and concerns raised around the financial memorandum, particularly in relation to homelessness prevention, are you confident that the money that has been earmarked for that roll-out, which is just under £8 million, will be sufficient to install the prevention element if the bill passes, or might that number need to be revised?

Shona Robison: I certainly hope that that amount of money will be sufficient, given that it builds on other investments that have been made in the area. We will keep it under review with local government to make sure that any issues that emerge around the funding are picked up very quickly. I do not foresee any particular issues.

Meghan Gallacher: It is an important point, cabinet secretary, given the financial pressures that local government is facing, but I appreciate your response.

The Convener: That concludes our questions. I thank everyone for managing time very well. I also thank the cabinet secretary and her officials for the

evidence this morning. It has been very helpful to get that detail and those updates. I will now briefly suspend business to allow for a changeover of witnesses.

10:13

Meeting suspended.

10:18

On resuming—

Retrofitting of Housing for Net Zero

The Convener: The next item on our agenda is an evidence-taking session as part of our inquiry into retrofitting of housing for net zero. As I mentioned, we have 75 minutes for this discussion, so I would be grateful if we could keep questions and answers as succinct as possible.

We are joined by Dr Alasdair Allan MSP, Acting Minister for Climate Action, and Scottish Government officials: Gareth Fenney, who is head of heat networks and investment; Sue Kearns, who is deputy director for heat in buildings policy and regulation; Ross Loveridge, who is head of heat in buildings assessment; and Neal Rafferty, who is head of the heat strategy and consumer policy unit. I welcome you all to the meeting.

I begin by inviting the acting minister to make a brief opening statement.

The Acting Minister for Climate Action (Alasdair Allan): I thank the committee for the invitation. In advance of the meeting, I sent you a letter setting out our recent progress on heat in buildings, and I hope that it has been useful.

Last year, we consulted on proposals for a heat in buildings bill and, as I set out in my letter, we are still considering the responses to our consultation. The proposals would directly affect the lives of many people across Scotland, and we must take the time that is necessary to consider all the issues that have been raised.

That is especially important because, although heat and energy efficiency are, as you know, devolved, progress on making clean heating systems more affordable, and actions in that respect, are reserved to the United Kingdom Government. We need more certainty from the UK Government about its plans to prohibit polluting heating systems, the potential role of hydrogen in providing heat, and proposals to make clean heating systems more affordable by, for example, rebalancing gas and electricity prices.

Our thinking on the bill means that we are also still considering how to take forward related proposals for a new social housing net zero standard. We plan to reconvene our stakeholder review group as soon as is practicable before publishing our response.

I will turn briefly to reform of energy performance certificates—or EPCs. The Climate Change Committee has rightly said that the information in those certificates must be reformed, and that reform will be a critical step in the

decarbonisation of our buildings. I am therefore pleased to confirm that the Scottish Government has today published its response to the EPC reform consultation and will, during 2025, lay before Parliament new EPC regulations introducing a new rating system that will come into force in 2026.

The system will ensure better information for consumers on how well a property retains heat and on the emissions and efficiency of its heating system, as well as redesignated and more accessible certificates. Consumers need to be able to trust the EPC assessment process, so the new regulations will be accompanied by tighter governance requirements to improve quality assurance.

EPCs operate across the United Kingdom internal market, so we will continue to work with the UK Government and other devolved Administrations on building new shared technical infrastructure. We will consult further on necessary adjustments to EPC lodgement fees to cover the costs of those changes before laying the revised regulations. I appreciate that EPC reform is technically complex, and I am therefore happy for officials to meet committee members to provide them with an informal factual briefing following the publication of our response.

Our delivery schemes continue to provide funding through grants and loans to homes and businesses for the installation of energy efficiency measures and clean heating systems. The schemes include targeted support for those in or at risk of fuel poverty. So far in the current parliamentary session, excluding 2025-26, we have allocated £1.3 billion of funding through our heat in buildings schemes, and I am delighted that our 2025-26 budget commitment is to invest an additional £300 million in our heat in buildings programmes. That will support more than 20,000 households to save up to £500 on their energy bills each year, helping to make their homes warmer and more comfortable.

I hope that those remarks provide helpful context for members, and I am happy to respond to questions.

The Convener: Thanks very much for that. Your news about the new EPC rating is very welcome; indeed, I remember its being an issue when I was first elected. At that time, I attended a talk about how that was in the works, so it is good that it is coming forward now.

I will start with a general question, and then we will move on to a number of other themes. The publication "Heat in Buildings: Progress Report 2024" noted that emissions from buildings in 2022 were more than had been planned. What is your

understanding of why that was the case? What are you doing to close the gap?

Alasdair Allan: We are taking a great number of combined measures to try to bring down emissions from buildings. We are conscious that, as a country, 20 per cent of our carbon emissions come from our buildings, and we will have to address that fact if we are to reach the ambitious targets that we all have for 2045.

There are individual schemes, which I am sure the committee will want to ask about. For instance, there is our heat in buildings programme and our budget for that, and we also have the area-based schemes for improving the energy efficiency of people's houses and, we hope, reducing emissions. We must do all that work hand in hand with an effort to ensure that anything that we do in that sphere does not have the unintended consequence of putting people into poverty.

Those are a few of the things that we are doing. Perhaps the officials might want to add something to that list.

The Convener: My question was more about the fact that the emissions from buildings in 2022 were more than what was planned. Do you have a sense of why that was? It would be interesting to understand the issues in that respect. I know that you have programmes and schemes that can potentially close that gap, but do you understand why that did not happen for the emissions in 2022?

Alasdair Allan: We are confident that we can meet the targets that we have set ourselves in the long term, but there is no doubt that challenges exist in the here and now, and I have mentioned some of the measures that we are taking to address them.

I will bring in officials to talk about this year's figures.

Gareth Fenney (Scottish Government): One of the challenges of taking a year-to-year approach to the emissions reduction targets for, and the emissions that we see from, housing and the building stock more generally is that emissions respond to weather patterns. I do not quite recall whether the winter in 2022 was colder than the previous year, but weather often drives a pattern of fluctuation in the emissions. I would need to go away and consider that point to understand what happened.

As the minister has said, a lot of good work is taking place to make up some of the shortfall. The deployment of renewable heating systems is rising year on year; about 1,500 heat pumps were going in per annum in 2013, and we are now in excess of about 6,000 per annum. We are seeing growth

and it is starting to scale up, but we need to start to build on that.

We are starting to see a change in public engagement with and public attitudes to the matter. Over the past two years, quite a lot of discourse has played out in the press and the media around heating technologies. An interesting shift is taking place with regard to the appetite for, and the interest in, the technology, with positive movement in that direction. The year-on-year fluctuation is, in part, driven by changes in seasonal patterns and the weather.

Alasdair Allan: On the point about the weather, I am—as are, I am sure, other members who represent the west coast of Scotland—very conscious of the fact that wind chill, as well as degrees below zero, are factors, and they have sometimes been overlooked in, for instance, the UK benefits system.

The Convener: Thanks for that. What work in the building sector could help to compensate for missing the targets in 2022?

Alasdair Allan: I point to the fact that we are now in a position where new builds will not have gas or oil boilers in them—indeed, we are ahead of the rest of the UK on that point; that we have, as I have said, intervened in area-based schemes and elsewhere in order to reduce acute situations and, in addition, fuel poverty; and that we are producing an EPC system that, for the first time, will give people a clear idea not only of the cost of heating their house but of the environmental impact thereof. Those are good places to start, and they are good ways of engaging the public, too. As I, and many others, have said, no Government can do that work on its own. After all, we are looking at transforming the way in which we heat our houses in Scotland.

The Convener: Yes, we do need to bring everybody along with us. I think that some questions on that issue are coming up.

In your letter, you state that the timing of the introduction of the heat in buildings bill and its nature are still under consideration. Are the timescales proposed in the consultation still realistic, given current progress on the legislation? How does that provide clarity and certainty for industry and others to move forward with delivery?

Alasdair Allan: I appreciate your point about the need for certainty among industry and consumers. One of the significant things about the bill is the scale and complexity of the response to it. We have had 1,600 responses to the consultation, and they raise many complex themes. Indeed, I have already mentioned one, which is the need to ensure that everything that we do avoids putting people into poverty.

We need a diverse and flexible approach that takes into account the diverse building types across Scotland, which you will be aware of. That approach needs to engage, too, with the reality that many of the really big decisions to be made are still awaited from Westminster; one relates to the relative price of gas and electricity, which is central to the issue. That does not mean that we will not look carefully through the responses and work, as we are doing, on our next steps, but those are all relevant factors.

10:30

The Convener: Thank you very much for that.

You mentioned the UK Government's letter to the committee in your opening statement. If you could provide more detail, I would be interested in understanding what decisions you need the UK Government to make in order to progress your legislative plans. What indication has the UK Government given of the planned timing of those decisions, and how dependent on that are your plans for introducing the bill?

Alasdair Allan: I should be clear that, although we are awaiting important information from the UK Government, which we are having good conversations with, I am not suggesting that the timing of our decisions about the bill is based on any of that information.

UK Government decisions are nonetheless relevant. As you are aware, there is an on-going conversation about electricity pricing, the relative price of electricity and gas, the review of electricity market arrangements and the reform of many parts of the network. The decisions that the UK Government takes will clearly interact with our own legislation.

I will bring in others to talk about some of the conversations that we are having.

Sue Kearns (Scottish Government): The UK Government obviously holds more powers than we do, notably around the rebalancing of electricity and gas prices. Decisions in that area are key for heat decarbonisation.

Obviously, there is a lot of stuff that we are doing, or thinking of doing, on the regulatory side. As an ex-colleague once said, those are the sticks; the UK Government holds a lot of the carrots when it comes to encouraging people to change their heating.

Rebalancing gas and electricity prices is a key issue. There is research that shows that electricity is four times the price of gas per unit, but if you can get that down to even about 3.6 times the price, it will make electrical heating cheaper to run. That is not much of a decrease, but it could make

a big difference. Those kinds of things sit with the UK Government.

We need to understand what the UK Government is doing about hydrogen for heating, which might be feasible in niche situations in Scotland. We are also looking at what they are going to do around the phasing out of gas boilers. The previous UK Government had a plan for there to be no more sales of gas boilers after 2035. As far as we can see, the current Government is making noises that suggest that that is no longer the case. Given that the UK Government has its own net zero targets, which are for the UK overall, what are its plans for making the change from gas heating?

Those are really significant things that make up the wider context around heat decarbonisation. We really need to know the answers to those questions. We are engaging with the UK Government quite positively at the moment.

Alasdair Allan: One of the things that I often find myself talking to my UK counterparts about in constructive terms is Scotland's urban landscape and our distinctive tenement landscape. I often find myself visiting colleges, where people who are training to become heating engineers point out to me all the different options that they feel they might have in Scotland's tenements if the price of electricity were rebalanced with the price of gas. That has a practical impact on our urban landscape.

Neal Rafferty (Scottish Government): I echo the point that Sue Kearns made about the importance of UK Government decisions, and a potential consultation on the relative prices of electricity and gas, in the context of the bill and the timing of its introduction. Our assessment of the cost of the various measures that the bill might contain will be hugely dependent on decisions and progress in such areas. That is one of the reasons why we are assessing things as carefully as we are.

The Convener: Thank you. Meghan Gallacher has a question in this area.

Meghan Gallacher: Good morning, minister. Can you give us a general comment on the reaction to the consultation on the heat in buildings bill, and on the work that has been undertaken to develop the proposals before the bill comes to the Parliament?

Alasdair Allan: I would not like to pre-empt a Government response, although I appreciate the point that you are making. Just now, a lot of work is going on at official level to analyse the 1,600 responses to the consultation.

This is not to pre-empt anything that the Government will say, but some of the things that

are foremost in our minds are about responding to the diverse types of housing that exist and the need to ensure that everything that we do is poverty-proofed, to make sure that it addresses fuel poverty, rather than by any inadvertent means exacerbating it. As you are aware, 31 per cent of people in Scotland are assessed as being in fuel poverty and 18 per cent are in severe fuel poverty, and those numbers are much higher in rural areas. Those issues are at the forefront of our minds.

We have had good quality responses to the consultation. I have mentioned the need for conversations with the UK Government on some issues. Without pre-empting what the Government will say in its response, I hope that that gives a flavour of the things that are important to us.

Meghan Gallacher: Thank you very much for that. Were there any areas of contention to note in the responses?

Alasdair Allan: I will refer you to the people who are ploughing their way through the consultation responses as we speak. A lot of the people who have been in touch are keen to ensure that what we do has flexibility and takes account of fuel poverty. I will bring in others to talk about some examples of the issues that have been brought to our attention.

Sue Kearns: All the responses have been published online, so you can look at them, and an analysis of the responses will be coming. To sum it up in one line, the reaction to the consultation was positive overall, but the devil is in the detail. Some of the details that the devil is in are about the need for financial support through grants and subsidies; the expense of changes that could be made; fuel poverty issues—as the minister has already said—such as the risk of an increase in fuel poverty if we get the proposals wrong; and the feasibility and practicality of making the changes, because of the diverse stock. Those are all the kinds of things that we have mentioned already. There is also the issue of looking at exemptions and flexibility in what we do, so that it is not a one-size-fits-all solution.

Meghan Gallacher: It is interesting that private landlords were not mentioned in that mix. As things stand, the targets for EPC C have been set to 2028, and roughly 50 per cent of private lets have not yet achieved EPC targets.

Minister, I appreciate what you said in your opening statement about looking at EPCs and a new system that would likely come in from 2026, all being well and being approved. However, what will happen to the 50 per cent of landlords who have already invested to get their lets to EPC C standard? Will there be a new target for landlords who have not yet managed to reach that target?

Alasdair Allan: You make a lot of important points.

Many of the responses to the consultation have come from private landlords. As a Government, we acknowledge the importance of that sector, and you are right to point to the fact that work would need to be done in that sector, as well as others, in the future.

It is important to say that the revised EPCs do not of themselves mandate that people do things—making it possible or impossible to sell properties. It is important for the private rented sector that we get EPCs right, from the point of view of both the landlord and the tenant. One of the reasons why we are proposing to move from a 10-year EPC to a five-year EPC is to introduce a bit of equality for people in that sector, so that the consumer has more up-to-date information. We are also keen to ensure that there is a conversation with the private rented sector in the context of another bill, for which I am not directly responsible, about investment in housing.

The EPC issue highlights the fact that 50 per cent of the private rented sector will need to improve in the future if the targets that we have set on energy efficiency are to be met, whereas 65 per cent of the social rented sector already meets those targets.

Meghan Gallacher: I am a bit concerned about what the Government is saying. Through the Housing (Scotland) Bill, rents will be capped and, through the proposed heat in buildings bill, private landlords will have to fork out even more money to meet the required energy standards. In effect, we are either forcing smaller landlords out of the market completely or trying to bankrupt them as a result of the amount of money that they will have to pay in order to make their homes energy efficient. As it stands, meeting the EPC target, particularly for rural housing, is incredibly difficult.

What is the overall strategy? We are in a housing emergency. What will happen to the housing stock of private landlords if we keep introducing such measures, putting more pressure on them and forcing them out of the market completely?

Alasdair Allan: As I said, I cannot answer direct questions about the Housing (Scotland) Bill—you would need to ask another minister to answer them—but you have raised important questions. The Government is alive to the need to balance the rights of tenants and consumers with the need for investment in the system. That is the focus of that bill.

The purpose of the new EPC system is not to force, or to require by law, landlords or others to make changes, but we hope that it will assist people in moving towards them. Ultimately, it is in

everyone's interests for people in Scotland, whether they are house owners or private or social tenants, to be warm and healthy, and we have work to do to get to that point. As I said, the purpose of the EPC system is to provide information to people, because it is right that potential tenants of a private landlord are aware of how warm their house is likely to be.

Sue Kearns: We are alive to the risk of cumulative impacts of regulation on heat in buildings beyond EPCs, which, as the minister said, are just to provide information. In relation to their being used in any other way in further regulation on heat in buildings, we are alive to the risk of cumulative impacts on private sector landlords from the Housing (Scotland) Bill. We are actively engaging with our housing colleagues to bring the two sides together and ensure that, if we introduce further regulation on heat in buildings, there is alignment.

Meghan Gallacher: Thank you.

The Convener: We were going to come on to the EPC system later but, given that the issue is already up in the air and being discussed, I want to get a sense of how you will ensure that consumers are aware of the new system and have confidence in the assessment process.

Alasdair Allan: Ensuring confidence is very important, which is one reason why we are not just changing the information that is available to people but seeking means to ensure that it is accurate and to eliminate anything fraudulent from the system. For instance, as I mentioned, we are reducing the validity of EPCs from 10 years to five years to make them more accurate. We are also introducing tighter governance arrangements for EPCs and measures on the competence and training of EPC assessors who operate in Scotland. Legitimate concerns were raised, so we are ensuring that we do both those things.

The Convener: That is great. Did anything come up from the consultation on damp and mould? There has been quite a bit of concern about the move to a fabric-first approach, and I have heard horrific stories from people in my region who have had insulation installed by people who might not have been properly certified, which has resulted in an increase in damp and mould. Are you taking that into account?

Alasdair Allan: We are. That is an important point. We are seeking not merely to provide the proposed three areas of broad information—which I will mention—but to provide an interface that will allow a technical assessment of individual properties to avoid unintended situations in which people take measures that make their houses damper. I will bring in others who might be able to talk about that.

The three areas that the EPC would cover would be: heating system rating, which would allow consumers to compare emissions, thermal efficiency and running costs; heat retention rating, which is a new rating and is a direct measure of how well a building holds heat; and energy cost rating, which is the focus of the current EPC. I will bring in others to talk about some of the additional technical offers that are made to avoid the situation that you describe.

10:45

Ross Loveridge (Scottish Government): Thank you for that question. It is well understood that we do not want to see the wrong sorts of measures installed in buildings. We hear things about damp condensation and spray foam insulation in lofts, and you will have seen a lot about that in the media over the autumn.

The Government's response to the EPC reform consultation that the minister has issued today shows that we have heard loud and clear from stakeholders about the importance of ensuring that EPCs provide a basic, standardised assessment for all properties. However, EPCs can never give the level of technical competence that can compare a croft on a Scottish island with a modern detached house in Glasgow.

It is therefore important that we can work with the industry to drive up standards around retrofit assessment. That means looking at the technical suitability assessment, which was part of the consultation on the proposed heat in buildings bill. As the minister said, we are still considering our response to that. However, just to be clear, that process would be about ensuring that building owners had bespoke technical advice about which measures were suitable, precisely to avoid the sort of things that you are talking about, such as damp or mould.

The Convener: Just for clarity, are we saying that every home in Scotland will have its own technical assessment done? Is that the idea?

Ross Loveridge: The consultation was done on the basis that that would be available in circumstances in which it might be needed, particularly in the context of proposed mandatory standards or eligibility for Government funding schemes. For example, 40 per cent of homes do not have an EPC, because they have not been sold or let because people have remained in the same property. There is no trigger for that. We would have to think about the impacts of when it would be appropriate to make sure that people had that additional information, if it was necessary.

The Convener: That is welcome. I have certainly heard people in the sector calling for

something like an MOT, for example, where every home has its own assessment.

I will come back to a question that I asked earlier, but did not quite get an answer. It is in the committee's interest to have a sense of the proposed timescales on the heat in buildings bill. Do you have any clues?

Alasdair Allan: I can really only say that the Government has not reached a decision about a timescale that I can give you today, but we are working our way through the consultation. I have mentioned some of the issues that it is important to get right and some of the unintended consequences that we want to avoid, but I cannot give you a timescale beyond that.

The Convener: We will be knocking on your door, continually. Mark Griffin has questions on social housing.

Mark Griffin: What can you or the Government do to ensure that registered social landlords have clarity about the new requirements for social housing that would give them the ability to plan for the investment required? That question is against the backdrop of the regulator's concerns about a lack of financial planning and decarbonisation.

Alasdair Allan: Again, those are important issues. I mentioned earlier that almost two thirds of social housing in Scotland is in EPC band C or better, but we appreciate the scale of the task ahead. That is why the social housing net zero consultation proposed the prohibition of polluting systems by 2045.

I understand that social landlords have made representations and I am aware of the cost burden. The Scottish Government is committed to delivering vital support through the social housing net zero heat fund and we have been using that fund for some time to support social landlords to retrofit houses.

The budget proposals offer £300 million in funding for the heat in buildings programme more generally across sectors.

Mark Griffin: Has any modelling been done on the impact of the targets for replacing polluting systems on tenants' rent, and the balance between Government intervention and support, and the investment being made by individuals through rent?

Alasdair Allan: We are conscious of that issue. As I have said, we are trying to avoid the scenario that you have set out while, at the same time, addressing fuel poverty and ensuring that the heating of houses is made more sustainable.

The Government recognises that the sector is under increasing pressure, not least due to the cost of living crisis and the additional costs of

building and retrofitting houses. That is why the social housing net zero heat fund is there.

It is important that we keep rents affordable in the sector. All landlords, be they private or social, have a responsibility to ensure that that is the case, and the Scottish Government is working with them on that. I will bring in others to say more about our engagement with the social landlord sector.

Neal Rafferty: We work very closely with the sector and always have. Indeed, we co-produced the consultation proposals on the standard with a review group taken from across the sector. We are very clear on the concerns and the questions that you have described, which the sector has raised and which we know about.

We have been doing a lot of work not just across the range of issues that were raised in response to the consultation, but on costs, future finance and how we can achieve investment to retrofit social housing. We have worked not just with the sector but with the Scottish Futures Trust, looking at the options in that space. When we publish our response on the next steps, we will be a little bit clearer about some of the outcomes and outputs from that work.

Mark Griffin: Thank you.

The Convener: We will move to the issue of delivery schemes and funding.

Alexander Stewart: Good morning, minister. Looking at the targets and the funding strategies that we have had, I note that, between 2021-22 and 2023-24, only £575 million of the £1.3 billion for energy efficiency and the decarbonisation of buildings was spent. Why was that budget underspent by more than 40 per cent?

Alasdair Allan: As you mentioned, we allocated £1.3 billion in funding. To be candid, I would say that the elephant in the room is that, some months ago, the Scottish Government faced quite a task in reaching what was euphemistically called a path to balance. We are now in a better position, but there was a point at which getting there did not look simple or straightforward. The member will be very well aware of why. However, we have, as I said, committed that money, and we are confident that we are going to make use of it. It is also important to say that all the money has been committed to energy and efficiency projects, which will directly benefit people by addressing fuel poverty and making their houses more sustainable.

Alexander Stewart: In the draft 2025-26 budget, you have allocated a sum of £349 million for energy efficiency and decarbonisation. You have indicated that the previous money was not spent but that you will try to continue to fund the budget line and spend the money that is left. Now

you are allocating another £349 million. Can you tell us how that money will be spent to maximum effect and how you can ensure that the budget is fully spent? At the end of the day, that is what we are trying to achieve. You can allocate funding, but if it is not used and then you allocate more, the question is this: how effective is that? How do we fully spend the sums of money that you are allocating?

Alasdair Allan: It is important that we spend the money in an effective way. As you mentioned, our 2025-26 budget commits over £300 million to heat in buildings programmes. In answer to your question about how we make that effective, I point out that that includes supporting more than 20,000 households to save up to £500 a year on their energy bills by making their houses healthier and more comfortable. I think that that is an effective use of public money, and one that I would strongly defend. It is worth pointing to other schemes, such as the area-based schemes, which concentrate spending on areas of fuel poverty, as well as the extra £20 million allocated to the warmer homes Scotland scheme, which takes that scheme's budget to £85 million—the highest budget that we have had in that area.

Sue Kearns: The other elephant in the room is Covid. Most of our schemes are demand-led, and that, to a large degree, is why there was an underspend in previous years. Now that the momentum has built, those schemes are doing well and we expect to do very well in getting the money out the door this year—Gareth Fenney can correct me if I am wrong. It is about building interest. Some of the schemes were going through early feasibility studies and so on and have come through a pipeline. These things take time, particularly on the heat network side. Although it is a long-term thing, the trajectory is certainly going in the right direction.

Alasdair Allan: I reiterate that both the difficulty of working during Covid and the cost of materials in its wake were deterrents to many contractors.

Willie Coffey: Good morning. I have a few questions about heat pumps and associated technologies. We are way behind the target that we hoped for, and you have explained some of the reasons for that. Gareth Fenney commented earlier that we managed to install 6,000 new heat pumps last year. I am interested in whether those installations were people converting from gas or were in new builds. Gareth, can you tell us what that picture looks like?

Alasdair Allan: I will bring you in, Gareth. The figures that I have for annual heat pump installations are as follows: 2,448 in 2019; 2,993 in 2020; 4,667 in 2021; 5,146 in 2022; and 6,388 in 2023. The importance of heat pumps in our effort

to decarbonise and improve Scotland's housing stock is increasingly significant as the years go by.

Willie Coffey: We were originally hoping for a million conversions in 10 years. That is a huge transformation; it is roughly 100,000 a year and we are nowhere near that.

Alasdair Allan: My predecessor, Patrick Harvie, made it clear that that particular target was not achievable. I agree with Mr Harvie on that. It is as well that the Government comes to the Parliament and presents targets that are achievable. It is not honest to do anything else.

Willie Coffey: What will the catalyst be for complete transformation? For me, it seems that it will be the price. People in private sector housing are looking at prices. Electricity is four times the price of gas, so they are essentially making a decision based on that.

Are they also making their decision based on trusted partners? In other words, who can they trust on the systems that are being recommended to them and where can they see evidence of such systems working that would enable them to make the transformation?

In your view, are those two factors crucial for solving the issue and getting the transformation to work at a better pace?

Alasdair Allan: On the point about trust, I will deal in anecdotes, which ministers should never do. It is clear that there is much greater—and increasing—public trust in the technology as it develops, particularly for the newer generation of heat pumps. I have seen that, and I am sure that other members have seen it from people who have had heat pumps installed in their houses. I recently visited a house in my constituency where a very discerning pensioner tenant, who turned out to have been a plumber in his previous life, offered a very high rating of his heat pump.

On the point about ensuring that people feel supported more generally, the Scottish Government has the Home Energy Scotland grant and loan scheme, which provides a grant of up to £7,500, and the same amount in loan, to install a heat pump, plus a £1,500 uplift for remote rural and island areas. Those are tangible support measures for people in that situation. It is important to add that we can point to evidence that shows that heat pumps are three times more efficient than oil boilers, for instance, so that people can see the benefit.

11:00

Willie Coffey: What is the great catalyst that will get a substantial transformation? Is it price, or reliability and trust? Or is it both?

Alasdair Allan: Those are all important. I mentioned that reliability and public approval of the technology has climbed and that people are more and more confident about it. It is also important to say—as, I think, I mentioned at the beginning—that no Government can do the work on its own. Government can be a catalyst: it can provide support, grants and loans, but it cannot claim to take on all responsibility for people replacing heating systems for ever more—no Government anywhere in Europe would make such a claim. What the Government can do, as I said, is provide encouragement and support, ensure that the technology is advanced and out there, and that the people who need it are helped.

I can bring in others, if anyone wants to add to that.

Sue Kearns: No, that is fine.

Willie Coffey: Do you see a role for local authorities to step in and be that established, trusted partner? My constituents who ask me about this are not sure who to turn to in order to get that transformation done in their homes. As you know, companies come and go, so there is an element of risk. Local people are telling me that they are unsure about taking that step. Could local authorities have a role to play in being that long-established, trusted partner to get involved in, for example, the heat pump transformation programme that we hope for? Could they reach out to offer that service to their private sector residents?

Alasdair Allan: Local authorities already have a very important role, particularly through things such as the area-based schemes. You point to an equally important issue, but I will finish my point about local authorities—or, rather, local companies. People are very keen to be able to go back to a local point of contact if things need fixed, and that probably brings us into some of the criticism of the way in which eco-schemes have been operated in the past. Those eco-schemes are not Scottish Government schemes—they were funded at a UK level through industry. You might be alluding to the significant criticism of some of the companies that were involved in installations under that scheme. However, it is important that we maintain public confidence and make it clear to the public that the Scottish Government-funded schemes are not the eco-schemes and that some of the well-publicised problems that were associated with those schemes are not the Scottish Government's area of activity.

Willie Coffey: What alternative schemes can people choose? Are all our eggs in the heat pump basket, or can people find out about other technologies that they could deploy and whether those would be appropriate for their homes?

Alasdair Allan: I will bring in officials to try to give a comprehensive list, but there are many other types of technology, such as ground-source heat pumps—although they will not be suitable for every single house. Some people are in a position to have solar or small-scale wind energy. There will not be one single solution, because heat pumps will not be suitable for every house. I mentioned, too, that if gas and electricity prices were rebalanced in the future, we would be able to electrify houses in all sorts of other ways that are perhaps not cost-effective at the moment.

I will bring in others, as I have no doubt forgotten some forms of heating.

Gareth Fenney: A broad range of technologies could be picked up. The minister has mentioned the wide array of electric heating. Storage heaters, with which I guess that we are all familiar, are much more advanced and sophisticated than the ones that we remember, so that is one option.

District heat networks and communal heat networks are another option. We will probably see a lot more of those in denser urban areas, but they also have potential in the denser rural towns and villages, so heat networks will play an increasing role. There are obviously heat pumps. In some areas, where you need higher temperatures to run a property, it makes sense to continue to deploy bioenergy.

There will be a spectrum of heat technologies and we need to guide consumers through it. There is the national advice service—Home Energy Scotland—which provides free and impartial advice, digitally and over the phone. As you say, local government can also help to guide people. The local heat and energy efficiency strategies help to do some of the initial planning, from a local government perspective, by looking at the best technology for a given place, based on building characteristics, density and so on. That can help to guide individuals' decision making at a more local and building level.

Willie Coffey: Does the UK Government's clean heat market mechanism apply to Scotland, too? I think that there is a requirement to balance the number of heat pump installations per the number of gas installations to improve the pace of transformational change. Will that apply to us, and do you welcome the mechanism?

Alasdair Allan: Yes, it is certainly welcome. From memory, the figure that has been quoted is 6 per cent of installations, and, yes—it would apply across the UK.

The Convener: Willie talked about local authorities being an established partner, but have you given thought to the network of climate action hubs that the Government funds in the

community? Could you see the hubs as a vehicle for catalysing more people to take that step?

Alasdair Allan: Yes. The Government has supported the establishment of a number of hubs. I visited one in, I think, either Musselburgh or Portobello, but I am going to have got that wrong and I will have offended people along the whole coastline of East Lothian. It was clear from the visit that the hubs are able to draw together different interests in the community, to push Government and other agencies and to activate people to think about wider environmental issues. Therefore, yes—the Scottish Government is very happy to support them in what they do.

The Convener: Is the Home Energy Scotland advice service sufficiently resourced? Constituents have contacted me about challenging communication situations, where people have taken up the grant and loan scheme but communication has been slow, which led to difficulties with getting installations happening, because the money was not coming. The process needs to be timely—the installer needs to come, but they need to get paid and all those kinds of things. Is Home Energy Scotland sufficiently resourced and are staff trained well enough to achieve the roll-out that needs to happen?

Alasdair Allan: The Government has funded the service for more than 15 years, and the Energy Saving Trust administers the Home Energy Scotland advice service on our behalf. Demand for the service has been high, although it has decreased from the 138,000 households that the service supported in 2022-23. As a Government, we are committed to ensuring that the funding is applied to ensure that the advice service exists in the future, and the Scottish Government regularly reviews the grant to ensure that that happens.

Mark Griffin: Have the costings for decarbonisation been updated? The heat in buildings strategy estimated that the cost of decarbonising homes would be around £33 billion. Has the Government reassessed the estimate in the light of inflation and the comments from the Just Transition Commission, which said that it thinks that decarbonisation could cost three times that?

Alasdair Allan: The estimate of £33 billion comes from our heat in buildings strategy. Updating that to reflect inflation and increased costs means that the cost is £45 billion in 2023 prices.

The other figure that you refer to, from the Just Transition Commission, does not reflect our proposed approach to decarbonising heating, particularly with regard to the role of heat networks, which do not seem to be factored into

that figure. However, Scottish Government officials have met the Just Transition Commission to discuss the basis for its figures, and although it is fair to say that the cost of heat transition will be substantial, we do not accept that it would be £130 billion for Scotland, which is what the commission quoted.

Fulton MacGregor: Minister, can you tell us a wee bit more about the progress of the green heat finance task force and the alternative funding mechanisms that you are considering? Can you give us some detail on the headlines from the task force's new report, and what timescales are you working to respond to its work?

Alasdair Allan: Those are all important questions. As we have touched on a couple of times, financing the transition will need to involve everyone in Scotland—householders, landlords, the Government and many other agencies. The independent green heat finance task force has been considering all those issues, particularly how private finance can support the transition, and we will respond to its recommendations in spring.

As I mentioned, our 2025-26 budget commits to investing more than £300 million to help households to save in the here and now. In the future, we are keen to get advice about private finance for individuals, too.

Fulton MacGregor: Do you expect the level of ambition for emission reductions in heat in buildings to be reduced in the light of the Scottish Government's plans to reset its climate ambitions via five-year carbon budgets?

Alasdair Allan: I am sorry—I did not catch that. Which changes are you referring to?

Fulton MacGregor: I am talking about the changes to the carbon budgets and through the task force.

Alasdair Allan: There was consensus on changing to a system of carbon budgets across most of the political spectrum—perhaps not all of it—and on the need to ensure that the targets that the Scottish Government sets are achievable and meaningful. However, that does not alter the fact that we are committed to getting the best advice on ensuring that there are green finance options for home owners and other individuals, so that we get to a position in which those budgets become possible.

I will bring in others to see whether they can add anything to that.

Sue Kearns: We expect to get advice on carbon budgets from the Climate Change Committee in spring, so we will take it from there. That advice will cover the different sectors under the climate change plan, and heat in buildings will be part of that.

The Convener: Fulton MacGregor asked whether the move to five-year carbon budgets will have an impact on the expected level of ambition for emission reductions through heat in buildings, which you mentioned. About 20 per cent of our emissions come from housing. Will the shift in how we measure things have an impact, or will you keep doing what you are doing?

Alasdair Allan: Will the shift have an impact on our goals for 2045? The answer is no. We want to do this in a way that is achievable and to have meaningful figures, but that does not take away from our ambitions for 2045. The green heat finance task force is considering how to foster a greater flow of private finance, which would help to achieve that aim.

The Convener: Finally, we will move to delivery issues. Willie Coffey has a number of questions on that.

Willie Coffey: I have a few questions to wrap up the meeting. In your letter to the committee, you told us that 27 of the 32 local authorities have published their local heat and energy efficiency strategies, so some have not. Have you got any indication as to why we do not have a complete set?

Alasdair Allan: It is difficult to tell why that is the case if councils have not responded to us or given us the information. I will ask my officials whether local authorities have given reasons for that.

Gareth Fenney: There is a mix of issues, including delays in resourcing and consultancy access. We have provided on-going funding to help to resource local authorities to deliver the LHEES. I think that we have now received draft strategies from 30 out of the 32 local authorities, so we are making progress, and we are hopeful that they will be finished in the not-too-distant future.

11:15

Willie Coffey: Based on what you know and what you have received, are local authorities' submissions chiming with the Government's aims and direction of travel? Do you see co-operation being at the heart of local authorities' strategies for progressing the work?

Alasdair Allan: We are working with local authorities to ensure that the aims are met, and we continue to support them in delivering their strategies. For instance, we have funded Zero Waste Scotland to help it to provide support for capacity building. We are working to align what we do as a Government with local authorities' delivery plans through, for example, our heat network support unit, which works with local authorities. In

the future, we look forward to local authorities being entirely decarbonised, but we realise that we have to work with them to achieve that.

Willie Coffey: Heat networks were mentioned earlier. The cabinet secretary gave the example of Glasgow City Council, which is ahead of the game and doing some really good work to establish heat networks and leverage private sector investment to help us on that journey. Could you say a wee bit more about where we are across Scotland with heat networks?

Alasdair Allan: We have set ourselves targets for 2027, 2030 and 2035. The statutory targets provide a signal to assist the private sector and provide greater certainty for investors. We are committed to working with and encouraging projects of that kind. We offer grant support for the construction of new zero direct emission heat networks, and we are providing funding and advice during pre-capital stages of development for a pipeline of projects. That pipeline is important so that the sector has greater certainty and has the signals that it needs to invest in the future.

Willie Coffey: The cabinet secretary mentioned that cities and bigger towns might have an advantage over smaller communities in establishing heat networks. When providing funding support, is there a balancing act to encourage activity more widely across rural parts of Scotland and smaller communities?

Alasdair Allan: As you say, the circumstances in some communities lend themselves more to heat networks than to other solutions. In large parts of my constituency, many houses are half a mile or more away from others. The circumstances of such areas do not lend themselves to some solutions, although plenty of other sustainable forms of heating would meet their requirements. There might be areas that we can concentrate on. We look to other countries—everyone looks to the example of Copenhagen, where a huge proportion of the population in that urban area is looking at heat networks. I have met a number of the companies that are involved and have offered encouragement and as much certainty as we can provide about investment in heat networks in the future.

Willie Coffey: Public engagement is crucial. We need to bring the public along with us by making them aware of what is available to them and what support they can get. Are you confident that public engagement is as good as it can be, or are you planning to do any more work to give the public more and better information to enable them to make the choices that they will have to make?

Alasdair Allan: We are always looking to provide more support and information. For example, we have a van that goes around

Scotland to provide advice, support and assistance to small companies that want to get involved in installation of heat pumps. It travels to many rural areas to ensure that information is available to businesses and the sector. Much of the work is about raising awareness among the wider public and providing information and facts about newer or different forms of heating for houses. It is also about providing clearer information through EPCs and about all the other efforts that I have talked about. Ultimately, it is a shared enterprise between the Government, businesses, householders and landlords—all four have to combine their efforts to get information out there.

The Convener: When you talked about the air-source heat pump van—which I am well aware of—another couple of questions came to mind.

Earlier, you talked about Scotland having really diverse types of housing. In rural areas, as well as in Edinburgh, we have a lot of historical buildings. How do you handle that? In the committee, we have learned that we need to take a fabric-first approach, but that needs to be balanced with preserving areas where there is conservation. I am particularly concerned about how we fit traditional building skills in the mix in places where we need to keep the vernacular of a community's buildings.

Alasdair Allan: I would be very supportive of that. I know that Angus Robertson has mentioned the issue in the context of Historic Environment Scotland and promoting skills, whether it be for stonemasons or for people who can slate traditional roofs. Those skills are very important, and a lot of effort has gone into promoting them—quite successfully.

The other side of the issue is about making sure that the information—again, I come back to EPCs—takes account of whether a building is of a vernacular or unusual type. Work is going on to ensure that we do just that.

With your permission, convener, I will bring in somebody who can tell us more about how your point fits into the issue of EPCs.

Ross Loveridge: I will make a similar point to the one that I made earlier about the development of a technical suitability assessment. As the minister said, we are working with Historic Environment Scotland and other experts in that field to be clear about the appropriate retrofit assessments and about where we would want more technical advice. The work is about getting it right for historical buildings—buildings that have stone walls, traditional roofing and so on—and making sure that we are not using the wrong measures.

We see that work as complementary to the EPC reforms. Ultimately, we have EPCs because we

need to have a standardised piece of information that enables somebody buying a house in Shetland or in Stranraer to make a reasonable comparison. However, that is not a substitute for a bespoke technical assessment, and we are working hard on that.

The Convener: I mentioned the air-source heat pump van because an idea that has been proposed to me is to have something that is more like an articulated lorry—as they have in Canada, apparently—which could bring equipment, not necessarily for stonemasonry but for leading, slating and so on—to rural and island communities. The committee is well aware that we do not have enough people who have the skills to build or retrofit houses, so I am interested in the idea of taking the skills training to people. A concern that has been raised with me is that, although young people want to get involved, they do not necessarily want to travel to Kent to get the training that they need for specific skills.

Alasdair Allan: I cannot comment on the example from Canada. However, when I was in Shetland, I met people from a business who pointed out that, for a small building firm or contractor in an island setting, one of the huge advantages of having a van, as you mentioned, is that, otherwise, they might have to put their staff up in a hotel or somewhere else for a week so that they can attend a course for three or four days. Therefore, a remote van provides considerable advantages to small contractors in islands and other very rural areas.

The Convener: It is great to know that you are aware of the issue. It is also good to hear that Angus Robertson has been talking about it, so I might take that forward with him.

On another area of interest, we talk about bringing empty homes in Scotland back on board as a way of addressing our housing emergency. I know that housing is not your area, but is there scope for retrofitting those houses before we put people in them? Is that something that you have thought about?

Alasdair Allan: I do not have detailed knowledge of that area of housing policy, but I know anecdotally that, when local authorities have had empty homes officers, they have taken a fabric-first and heating-first approach to ensure that houses are sustainably insulated and heated before they are let out. I think that that is integrated in the efforts that are made by the Government and local authorities, but I am afraid that I cannot offer much detail on it.

The Convener: It is helpful to know that you are aware of the issue. We can look into it ourselves.

That brings us to the end of our questions. I thank the witnesses for coming to give evidence, which has been very helpful.

The one bit that has not been so helpful is that we have not got a timeline for the proposed bill. That matters to us so that we can plan our work programme, so we would appreciate hearing about the timeline as soon as possible. I take your point that you have had a lot of analysis work to do, and I get the sense that there are quite a lot of technical considerations, given the complexity of the diverse array of buildings in Scotland.

I briefly suspend the meeting to allow the witnesses to leave the room.

11:25

Meeting suspended.

11:27

On resuming—

Subordinate Legislation

Building (Procedure) (Scotland) Amendment Regulations 2024 (SSI 2024/376)

The Convener: The next item on our agenda is consideration of the Building (Procedure) (Scotland) Amendment Regulations 2024, which is an instrument that is subject to the negative procedure.

As members have no comments on the instrument, I will provide a bit of context. We previously agreed to issue a call for views on the instrument, which, as members will recall, has been introduced to fulfil a commitment in response to Alex Rowley's proposed member's bill on environmental standards for domestic buildings. As is noted in our papers, we received 30 responses to our call for views. Members will know that much of the detail on Passivhaus-equivalent standards will be confirmed after another consultation in the summer.

Does the committee agree that we do not wish to make any recommendations in relation to the instrument?

Members *indicated agreement.*

The Convener: We previously agreed to take the next items in private, so I close the public part of the meeting.

11:28

Meeting continued in private until 11:56.

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