OFFICIAL REPORT
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Economy and Fair Work Committee

Wednesday 18 June 2025

Session 6

The Scottish Parliament
Pàrlamaid na h-Alba

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ECONOMY AND FAIR WORK COMMITTEE
20th Meeting 2025, Session 6

CONVENER

*Colin Smyth (South Scotland) (Lab)

DEPUTY CONVENER

*Michelle Thomson (Falkirk East) (SNP)

COMMITTEE MEMBERS

*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)
*Murdo Fraser (Mid Scotland and Fife) (Con)
*Jamie Halcro Johnston (Highlands and Islands) (Con)
*Daniel Johnson (Edinburgh Southern) (Lab)
*Gordon MacDonald (Edinburgh Pentlands) (SNP)
*Lorna Slater (Lothian) (Green)
*Kevin Stewart (Aberdeen Central) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Stacey Dingwall (Federation of Small Businesses Scotland)
Calum Lindsay (Convention of Scottish Local Authorities)
Richard Lochhead (Minister for Business and Employment)
Councillor Gail Macgregor (Convention of Scottish Local Authorities)
Matt Pearce (Development Trusts Association Scotland)
Adrian Sargent (Castle Community Bank)
Morven Taylor (Communities Housing Trust)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 18 June 2025

[The Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Convener (Colin Smyth): Good morning, everyone. Welcome to the 20th meeting in 2025 of the Economy and Fair Work Committee. Our first item of business is a decision on whether to take items 4 and 6 in private. Are members content to take those items in private?

Members *indicated agreement.*

Product Regulation and Metrology Bill (UK Parliament Legislation)

09:02

The Convener: Our second item of business is consideration of two supplementary legislative consent memorandums on the Product Regulation and Metrology Bill. I am pleased to welcome Richard Lochhead, Minister for Business and Employment, and Dr Pieter van de Graaf, who is head of international trade flows and regulations at the Scottish Government. I invite the minister to make a brief statement on the Scottish Government's position. I will then open it up to members' questions.

Richard Lochhead (Minister for Business and Employment): Thank you, convener, and good morning to the committee. It is good to be here in the James Clerk Maxwell committee room, given that, after this, I am speaking at a joint event held by the Royal Society and the Royal Society of Edinburgh—I will mention that I was in this room this morning.

Thank you for giving me the opportunity to update you on our position on the Product Regulation and Metrology Bill. As I outlined to you all last December, it is primarily a framework bill that will provide powers to the United Kingdom secretary of state to regulate products in a range of sectors. The Scottish Government was previously unable to recommend that the Scottish Parliament give its consent to provisions in the bill being introduced. Our primary concern at that time was the proposal to grant broad powers to UK ministers to regulate products in certain devolved areas without the oversight of the Scottish ministers or the Scottish Parliament.

In March 2025, a supplementary legislative consent memorandum was lodged. That followed a Government amendment in the House of Lords that extended the scope of the powers. As the amendment did not address the Scottish Government's fundamental concerns with the bill, our recommendation at that time remained unchanged. My officials and I continued to engage with the UK Government to secure changes to the bill that would allow us to change the recommendation.

As a result of our engagement, I am pleased to say that the UK Government has now introduced a consent mechanism to the bill. That amendment means that regulations made under the powers in the bill cannot materially change devolved law without the prior consent of the Scottish ministers. Of course, I would have liked the UK Government to have gone further, for example by granting concurrent powers to the Scottish ministers or by removing devolved product categories from the scope of the bill. However, it remains the case that the amendment removed our primary concern and, as such, represents a significant improvement on the bill as introduced. The amendment allowed us to lodge a second supplementary LCM on 29 May, which recommended that the Scottish Parliament provides consent to the bill.

The UK's product regulatory framework is largely inherited from the European Union, and it is mainly assimilated law, which was formerly known as retained EU law. As a result, the Scottish Government expects that, subject to the agreement of parliamentary authorities, statutory instruments made by UK ministers under the bill would fall in the scope of the agreed SI protocol on scrutiny by the Scottish Parliament. That means that the Scottish Parliament will have important oversight of the Scottish ministers' consent decisions under the mechanism. The committee might be interested to note that both the Welsh Senedd and the Northern Ireland Assembly have consented to the bill.

Thank you again for inviting me. I look forward to any questions that you may have.

The Convener: Thank you very much for that, minister. I will open it up to questions, starting with the deputy convener.

Michelle Thomson (Falkirk East) (SNP): Good morning, minister. Thank you for joining us. You referenced the fact that the Scottish Government does not have concurrent powers. That is surely a concern, given the Scottish Government's focus on the highest standards for products, that being so clearly linked to our provenance and brand. Therefore, why have you accepted that by now agreeing to the LCM?

Richard Lochhead: Thank you for the question. Our preference, because we could not see why the UK Government should object, was to ask for three things: the consent of Scottish ministers for any changes; devolved issues to be excluded from the bill, to reflect the Scotland Act 1998; and the potential for concurrent powers to allow us to take decisions under the legislation in Scotland. Of those three, the main one was to get consent given to Scottish ministers for any changes that affected devolution. There is a backstop in the Environment Act 2021 and the Environmental Protection Act 1990 for developing our own standards, which was used, for instance, for the banning of single-use vapes. Our preference would be to have concurrent powers, but we have a backstop in other legislation. As I said before, the other reason is the fact that the main thing for us was to get consent for Scottish ministers.

Michelle Thomson: What consideration have you given to the potential for divergence from EU regulation by the UK Government against a principled approach and agreement of this Parliament, wherever possible, to align? Have you considered practical examples of where that might occur?

Richard Lochhead: As the committee will be aware, the Scottish Government's position is to align our regulations with those of the EU as far as possible. We have made those points to the UK Government, and there have been signs from the UK Government that it might reflect environmental law at EU level in UK domestic law. For instance, I have read that it has said that it will align with EU law on product regulation for radio equipment and related issues. Perhaps the UK Government is moving in the same direction as us, but it has retained the ability not to align, whereas our preference is that we should align with EU law.

What products might be affected is an open question. It just depends where the debate takes us in the future. However, as a principle, for all kinds of reasons, our principal position is that we should align with EU environmental law.

Michelle Thomson: In areas where the UK Government might seek to diverge, do you think that you are covered by now having the requirement that it must seek consent from Scottish ministers?

Richard Lochhead: Yes. The bill that we are discussing today is a framework bill, so, if any secondary legislation were to be introduced by the UK Government, we would have to wait to see what was being addressed by those bits of secondary legislation.

Michelle Thomson: You have led on to my next question. What concerns do you have about the fact that it is a framework bill, given the considerable uncertainty that is engendered by any framework bill?

Richard Lochhead: Framework bills can have their uses, and successive Scottish Parliaments, since 1999, have passed framework bills on all kinds of issues. The reason this UK framework bill is important is the potential impact on devolved matters; with a framework bill, we do not want to have to deal with lots of issues coming to us down the pipeline that might impact on devolution. That is why we are taking seriously the obligation in the primary legislation to seek consent from the Scottish ministers.

Murdo Fraser (Mid Scotland and Fife) (Con): Good morning, minister. Following on from the deputy convener's questions, I want to understand the practical impact of the bill being passed. The context is clearly that, under the United Kingdom Internal Market Act 2020, the UK Government has the overriding objective of ensuring the free flow of products around the UK. You have told us that the consent of Scottish Government ministers would be required for any changes. How does that interact with the UK Government's ambition to ensure that standards apply on the same basis around the UK?

Richard Lochhead: I will reiterate the Scottish Government's position on the 2020 act, as you would expect, which is that we are wholly opposed to it, because it interferes with the principles of Scottish devolution. We are still looking for the relatively new UK Government to address Scottish concerns about that. It is the elephant in the room, to a certain extent.

We are opposed to the internal market act, because we could have this legislation that deals with product standards but who knows what would happen in the future if there was a divergence? If we used our own environment or environmental protection legislation—you know the background to this—we would, in theory, potentially have to deal with the threat of the UK Government using the internal market act to override decisions taken by this Parliament. It is difficult to answer on how that will interact in the future, but that is the backdrop that affects a lot of these issues.

Murdo Fraser: I will be more specific. The amendment that you referred to says that the consent of the Scottish ministers would be required. Does that, in effect, give the Scottish ministers a right of veto over regulation changes that would apply to the whole of the UK?

Richard Lochhead: You are saying "apply to the whole of the UK", but we are asking for devolution to be respected. The purpose of the exercise is that regulations should not automatically apply to the whole of the UK; they should take into account devolved responsibilities. If our consent was sought over changes affecting devolved responsibilities, we would expect our decision to be respected by the UK Government. That is what the law will say.

Murdo Fraser: That would mean that, if the Scottish ministers refused consent and the UK Government respected that, it would apply to product regulation UK-wide.

Richard Lochhead: Only in relation to devolved responsibilities.

Murdo Fraser: Yes, but the purpose of the bill is about having standard regulations across the UK. What I am saying is that, if the Scottish ministers can stop changes in the devolved space, that will not just impact on Scotland. If the ambition is to align product regulation across the UK, that will surely have an impact across the UK.

Richard Lochhead: That is part of the debate, is it not? You could argue that the United Kingdom Internal Market Act 2020 is the legislation that is used to ensure that regulations are adhered to across the whole of the UK, rather than the particular bill that we are discussing today. The 2020 act is so controversial because the purpose and theory of the act is to override devolved responsibilities, whereas, here, we are talking about a particular bit of legislation on product regulation.

Murdo Fraser: I have one more question about scrutiny. Mechanisms in the bill for the scrutiny of decisions taken by UK ministers are, of course, a matter for the UK Parliament. How will decisions that will be made by the Scottish ministers—for example to grant or withhold consent—be scrutinised?

Richard Lochhead: Apologies—I am not quite sure that I understand your question.

Murdo Fraser: For example, you are saying that the Scottish ministers will have the power to withhold consent. How will such decisions be subject to scrutiny?

Richard Lochhead: The Scottish ministers will have to look at each case on its merits and decide whether they want to give consent. As a Government, we would look at an issue in detail, as we do with any issue that comes from the UK Government that affects Scotland. We would then write to the Parliament under the protocol, because the provisions in the bill relate largely to retained EU law that is being taken forward through the bill, and that is the agreed protocol for this kind of legislation. We would write to the Parliament, explain the Scottish Government's view as to whether or not we recommended giving consent and the Parliament would have the opportunity to respond to that. It would be the usual process for scrutiny.

09:15

Lorna Slater (Lothian) (Green): I have two questions that are largely about exploring the same theme slightly more. If I understand correctly, the intention of the bill is to allow the UK to align more closely with the EU. Is that written into the bill or is that just how the current UK Government has said that it intends to use the bill? Could a different UK Government use it to diverge from the EU?

Richard Lochhead: My understanding is that the UK retains the right to diverge from the EU, but that it has indicated that it would want to align with the EU on environmental law and in some other cases—I cited one example earlier. I guess that it will treat matters on a case-by-case basis.

Lorna Slater: Following up on what my colleagues have asked, it seems that cumulatively, between this bill and the UK Internal Market Act 2020, there is a significant hampering of devolution in Scotland. Instead of having legislation that allows Scotland to actively diverge on areas of environmental protection, packaging and so on, in order to protect our environment and to implement recycling schemes, we are reduced to saying whether it is okay for the UK Government to impose UK-wide legislation on us. It does not sound like we are able to actively diverge on those matters any more.

Richard Lochhead: I think that you are right to have that concern. As I said when I appeared before the committee last December, we were puzzled as to why we were getting resistance to respecting the devolution settlements. That is very unfortunate. What is the controversy over ensuring that the list of topics excluded under the bill reflects the Scotland Act 1998? Of course, the UK Government was not willing to accept that. As I said before, we asked for two or three things. We got the key one, which is what we are talking about: the obligation on the UK Government to seek consent from the Scottish ministers on anything that affects devolution. However, the fact that we encounter resistance for what, in our view, should be automatic, is a concern.

Lorna Slater: It concerns me also that there appears to be a creeping rolling back of devolution. Each piece of legislation, such as this bill, does not seem so bad by itself, but the accumulation means that the powers of the Scottish Parliament to diverge and to put in place our own legislation to protect Scotland's environment are absolutely being restricted. I share your frustrations on this. I would like to feed back to the Scottish Government that I certainly support it pushing back harder on protecting Scottish devolution. The direction of travel is very worrying to me.

Richard Lochhead: I agree with your concerns. I can only assure the committee that there are wider conversations taking place between the Scottish Government and the UK Government about a lot of the issues.

Daniel Johnson (Edinburgh Southern) (Lab): I will ask the daft laddie question. We have had LCMs on the bill in front of us a number of times and I think that we are into the realms of some very technical aspects of both legislation and intergovernmental relations. Could you outline what precisely the bill will do and what the Government is concerned that it will not be able to do, with some examples? I understand that metrology is essentially about the regulation particularly of measures and metrics around product standards. Could you explain to me in broad terms, so that we can recap and be clear about what we are talking about, what that is and give some examples of the Scottish Government's concerns?

Richard Lochhead: First, the motivation for the bill, as explained to Scottish Government stakeholders, is to modernise the regulation of products as the world is changing fast around us, different types of products are coming on to the market and there are different issues to take into account. That is absolutely fine and understood. We have no objection to that.

When a UK bill comes forward, however, and it applies to areas that are devolved, it is our job, clearly, to stand up for Scottish devolution and the right of this Parliament to decide on those devolved issues. We had concerns because the bill gave UK ministers the ability to regulate devolved issues without the consent of the Scottish ministers. For instance, fish, fish products and seeds were not on the list of excluded products in the schedule to the bill. There is a schedule to the bill that lists excluded products to which the bill would not apply, and some of those topics are devolved but not all the devolved topics were on that list. That left the UK Government able to regulate products for which the responsibility is in this Parliament.

Daniel Johnson: I understand that in broad terms, but we are talking about a bill that is about regulating how those products are packaged and the information that is presented to consumers or purchasers, because quite often, those sorts of products will be commercial. In an earlier answer, you stated a concern about divergence on that point from EU requirements, and we can see that we would not want to have fundamentally different packaging with different measures that gets in the way of selling products into those markets. If that is true for European markets, is that not also true for wider UK markets?

Are the points that you raised on the concerns about divergence from the EU not equally applicable to divergence from UK standards? Is that not where the balance that the UK Government and the Scottish Government are seeking to address lies? Is there not a common thread between your concerns about EU divergence and perhaps some of the UK Government's concerns about internal market divergence?

Richard Lochhead: We have a Scottish Parliament and we have Scottish devolution. Following your logic, what is the point of having Scottish devolution and a Scottish Parliament if we want everything across the UK to be the same? Clearly, we have different circumstances at times. I am speaking in very broad terms here, but two thirds of the UK fishing and seafood industry is based in Scotland and responsibility for that lies with this Parliament. If, for instance, we had not got consent—which we now have in the bill; that is what the debate has been about—for the Scottish ministers to be consulted before UK legislation was used to regulate fish and fish products, I suspect that there would be an outcry in Scotland saying that the UK was regulating on a devolved issue that is the responsibility of the Scottish Parliament. You either believe the principles or you do not.

Daniel Johnson: Forgive me, you are slightly putting words in my mouth. Equally, if we had fundamentally different standards for weights, measures and product information from the rest of the UK that made it difficult to sell to the rest of the UK, there would be an outcry among those self-same people. There is a balance to be struck, partly because withdrawing from the EU has meant that there is a broad range of market regulation that now exists at UK level that was previously at European level. More importantly, as much as I believe in devolution, I also believe that we want common market standards and as big a market as possible, including at UK level. All that I am asking is whether there is not a balance to be struck and whether divergence is not a concern regardless of what market you are talking about. Is it not about how those competing interests are balanced?

Richard Lochhead: That may well be so in some cases. Clearly, in a case whereby the UK Government came to us to seek consent on any secondary legislation impacting devolved issues, we would have to look at the merits of that. We do not know what would come in the future because it would be through future secondary legislation at UK level. We cannot just leave an open door, however, because there may be some occasions on which the regulation was not appropriate. The principle that we are trying to adhere to is that we cannot just say, “Even though this is impinging on devolution, maybe it is in our interests to have the same products across the UK.” You have to safeguard against the fact that in the future that may not be in our interests, so we have to make sure that we are consulted. If you were right and the regulations were uncontroversial, we might give consent—who knows?—but the point is that we should have the right not to give consent.

Daniel Johnson: I understand that. Basically, I think that there is a balance to be struck. Given that the bill was essentially inherited from the previous UK Administration—and I think that we are still in a new world in terms of understanding market regulation in a post-EU context—has the Scottish Government made an approach to the Cabinet Office seeking a broader set of principles and understandings, so that devolution is front-loaded into its thinking? It appears that we have found ourselves in the position of having to think about devolution after legislation has been drafted. If the Scottish Government has such concerns, is it trying to be proactive about finding new approaches to these issues?

Richard Lochhead: Yes. There is a lot of engagement, particularly between Angus Robertson, the cabinet secretary with responsibility for the issues, and the UK Government. I am not directly involved in those discussions but I can assure you that there has been a lot of engagement and contact with the UK Government on all those issues.

Daniel Johnson: Have you formalised that in any way, by trying to seek a more systematic approach?

Richard Lochhead: Yes, there is a lot of work going on with the new UK Government. In particular, we were told that it has an aspiration to reset the relationship between the UK Government and devolution to the Scottish Parliament. Clearly, we do not think that that has quite been delivered, but Angus Robertson and my colleagues in the Cabinet are taking a very close interest and there is lots of engagement. You may wish to write to or contact Angus Robertson about that and get more details.

The Convener: As there are no more questions, I thank the minister and Dr van de Graaf for joining us. That brings the evidence session to an end and I will briefly suspend the meeting to allow for a changeover of witnesses.

09:25

Meeting suspended.

09:27

On resuming—

Community Wealth Building (Scotland) Bill: Stage 1

The Convener: Our next item of business is our third evidence session on the Community Wealth Building (Scotland) Bill.

We will hear from two panels, and I am delighted to welcome our first panel: Stacey Dingwall, head of policy and external affairs at the Federation of Small Businesses Scotland; Matt Pearce, board member at the Development Trusts Association Scotland; Adrian Sargent, chief executive officer of Castle Community Bank; and—joining us online—Morven Taylor, acting chief executive officer of Communities Housing Trust.

As always, I appeal to members and witnesses to keep questions and answers as concise as possible. I ask the deputy convener to kick off the questions.

Michelle Thomson: Good morning. I thank the panel very much for joining us. Rather than talking about the bill specifically, I will open our discussions by looking at understanding how finance generally can be made available to support some of the bill's aspirations. I have a slight concern that the bill is being considered in isolation and that, if the finance and particularly the mechanisms are not in place, it will in reality take a long time to deliver anything, even if it has value.

Starting with Adrian Sargent, I would like to get a sense of the mechanisms that will be available to drive the good works of the bill and—critically—of what the blockers are.

Adrian Sargent (Castle Community Bank): Thank you for inviting me to give evidence. Community wealth building is a good and well-placed objective. Addressing finance and keeping everything in a community is also good.

If we think about having a circular flow, we need to talk about the businesses that are in a community, how they support each other and how they propose things to other businesses. The other witnesses and I were talking about procurement earlier, and one question is how to ensure that things are procured locally.

09:30

Financing involves loans to individuals and entities. We are a credit union; there are loads of credit unions across the UK. Credit unions are largely community based and local, but some are national. We have historically been based in north Edinburgh, and we are now UK-wide, but we have an objective of lending to the local community. One of our longer-term objectives is to support bodies such as charities and to consider how we lend to small and medium-sized enterprises over the longer term and get financing into the local area.

There are a number of barriers. For credit unions, lending to SMEs and other businesses is very different from lending to individuals. Historically, credit unions have largely done lending to individuals, which is very different from lending to a business and understanding that business's balance sheet, its profit and loss, the financial forecasts and the risks of the sector that the business is in. To lend to businesses, a financial institution has to build its internal skill sets and systems.

A lot of the larger financial institutions in the UK are well placed for such lending, but there is a struggle to have a national spread and a local focus. As I said, we were Edinburgh based and Edinburgh focused. We have a long-term objective to refocus on SMEs in the local community, but we are very much retail based. Some encouragement might be required to get the support in there.

We have worked and partnered with England-based Fair4All Finance, which redistributes dormant assets from financial institutions. We have worked with it on a guarantee scheme. One thing that the committee could look at is how to give a guarantee to a financial institution that is lending to entities that need support in particular sectors. Could there be targeted support for particular areas or subsets? You would need to be very careful about whether, if the guarantee was too big, that could remove the requirement or onus on the entity that was lending to do due diligence on the loan and on how it would be repaid.

There are lots of challenges. Encouragement could be given through guarantee schemes or incentives but, if the lender is incentivised too much or if its benefits are too much, will it do the right due diligence? Will the money be in effect wasted, if it goes to the wrong people, who do not have a good business plan?

Michelle Thomson: You have touched on a potentially massive area—the split between what you might do and the lending to SMEs that regular commercial banks do, where there are and continue to be fairly critical issues, because that is not a contract of equals. In 2008, we saw a lot of issues when people's loans were called in even though they were being utterly fulfilled, because there is a contract of unequals.

It sounds as if there is a huge amount of work still to do. Last week, I asked how much has been done to look at the issue from the other side. We have a framework in the bill that the committee is broadly in favour of—we could do some good stuff. From the other side, what can we do to enable that good stuff to be done by actively focusing on financial mechanisms? How much talk, how much appetite and how much emphasis are there on that question in your community? How actively is it being discussed?

Adrian Sargent: In Castle, we are not actively talking about the issue. We are focusing on the core business of retail—individuals. We are open for charities, and our experience is that they have a need. Charities have told us that they are not getting from mainstream banks the service that they need, largely on deposits.

We have had a number of conversations with charities that would like to be more self-sufficient. Leuchie House in East Lothian was looking to develop an income stream instead of being solely a charity. How are charities given the ability to generate income? A charity that is based in York Place does a lot of management of its own real estate, and people there were asking how to convert that into a real estate business that manages other people's estates. There is a question about how to encourage charities and third sector organisations to generate an income and become part charity and part commercial.

We have all been through the cost of living crisis, inflation and all those things over the past little while and particularly since the financial crisis—we have not really had a good run since 2008 and 2009. How do we get third sector entities to be a bit more self-sufficient, less reliant on state aid and less reliant on giving, so that they turn into quasi-businesses with an income stream that maintains some certainty of income, which charitable donations and grants can supplement?

Michelle Thomson: Without putting words in your mouth, it sounds as if there is early-doors thinking across the piece.

Adrian Sargent: Yes—that is across the piece. As a whole, not many credit unions focus on businesses; historically, they have operated in retail, and the legislation and regulation are focused on retail. As a deposit taker, we are limited to taking a maximum of 25 per cent of our deposits from corporates such as charities and SMEs. As a credit union, we are set up to focus on the retail bit.

There is a place for credit unions. We can lend 100 per cent to SMEs but, under legislation, we cannot take 100 per cent of our deposits from SMEs. Building societies have to lend on mortgages and a limit applies to that, so they are encouraged to do such lending. Perhaps we need to provide encouragement through other means or change legislation to encourage activity. How would we get that through? The key point involves saying, "You should focus on this."

Michelle Thomson: Does Stacey Dingwall want to answer in general terms?

Stacey Dingwall (Federation of Small Businesses Scotland): Access to finance is a perennial issue for small businesses. I do not think that we see the bill as a particular route for addressing that for our members. There are bigger barriers that prevent access, such as personal guarantees.

Particularly post-Covid, small businesses that took on Covid support loans have been reticent to take on further loans. When we ask our members, the majority say that they rely very much on credit cards and overdrafts for finance. There has been no discussion with our members about whether the bill could overcome challenges in accessing finance.

Matt Pearce (Development Trusts Association Scotland): I will cut to the chase. The Development Trusts Association Scotland runs the community ownership support service and community shares Scotland, which has raised £19 million in community shares since it was conceived. We firmly believe that inclusive ownership and the methods to make that happen are a key part of the community wealth building package.

There are ways of generating income. If a community owns anf asset through a development trust or another entity, that is the simplest and most fundamental way of keeping wealth in the community. We believe that to be core to the bill.

Adrian Sargent and I appear to agree on most things, but I think that we have to get away from the idea of organisations being quasi-businesses. These enterprises have social impact, and if the bill, as a whole piece, is about stating that wealth is about more than just financial gain and bottom-line gross domestic product, we have to accept that community-owned assets and enterprises are delivering that. They are not a novelty and they are not a trinket—they are not something to say, "Yes, well done," to and give someone a pat on the head for. They are the core way of delivering wealth.

Capacity comes up regularly in the feedback from our members, as does access to finance. There are calls for all sorts of things, which is one reason why the Development Trusts Association really supports the bill. We also believe that other actions and secondary legislation will be needed as part of a wider package to be more joined up, and finance is part of that.

Issues include more support for community share issues, more support for community bonds and the potential for a more coherent approach to developer contributions and targeting them to local communities for finance. Another possibility—particularly in relation to renewable energy and the green transition—is to consider how to use a national wealth fund. If the bill marks a sea change in the national approach to what the economy can do to deliver for the people of Scotland, we need to think about it in the long term.

A lot of locally rooted organisations that want to be enterprising and deliver on multiple pillars of the bill find that everything is very short term. There is a call for more tolerant and patient capital to allow things to develop in the long term and for reconsideration of some of the administrative burdens in setting up such entities. We discovered that small community benefit societies, of which I have set up one, are under the same regulatory umbrella—the Financial Conduct Authority—as larger credit unions are, and even they struggle, but I am veering off topic.

Adrian Sargent: I will talk about one thing that has just come to mind. I mentioned Fair4All Finance, which uses dormant assets. It has particular themes that it wants to encourage activity on. It provides funding and support for its no-interest loan scheme and debt consolidation schemes to credit unions and community development finance institutions to encourage such activity. CDFIs represent another realm—a few in England are largely SME focused.

There is something about providing funding for a particular purpose to financial institutions such as credit unions or CDFIs, which could focus on an element of community wealth building or development trusts and be a lynchpin. That could involve cash in. A CDFI needs to borrow all the money that it then lends out; a credit union needs regulatory capital—shares—and then it can raise deposits from individuals or businesses and use that money for lending. There is leverage where you put less into a credit union and it can get more money from elsewhere to lend out. There is about a ninefold multiplier effect, but there are pros and cons to using CDFIs versus credit unions and the like.

The bit to focus on is whether some kind of support could be provided. That might involve saying, “Go away and think about this—we will give you money only if you are going to do A, B, C and D.” That links into the sense of what Matt Pearce said about bonds and the like.

Michelle Thomson: The financial powers around community development finance institutions and credit unions are all reserved. I strongly agree with what Matt Pearce said about the real meaning of wealth in communities, and much of what we have been talking about has been useful, but I have two questions. First, what, if anything, is the Scottish Government able to do through secondary legislation under the bill to facilitate some of the existing mechanisms around community wealth building, or, indeed, create new ones? Do you have any ideas on that front? Secondly, are you aware of that approach actively being discussed as a critical enabler to give some teeth to the good principles in the bill?

09:45

Adrian Sargent: CDFIs and credit unions are established—they are in place. The allocation of funding could be done from Scotland. Dormant assets are given to Fair4All Finance, and there are dormant assets that are allocated to Holyrood, as well. Holyrood could look at how those dormant assets are being used and decide to allocate some of them to a version of the England-based Fair4All Finance, which it could set up. There is no legislative requirement to change arrangements around credit unions or CDFIs to enable that to happen. There are lots of things that could be changed to help credit unions and CDFIs do more but, again, as you say, a lot of that is reserved to Westminster and involves the Financial Conduct Authority, the Prudential Regulation Authority, the Bank of England, the Treasury and His Majesty’s Revenue and Customs.

Michelle Thomson: On that point, that would probably be subject to a similar risk assessment or consideration of capacity and capability as well.

Adrian Sargent: I am aware that, in the past—perhaps 20 years ago; certainly long before my time in the credit union sector—public money was given to credit unions. If money is given, it needs to be focused and well controlled. I think that the UK Government invested tens of millions to set up the infrastructure and nothing came of it. I was not involved in the detail but there was a lot of talking and nothing was delivered.

Michelle Thomson: If you have a fixed budget and limited capacity for borrowing, it is—

Adrian Sargent: It is really important to make sure that any money that is given is not spent in a talking shop where a lot of people get together and say, “We should do this, we should do that.” It has to be action-oriented and it has to deliver.

Michelle Thomson: Morven Taylor, I am aware you have not had a chance to come in yet. Would you like to come in on this, briefly? I sense that I have already overrun my time.

Morven Taylor (Communities Housing Trust): We deal with a lot of different community groups that either are community landowners at the moment or aspire to take on affordable housing projects. That work has been enabled through the rural and islands housing fund, but the issue with finance is that community groups have to take out private finance on every project. Securing finance from lenders has been more and more challenging over the past few years, and there have also been issues with the interest rates that they have to deal with. If there is any way of offering more of a fair process and more readily available finance for the growing community-led sector, that would be really good. A lot of the communities that we work with have multiple assets that they already own.

The other thing that I want to mention is that, although communities can get community asset transfers through local authorities and other bodies, the process for preparing business plans and getting all the evidence together beforehand can be quite onerous, and people often find that the cost of the necessary renovations and so on means that the project is not viable. A lot of time and effort is put into all of those initiatives, mostly by volunteers.

Finally, I want to mention the development officers who are in a lot of those communities. They work extremely hard and their job might be a part-time one that is funded from year to year. It is really important to have some consistency around the ways in which we ensure that people in the communities can help deliver the projects.

Michelle Thomson: Thank you very much.

Gordon MacDonald (Edinburgh Pentlands) (SNP): Good morning. I want to come back to Adrian Sargent for a point of clarification on the finance question. When we were in Alloa a month or so back, one of the credit unions told us that it had substantial deposits but was unable to lend to SMEs, community groups, third-sector organisations and social enterprises because of restrictions. However, I had a look online and found a legislative reform order, introduced by an amendment to the Credit Unions Act 1979, that allows credit unions to lend to those organisations. When you said that there is a need to build the skill set, who is delivering that in the sector? The legislation that I found was passed 14 years ago. Who is trying to build the skill set so that credit unions are aware that, for example, they can lend to SMEs, third-sector organisations and so on?

Adrian Sargent: I have been in the credit union sector for about four years, so I am relatively new—a lot of my colleagues across the sector have been in place for decades. I am not aware of any substantial lending to SMEs or third sector bodies. Most of the lending involves retail and individuals.

When I was talking about the skill sets, I meant the skills that are involved in building a team, putting in place a recording system and fulfilling all the various requirements.

We all need to do the right thing—regulation would not be required if everyone did the right thing. However, the Financial Conduct Authority and the PRA require credit unions to do a certain set of things, all of which take time, effort and money. The lending of the individual credit unions is largely, therefore, individual-based rather than business-based. Lending to a business requires a different skill set. I am not aware of any legal or regulatory restrictions in that regard, apart from the requirement to have the right team and the right system. The regulators will say that you cannot get involved with that business if you do not have in place the right plan, people, systems and skill set, because it would constitute irresponsible lending.

It is a question of time and investment. Lending to SMEs and the like is perhaps seen as being a bit more complex and risky. A number of the new start-up banks across the UK are focused on the SME sector, because they see that as an opportunity—the area is underserved, as we heard earlier—but getting involved in that area takes up a lot of bandwidth, and the skill set to do that needs to be built up.

Gordon MacDonald: The only cap that I am aware of is that you cannot make commercial-type loans of more than 10 per cent of the total assets of the credit union.

Adrian Sargent: Yes. There are limitations on the amount of a loan that can be made to any individual or entity. However, it is not a specific restriction for credit unions; what is called a large exposure restriction applies to all deposit takers in the UK, as standard. The larger the credit union, the more that it can lend to an individual entity, but it has to carry out a risk assessment in relation to the amount that it is lending and whether it can cope if the debt goes bad. If our borrowers do not give us back the money that we expect to receive, we have a problem. We always expect that a number will not give us the money back, but if more than we expect do not give us the money back, we have a problem.

Gordon MacDonald: So, in order to open up that financial stream to community wealth building, we have to deal with two things: that the sector is risk averse; and that it lacks skills.

Adrian Sargent: Correct.

Gordon MacDonald: Thanks very much.

Jamie Halcro Johnston (Highlands and Islands) (Con): Good morning. I will direct this question to Morven Taylor first, because it is about funding, but particularly in relation to housing. Other witnesses may want to come in more generally.

We have talked about criteria. Morven, I think that you mentioned the rural and island housing fund, prior to which we had the rural housing fund and the islands housing fund. One of the issues with those funds was that the criteria were so difficult to meet that they were not taken up and the funding was not fully utilised. We would welcome comments on the need to make sure that the criteria are right so that the funding can be used.

Consistency of funding was raised with me as an issue recently—in fact, it has been raised time and time again. A few years ago, a huge amount of money was taken out of the housing budget and then put back in. Last week, the Scottish Federation of Housing Associations said that there is an issue of consistency and of confidence for those applying for and looking to take advantage of funding.

What are your comments on that? How important are the criteria and having consistency of funding, particularly in the work that you do? Other witnesses can come in after you have responded.

Morven Taylor: You are absolutely right that consistency is very important. We are really pleased that the end date for the rural and islands housing fund has been extended to March 2028, but there was a period of uncertainty right up until that was announced. That meant that we could not meet community groups in connection with the pipeline of projects and say, “We can support you to develop your project at this time”, because we did not know that the funding would still be there. That created uncertainty, but now there is an opportunity to give the construction industry more certainty if it knows that a strong pipeline of projects is coming.

On the criteria, I understand many of the reasons for the way that the applications are assessed—obviously, it involves the use of public money and the process has to be fair. However, the small community groups that apply for funding are perhaps treated similarly to larger organisations that might have lots of assets behind them, which often is not the case for small groups. The amount of private finance that they can borrow is limited in comparison with larger organisations, for example.

Jamie Halcro Johnston: In your sector, do you see projects being delayed, if not lost, because of funding issues?

Morven Taylor: Yes. It is challenging to get to the point where a project can actually make an application to the main rural housing fund. Community groups themselves have to find quite a lot of money at an early stage. That is a barrier that slows the process down at the moment.

Jamie Halcro Johnston: That is something that we need to address. Thank you.

Matt Pearce: Consistency of funding comes up regularly with development trusts, some of which are involved in housing, and in rural housing developments in particular. The perennial problem is that if a development officer in an area is working on a housing project or whatever, and they spend 60 per cent of their time trying to fund that themselves, the community is not getting that benefit. Funding is very piecemeal and it is year to year. Consistency of funding is a massive issue. Longer-term, consistent funding—with appropriate monitoring, given that it is public money—is really key.

I jump back to legislative changes. In the DTAS submission, we suggest a number of legislative changes in relation to funding. One of them relates to housing co-ops in particular, which are a good way of getting people into affordable high-quality housing. I am thinking of student bodies in particular. Tax relief such as the additional dwelling supplement, for example, can make a huge difference to the ability of those entities to purchase properties. That is a legislative change that I believe could be within the gift of the Scottish Parliament.

The Convener: Thank you. I will now bring in Murdo Fraser.

Murdo Fraser: Good morning. I want to broaden the discussion out a little and look at other aspects. The committee has heard a lot of evidence about the value of community wealth building and the opportunities that it provides. Some of that have been discussed already, but the purpose of this session is to scrutinise the bill. One of the questions that we have to ask is whether the bill does enough or whether there are things that are not currently in it that should be.

I will start with Stacey Dingwall, because the FSB’s submission talks a lot about the opportunities for using procurement spend to support local businesses. What would you like to see in the bill that is not currently in it and would be helpful?

Stacey Dingwall: It has long been the FSB’s position that we need to set statutory targets for spend with small businesses, and the bill does not make provision for that as it currently stands. With the legislation coming up, we commissioned some research from the Centre for Local Economic Strategies, which carried out an exercise for the FSB in 2012 looking at some of the issues around the proportion of spend with small and micro businesses. We wanted to repeat part of that exercise to go beyond the headline figures of reported procurement spend with small businesses.

10:00

We want to set a target, but I do not have any idea what that target should be. I do not want to say that there should be a target of spending 75 per cent with small businesses because, as we know, that would not be realistic. Local authorities have to contract with energy providers and insurance companies, for example, for things that small businesses will not be able to provide. There is no point setting a target that is not feasible. We wanted to take a more evidence-based approach to setting a target and get a better understanding of where things are at now.

The Improvement Service provided some data on annual spend with small businesses—I have included a graph on that in our submission. You can see that spend varies quite a lot between years, as a result of some of the issues that I raised about local authorities' different needs. From 2010-2011, which was the baseline year, to now, the overall spend has increased by only 3 per cent, which in my opinion is quite a small increase over a 15-year period. We asked CLES to do a deeper dive to look at the total contract spend and the total spend with small businesses, and we found that there is no way of finding out that information across Scottish local authorities. That is because although some local authorities produce annual procurement reports, those that do are not providing the same data.

The database that CLES used is provided by Tussell, which submits freedom of information requests to public bodies across the UK on things such as their procurement spend. We found that we could not use some of the local authorities that we selected as case studies for the research because, as a result of various different exemptions, they did not provide that data to Tussell, so there was no way of understanding their spend. Some do not provide data for contracts that are worth under £50,000 in value. That is a big issue for small and micro businesses, given that the smaller contracts are more likely to have gone to the smallest businesses. There are various factors that meant that we could not get a picture of what the spend is at the moment. It is therefore difficult for us to say that there should be a target because a lot of work needs to be done to get us to that point.

The bill asks local authorities to provide, either jointly or individually, community wealth building action plans, which is great. We have seen the community wealth building pilots. Clackmannanshire Council, for example, set itself a target for increasing spend with small businesses and it achieved that target—indeed, it excelled in that regard. We have therefore seen that setting targets works. Doing annual procurement reports and setting out plans to increase the local authority's spend do work, but, as I said, across Scotland the dial has moved only 3 per cent in 15 years so it is clear that we need to go further for the bill to achieve what it wants to achieve.

Someone mentioned that the bill should be given more teeth. If it says only that local authorities have to commit to producing community wealth building action plans every three years, the plans will just be another strategy or another document for local authorities to fill out. We will not see any change if the bill passes as is.

The Convener: Are you saying that there should be a duty in the bill for councils to set targets, and that there should be standardised reporting, for example? It seems that we do not know what the figures are at the moment—the picture is varied. Further, should there be a duty on councils to provide development support for SMEs to make sure that they can win contracts? Should such duties be added to the bill? At the moment we have an action plan and guidance that says, "Maybe an action plan should have X, Y and Z". Do you think that the bill could be strengthened to include duties in relation to standardised reporting, targets and support for SMEs? Would you like to see those specified in the bill?

Stacey Dingwall: Yes, absolutely. Standardised reporting will be essential if we are to understand how much wealth has been retained in communities. Unless we address the issues that we currently have with data collection, there will be no way of seeing whether any progress has been made.

As I said, we want targets. However, given the existing gaps in knowledge, I do not think that it is possible to set those targets, and there is no point in setting a blanket target of X amount across Scotland. Local authorities are of vastly different sizes and have different communities. For example, it is inevitable that, because of the geography, Highland Council will spend a lot more with local businesses than the more urban ones spend locally.

A lot of great work is already being done to support businesses to win more contracts. The supplier development programme does a great job in connecting smaller micro businesses with potential contracts. There is also a role for membership bodies such as the FSB to support their members to get tender ready.

We would like to see more resources for areas where a lot of work is going on—particularly for Government initiatives that we know are successful, such as the supplier development programme. We want to see more support for those programmes to broaden them out.

At the end of the day, although progress is being made, when, as part of the research, we spoke to our members about the challenges that they face, they told us that the challenges have not changed over years, and the same point was made about not knowing what contracts are being made available.

Our members also said that the process is very bureaucratic. Often, very small businesses and large businesses face the same process. They have to provide the same assurances around public liability, for instance, which is just not feasible for small businesses. A lot of our members who know about the opportunities that exist say that they look at a contract, but as they are a one-man band, they just do not have the time to dedicate to the process to go for it, so they do not bother.

We have been hearing about those challenges for years. Unless we commit to actual change, I do not see how the bill will achieve its aims.

Murdo Fraser: You are saying that it would not be appropriate to amend the bill so that it includes specific targets. However, we could oblige local authorities that have drawn up action plans to set a target themselves. That might be a way around the problem.

Stacey Dingwall: It might be. I have the draft report here of the research that CLES has done for us, which will be published next month. One of the recommendations is that there should be consideration of further amendments to the Procurement Reform (Scotland) Act 2014. On the procurement reform journey that Scotland has been on, we produced a report in 2019 that looked at the progress that had been made in the five years since the 2014 act came in and found that quite a lot of progress had been made. We need to keep up that momentum now. Reform may have stalled a bit in relation to the changes that have been achieved, so we see the bill as being perhaps a catalyst for enabling some form of procurement reform.

Murdo Fraser: Okay, thanks. Let me ask the others my original question, not about procurement but about what is not in the bill that should be in it. Morven Taylor, do you have any thoughts on what more you would like to see in the bill?

Morven Taylor: Having looked at the list of organisations that are included in the bill, I noticed that some organisations, for example the Crofting Commission and Forestry and Land Scotland, seem to be missing from the bill. They are big players in managing land over the whole of the country, and I wondered whether they should be named.

The other aspect that I have been thinking about is community partnerships, which local authorities have the obligation to engage in at the moment. How would the operation and guidance fit in with the community partnerships that already exist? It might be good to have some clarity about how that might work. That point relates to guidance rather than to the bill.

Murdo Fraser: All right.

The Convener: Can I ask a question? Sorry, Murdo, we seem to be team tagging here.

That is an interesting point, Morven, because in your evidence you contrasted the ease of large private developers with the struggles that community-led housing has in accessing land. Should the bill include a duty to open procurement and land access to community-led projects? Should that be specified in the bill so as to overcome those challenges?

Morven Taylor: Yes, I think that that would be good. The Scottish Government has done a huge amount of work to improve the access of community groups to land, for example, through the Scottish land fund. The process takes quite a long time; it can take well over a year for a community to gain ownership of a piece of land, and quite often there are significant hurdles along the way, such as de-crofting or resumption. Numerous issues crop up, pretty much on most projects, before the community can actually become a landowner. Any ways that we can think of to make that process more streamlined would be good.

Murdo Fraser: I go back to Matt Pearce to answer my original question.

Matt Pearce: We have 350 members across Scotland, which is not all development trusts but it is a sizable chunk, so that is who we targeted.

To jump back to procurement—without going into it in depth because I think Stacey Dingwall covered a lot of it—I note that the same issues are felt by community development trusts and social enterprises. Some 90 per cent of our members do not fulfil public contracts, 54 per cent would like to and 3 per cent feel that they are able to negotiate. We can look at the capacity building within organisations to negotiate the tender process but, if we are talking long term, perhaps the tender process itself needs to be reconsidered—rather than spending an awful lot of capacity resource in training up organisations to learn how to use a system that is not designed for them, maybe it should happen the other way around. That was one suggestion.

I completely agree with Morven Taylor that the Crofting Commission and Forestry and Land Scotland need to be part of bill. Consideration should also be given to other changes that can be made to beef up the community the right to buy. One of your previous witnesses talked about there being quite an impressive suite of legislation and acts in Scotland about community empowerment and so forth, but it needs to be joined up with the bill for community wealth building to work. There are some seriously chunky levers—I think that "levers" was a phrase that was used here—that could be used but they need to be joined up.

The time issue, which Morven Taylor touched upon, has come through very strongly. The time and the capacity that is needed to respond to opportunities for taking ownership of land is a massive barrier.

That covers procurement, land and legislation. However, taking it right back to the fundamentals, I emphasise the word "community" in community wealth building: unless the communities and their various agencies, organisations and enterprises are involved, it ain't going to work. That is the nuts and bolts of what it comes down to. The Development Trusts Association's position is that in the bill, the onus is largely on local authorities. They are not communities. They are lots of things: sometimes they are huge, supportive partners of communities and they lead, and then we go right through the gamut to find that, in some areas, local authorities are outright obstacles to community development. There is a huge breadth of approach, but local authorities are not the communities.

The other thing that has come across very strongly is that communities need to be involved at a grass-roots level, and at the moment, the mechanisms for that are not there. The bill should work in tandem with democracy matters phase 2. If we are looking for long-term systemic change, the two need to work together so that we think about democratic institutions and involvement and that ability to devolve—let us be blunt—power and influence to a lower level so that decisions can be made.

10:15

At the moment, some community councils are exceptional in what they do, but they are not consistent enough and they are so far removed. There is such a gap between the decisions and what happens in the communities on the ground, which is what development trusts represent. Development trusts are community wealth builders and they have been doing it for a long time. It is a new name, but we have discovered that that is what we have been doing for a long time—it is called community wealth building.

There is a big gap between the communities and that next tier, which needs to be considered. We believe that some form of genuine community involvement needs to be mandated in the bill and to be evidenced, whether that is through new bodies, such as citizens panels or regular evaluation sessions with communities. It comes back to the point that communities need to be doing the thing, not having it done to them. We know that the current mechanisms at local authority level, such as community planning partnerships do not deliver that. The community is not in the community planning partnerships and there are limitations there.

It could be that some entities could be repurposed for the grander scheme of delivering community wealth building. However, that cannot happen without the communities or community development trusts. When our development trust first started, we were doing tiny little things like polishing up our war memorial and doing planters, and now we are involved in a £6.8 million local regeneration project in central Scotland. Community development trusts exist across a huge gamut, so some will be able to participate and some will not, but there needs to be a mandate for local authorities to try to show that they genuinely have involved those entities.

The Convener: Our fundamental concern is what may change in the bill. On that point, should there be a duty in the bill, for example, for anchor organisations to co-design their action plan? Should that be specified in the bill?

Matt Pearce: Yes. One of the other big pieces of feedback that we have is about the concept of community anchor organisations. For decades, we have been talking about community anchor organisations as being those organisations at the grass-roots level, and about public anchor organisations, which are what in the bill are referred to as community anchor organisations. It risks some confusion and we believe it is really important that that is made very clear. A community anchor organisation represents about 2,000 to 6,000 people on the ground, does stuff and is directly led by the community's aims and priorities, whereas at another level you have a public anchor organisation that is one step delivered but is co-producing.

That takes us into the territory where there is the danger that a local authority considers the bill as a tick-box exercise. Some councils are not like that and are being really proactive. We are lucky that we have quite a proactive council, but it is not the case across the board. If it just becomes another resource sap and something to produce, the local authorities will say, "Oh, it is another thing". If they say, "Oh, we have to engage in the community again", it will become an onerous process that no one wants to do. That needs to be considered. The guidance has to do quite heavy lifting here in relation to capacity building for those communities to be involved.

Adrian Sargent: I will be brief. The bill should include some reference to working with credit unions and CDFIs for financing initiatives. I come back to the point that Gordon MacDonald and I were discussing, which is the need for the skill set. There are things called credit union service organisations, which could provide a central body. A couple of years ago I was fortunate enough to speak on a few things to the chief executive of one of the largest credit unions in the world. There is a hub and spoke model—you can have a specialist central team that can do the credit assessment and credit unions can work off that specialist team.

In short, the bill should include a reference to working with credit unions, CDFIs and community lenders. I would emphasise credit unions because more money can be raised through their deposit taking activity and there would be less drain on the public purse for any lending or any support that was needed.

The Convener: Following that up, there have been quite a few points around procurement. Are the processes accessible enough for ethical and community-owned financial providers to compete in that area?

Adrian Sargent: It is interesting that you say that. Is there a willingness for them to compete in that area? There is a barrier to costs. Some of our costs are a bit higher than, say, mainstream banks and, therefore, it depends on how competitive we are. I will come back to what Morven Taylor said about some financing for property. I know that some more mainstream players have moved away from more specialist lending on property and, therefore, I recognise what she is saying about that market decreasing. People move away from more complex things because it takes more time, costs more money, and it is a bit riskier. They have found that they can make more money through more mainstream lending to normal individuals rather than lending to someone who is developing something on a bit of land that is a little bit remote, which might have other issues and so on.

I worry that, as we all develop, people will move to something that is safer. The areas that we are talking about are things that are a bit more risky. My organisation does not like not being able to lend to people who are riskier, but we need to balance such lending because those that are more risky and more volatile mean that we get less income and that places our organisation at risk. There is a balance to be struck in how we support that risk taking. That is true for SMEs as well—how do you support something without a great track record for someone to invest in? I hope that that has answered your question, convener.

The Convener: That is interesting. I will bring in Daniel Johnson.

Daniel Johnson: It has been a really interesting discussion. I will more or less do a series of supplementaries and pull on some of the threads that have already been discussed. I will start with Matt Pearce. Is a fair summary of what you are saying that there is a risk of there being a bit of a top-down exercise and that we need to think about how we facilitate engagement from community organisations and whether we need to compel councils to do that? Do you agree with Stacey Dingwall that if it is passed as it is, the bill will create a set of reports, but with a danger that not much will change? Is that a fair summary?

Matt Pearce: Yes, I cannot disagree with that. There are three potential unintended consequences that DTAS has noted. One is that it becomes a top-down approach, which is the antithesis of what community wealth building is. That is a real danger. If it is not done correctly and the guidance is not co-produced with the various sectors that need to be involved, there is a risk of confusion between institutional community actors. The other danger is that, without joined-up integration with other elements, such as the local governance review and the concept of inclusive and democratic businesses, there is a potential for a missed opportunity of genuine wealth sharing. Those are the three risks.

Daniel Johnson: Thank you, that is really useful clarification. Is there a missed opportunity here to fine tune some of the powerful levers, as you described them, that we already have? To give context to that, I was involved in an attempted community asset transfer that failed, largely because the public body that the community was seeking to transfer from did not disclose until the last moment that there was more than one title involved. That is, they were not candid and they certainly did not facilitate or make it easy for the community. It strikes me that if with greater degrees of candour and facilitation from public bodies to do that sort of thing, the bill could have been an opportunity to tweak, polish, amend and improve what is already there. Is that a fair observation?

Matt Pearce: Yes, you are bang on the money there. We heard from our members when we consulted them about the Community Empowerment (Scotland) Act 2015, and community asset transfer were that it is tricky, onerous, arduous and difficult. I have been in a similar situation to the one that you described where there was no empowerment and facilitating. On some occasions it can be the opposite.

A lot of local authorities are improving in that but the bill we are discussing can set a marker at a high level. It has to work on two levels. It has to set a marker to say, "Here are the aims and objectives of economic development and a set of guidance". The ultimate aim is for the local authority to produce an action plan. However, the ability, as you put it, to tighten and polish the acts, levers and legislation that is already there will go a long way to delivering that wider concept.

Daniel Johnson: That makes sense.

Stacey Dingwall, could I ask you a couple of questions? I do not know whether I need to declare an interest, but I obviously have some prejudices towards small businesses, and when I was running a small business I was a member of the Federation of Small Businesses.

I was struck by a couple of things that you said, the most important of which being the point about councils not always disclosing expenditure below £50,000. Do you know why they do not? I am guessing that most of your members, if they use Xero, Sage or QuickBooks, could detail their expenditure to very small amounts of money. Is it something that councils cannot do and, if so, do they have the right systems in place? Alternatively, is it something that they will not do?

Stacey Dingwall: I do not know what information they have; I only know the information that we have been able to access, whether that was publicly available or accessed through the research that we have commissioned clients to do. It will be in the final report, which we will share with the committee. We have information from six local authorities. There were various exemptions that meant that did not have to disclose information in response to the FOI that Tussell had submitted for its database.

Daniel Johnson: The point has been made that targets are really important and I think that that point is germane to that.

I take the view that, ultimately, community wealth building is about growing capital—financial capital and social capital—within communities that have a deficit of that. I would have thought that that would result in more people starting organisations of the sort that would like to be your members. Ultimately, I think that one of the things that you should see as a result of the bill is an increase in the number of small businesses. How did the Scottish Government engage with you to look at the mechanics of what might make that possible? Was that detailed? How much conversation has the Scottish Government had with you?

Stacey Dingwall: Tom Arthur, who was the relevant minister until last week, has been extremely generous to us with his time in listening to the concerns of our members, both through us and directly, over a number of years. We have been very clear about the need for setting targets, which I think has been taken on board, although obviously not to the point that those have been included in the bill.

Daniel Johnson: That sounds like general engagement, but I think that there is a need to really engage with the detail. I am interested in what prevents small businesses from applying for contracts, and what gets in the way of people and communities setting up businesses, which might begin as sole traders before growing into limited companies. We need to start thinking about those pipelines. Have those discussions taken place in the context of the bill? Could we go further and think about how we can bake that support into the way that government at all levels goes about its business, so that public procurement helps people to start up businesses and helps small businesses to grow?

Stacey Dingwall: We hosted a round table—not on the bill, but on community wealth building—with the minister three years ago. That was an opportunity for our members to tell the minister directly the challenges that they were facing in accessing public procurement opportunities.

Daniel Johnson: This question is for Adrian Sargent. In much of what community wealth building stands for, you can see the threads of development economics. Central to that has been a focus on building actual capital—financial capital—through looking at micro-loan systems and how they can evolve and how communities can organise. Is there sufficient focus on how capital can be built? Regulation of financial providers is obviously reserved, but the level of assistance is also a factor. Could more be done to look at how to set up credit unions or organisations that use peer financing, especially commercial peer-to-peer financing? Could the question of how to provide greater assistance to the creation of those sorts of organisations be explored further?

10:30

Adrian Sargent: Definitely. There are various organisations already out there, so there could be an analysis of what we have today and where the gap is. It comes down to skill sets, but it is also about focus. If you write something down in a bill, then put some focus on it and perhaps some metrics around it, people will go, "Well, I need to do A, B, C or D." Then the question is how.

We talk about smaller businesses and smaller community lenders. We should not forget that the large institutions and the large banks across the UK have some social elements and some social heart. We work with a number of the larger ones and try to engage with them. There could perhaps be a partnership there with some larger organisation that lend to SMEs, or example. How could they share the skills, knowledge, systems and processes and support the set-up of community-led local lenders or support the credit unions that are already there?

Daniel Johnson: I am thinking about the things that the bill could do and what you touched on there. The bill will require local authorities and other public bodies to do an additional set of consultation and produce a report. You seem to be suggesting that there is a convening power element. Should there be an obligation on local authorities, the Scottish Government and health boards to use that convening power to broker engagement, provide a forum and facilitate dialogue between community organisations, public institutions and, indeed, private sector organisations? Is that what you are suggesting?

Adrian Sargent: Yes, I think so. The question is about how to bring the parties and local authorities together to support local financial institutions and the bigger ones. We need to bring those organisations together to say, "How do we solve the problem?"

Daniel Johnson: My final question is for you, Morven Taylor, particularly because you are from the housing sector. One of my concerns about the bill is that it talks in quite broad and general terms about community wealth building, but in communities that have high levels of deprivation there is a lack of fundamental capital, particularly housing infrastructure. Unless we address that, we will struggle to build community wealth in any meaningful way. Do we need to benchmark communities' access to fundamental infrastructure of housing and transport and fundamental public services before engaging with concepts such as community wealth building?

Morven Taylor: That is an important point. A lot of the communities that we work with are very remote rural and island communities. Even before embarking on a project, they often have difficulties such as with getting materials to a location. Then there is obviously all the added costs of transportation. One thing that we looked at was having hubs, through which materials could be bulk bought and procurement could be looked at in a different way. That could help a number of small businesses tap into various on-going projects in a geographic area. Things such as that are possible.

There is quite a lot of evidence already out there from Highlands and Islands Enterprise, for example, which has looked at deprivation and geographic and economic problems in each area. There could be more engagement with that key body, which is one of the organisations that is listed in the bill.

It is a difficult question. We will not overcome those issues—those are the facts at the moment. We should have the bill, but we should also have local engagement. As Matt Pearce said, that is very important, and I think that it is one of the main things that is missing at the moment. I am not sure whether that has answered your question very well, but—

Daniel Johnson: It is very helpful. I think we should try to overcome those issues, but that is a very helpful contribution.

The Convener: I bring in Lorna Slater.

Lorna Slater: I turn to the text of the bill, at the start of which two statements of intent are set out. The first is to

"reduce economic and wealth inequality"—

I can fully get behind that—and the second is to

"support economic growth in and across Scotland".

I am interested in hearing your thoughts on how we measure economic growth, because witness after witness at our evidence sessions has told us that GDP is not a good measure of what we are trying to achieve with the bill. Is there a way of measuring or describing the economic success that we wish to achieve, other than by using GDP to measure economic growth?

Stacey Dingwall: That builds on what I have said about procurement and the tracking of it. We do not currently know how much wealth is being retained in communities across different local authority areas. I mentioned the fact that we do not know what the total spend and the total contract value are. The way in which the information is recorded at the moment means that although money could be recorded as having been spent with a Scottish company, because the company has an address in Scotland, so it counts as a Scottish company, it might simply have a registered address in Scotland but have its headquarters in England. Therefore, that wealth will leave Scotland. We need to overcome that issue if we are to be able to truly measure how much wealth is being circulated in communities.

Community wealth is not about GDP. As Daniel Johnson said, it is about having more small businesses contributing to local economies, which generates employment opportunities for local people. Small businesses in particular often provide more flexible opportunities for people who have caring responsibilities and have to work around other commitments. If we do not address the issues that I have highlighted in relation to understanding how much wealth is kept within communities, we will not be able to do more to generate community wealth.

The question about how we measure that is a good one. If we cannot measure how much wealth is kept within communities, we cannot think about alternatives to GDP that we could use to measure economic success. There is a lot of work to be done in relation to standardised reporting and understanding what we are currently recording or not recording. Once we have done that work, we can take further steps to address the issue that you raised about how we measure community wealth within communities.

Adrian Sargent: It is interesting that you mentioned GDP, which was developed in the early 20th century—in the 1930s, if I remember rightly—as a single measure of economic growth. Every economist has stuck to saying, "GDP has to grow." GDP does not have to grow; it is not necessarily a bad thing if GDP falls.

The book "Doughnut Economics", which I have read in the past, comes to mind. Perhaps that is something that the committee could look at. Off the top of my head, I cannot remember who wrote it, but I can certainly find that out. It is about community wealth building and circular flow, and how to create an environment in which that can happen. The concept of doughnut economics is less about making the economy grow by increasing GDP, sales and so on; it is more about looking at how the economy has transitioned, who has what and what the knock-on implications are for healthcare, for example. If we create a community that is self-sufficient, will people have fewer health issues because they are happier and more resilient? We all know that people who struggle with finance have health issues, because it creates stress in their lives.

I would encourage people not to focus on GDP. A singular measure does not measure everything.

Matt Pearce: No, it does not. DTAS would argue very strongly that we need to adopt a broader definition of wealth, and if we are to measure growth according to that broader definition, we need to have a new set of methodologies for doing so. We say on the front page of our return that we think that a broader definition of wealth should include social, cultural and ecological wealth, and ecological capital. That is particularly important in relation to the aspiration of creating a wellbeing economy. A lot of work has been done on how, for example, community inclusion and the health impacts of local enterprise can be measured. The Yunus centre at Glasgow Caledonian University has done a lot of work on that.

There are accepted wellbeing methodologies that most development trusts use. Development trusts are already working in that sphere. Unfortunately, they work in areas where there has been an element of market failure or where things are not being delivered. They are sometimes involved in mopping up in areas that statutory services are no longer able to reach as a result of restrictions. There are many different ways in which wellbeing, community inclusion and isolation factors could be measured. If community wealth building is to work, using a limited definition of wealth, and using GDP as a simplistic way of measuring it, will not cut it.

Lorna Slater: Morven, do you have anything to add?

Morven Taylor: I agree with Matt Pearce. I have nothing to add.

Lorna Slater: My second question builds on an issue that Matt Pearce has already spoken about—that of who else should be on the list of organisations that should be around the table. I am interested to hear everyone's thoughts on that. In particular, I am interested in why some people need to be around the table.

During our evidence sessions, we have been told that some people need to be at the table because they own the assets—they own chunks of land—or because they have significant procurement powers. That is the case with the national health service, for example.

Matt, could you give an overview on why certain organisations need to be around the table? After that, I would love to hear from everyone on whether we have the right people on those lists and who else should be on those lists.

Matt Pearce: Broadly, the economic development bodies need to be at the table. I could not agree more, as they are pre-eminently—I think that that is the word that was used—important. Likewise, public sector organisations need to be at the table, because there are involved in a huge amount of spend on procurement. The public expenditure on procurement is a massive untapped economic lever for change. Similarly, the bodies that own huge amounts of land and resources need to be involved. Those are referred to as the big players.

However, I come back to the fundamental point that we are talking about community wealth building. It is all very well having those big players at the table, but the communities need to be represented, too. I do not mean that in a fluffy way—I am not talking about having only a token representative of communities at the table. Many communities across Scotland are well organised because they have had to be, because they need to respond to market failure, as I have said.

That was evidenced during Covid, when local authorities were a little slow off the mark in some places, but community organisations such as community development trusts moved very quickly. They were able to do that because they knew what the community needed. In order to be a development trust, it is necessary to be democratic, community led and place based, and to have action plans with priorities that are based on local consultation. That is the definition of what community wealth building is based on. That information can be obtained only at a community level. There is no getting around that. All the big players can be at the table, but if well-organised, articulate and capable community organisations are not there, it will not matter, because that process will not deliver community wealth.

Lorna Slater: Does anyone else have a view on who should be around the table?

Stacey Dingwall: The only example that crosses my mind is that of housing associations. I declare an interest: I previously worked for the Scottish Federation of Housing Associations. Housing associations are huge community anchors. Although they are rightly no longer classified as public bodies, they are huge players from the point of view of the work that they do in organising communities and the support that they provide. On top of that, they are huge procurers. Housing associations are the only example that I can think of that might need to be added.

10:45

Adrian Sargent: Credit unions and CDFIs are key. I come back to the point about ability and capability, but I think that if those organisations were engaged, that would provide a stimulus for development.

Lorna Slater: On that point, we have heard from other witnesses that the financial pillar is often the most difficult of the community wealth building pillars to address. Is there anything that the Scottish Government should do, or that should be included in the bill, to increase the capacity of such financial players to be involved?

Adrian Sargent: That comes back to the issue of support. Perhaps there could be a project or initiative to look at what is currently there and what is lacking, and a plan could be developed to fill that gap. That could include the local community lenders, such as credit unions and CDFIs, and perhaps also some of the mainstream banks. I am sure that NatWest, the Royal Bank of Scotland and the Bank of Scotland have the capability to add some weight.

Matt Pearce: I would like to reiterate a point about the democratic finance potential. There is a real need for continued support for the agencies that support communities with democratic finance. From a bottom-up perspective, that is really important.

Lorna Slater: Thank you. Morven, do you have anything to add?

Morven Taylor: No, thank you.

Willie Coffey (Kilmarnock and Irvine Valley) (SNP): Good morning. This is a very interesting discussion. I am looking at the bill, which is in front of me. It is only 12 pages long and it is fairly simple and straightforward, in my view. It requires local authorities and public bodies to prepare community wealth building action plans and then get on with it. We know that a number of local authorities are doing that at the moment and the committee members have seen some great work in North Ayrshire and places like that. My query is: how do we get you guys to that table? Do you wish to be at that table, involved with local community organisations?

There is some fantastic stuff going on and, from what I am hearing this morning, that could be enhanced and improved by your participation. How do you see yourselves, as organisations, getting in there to assist, for example, the community groups that we met in North Ayrshire last week? How do you see yourselves adding to your role and assisting those communities with the work that they are trying to do?

Adrian Sargent: I will just reference some of the things that I have said already. Speaking for Castle Community Bank, we need the bandwidth and the resource to do that, but having a focus and being engaged and shown the opportunity, we can reallocate resources or potentially apply for additional resources to try to help us do that. I look across the broader Scottish credit union landscape and then I come back to the questions of how we develop the knowledge and expertise to assist and how we get invited to the table—that is your point. How do we know that there is a need? How do we know that there are lots of small businesses that need loans?

I recognise what Stacey said earlier about credit cards and loans. We lend to individuals. Although we are lending to them in a personal capacity, a lot of those individuals may be supplementing their small business through a personal loan. That cross-funding is a little invisible to some extent.

Willie Coffey: Community wealth building is driven largely by really good community enthusiasts coming forward and excellent council officials who are making it work. How do they reach out and get help from the likes of your organisations to participate in and contribute to that? Stacey, your views would be welcome.

Stacey Dingwall: That work is already happening. As you mentioned, there are some great council officials. I think about the engagement that we have had with local authorities—Fife and Clackmannanshire are doing amazing work.

I have colleagues who work on the ground in those local authority areas and the local authorities are at the table, which is great to see. They are working with the local community. It is not just colleagues who work for FSB; it is also the businesses and the community. We always say that when someone says “business” they think of some enterprise, but a business is quite often just one person. Quite a large proportion of our members are sole traders, so they are the community. They are not just a business operating in the community; they are a member of the community.

That is what we want to see more of and why we are pushing for the bill to have more teeth to enable us to go further. Some great work is going on; let us build on it.

Willie Coffey: Matt, how do we get you involved?

Matt Pearce: I was going to use the dental analogy too. The bill could perhaps be given extra teeth and have them sharpened slightly, but it comes back to the fact that the guidance will be key—absolutely critical. I think that the Development Trusts Association has made it very clear that it would be more than willing to be involved in supporting the development of that guidance because it has the ability to canvass 350 active community organisations that are involved in enterprise and in community and wealth building. That would go some way towards involvement.

It will look different in different areas across Scotland: rural, urban, big communities, small communities and whatever. As you say, tapping into the knowledge that the good ‘uns already have—the people who are doing it—will be key. It is about ensuring that there is a way of mandating that that does not just get lost in the guidance, but happens on the ground. Local community organisations must be included and not just tokenistically. It comes back to the fact that this needs to be indicative of a fundamental change in approach for local authorities rather than just, “This is something else that we have to produce and involve the community in.” I think that that will be a long-term process, but it does not mean that it should not happen alongside some of the other tweaking of levers.

Stacey Dingwall: As part of our research, we ran a focus group with some local authorities and all of those we spoke to mentioned the influence of community wealth building on their procurement activity. One said that having the bill coming through the Parliament was an enabling factor in bringing more staff on board with progressive procurement activity.

A key thing about the bill is that we cannot just hand it over to local authorities and expect them to implement it with the resource that they currently have. There has to be something in the bill to make sure that local authorities are resourced to be able to deliver it. If we want to do more, it will need more resource. We are encouraged that local authorities are already taking that approach; we just want to make sure that they are resourced to be able to deliver if the bill passes.

Matt Pearce: The lack of resource, of both local authorities and community organisations, has the potential to make the whole process feel like another drain—another squeeze on an already tight budget. That is why, coming back to the bigger picture, we need to redefine the wealth and the benefits that the entities involved can deliver. In the longer term, the more people you can keep away from statutory services, the more money you will save. That is putting it very simplistically.

Willie Coffey: Morven, could we hear from you? How do we make sure that an organisation like yours can participate in this and do some of the good work that we know is going on in a limited number of authorities? How do we make sure that the good news is spread to other parts of Scotland and how we can evangelise, in a sense, about some of the good work that is going on? How do you see us achieving that? How do you get to the table, right across Scotland?

Morven Taylor: I suppose that we see ourselves almost as facilitators. In projects, we are often the link between the community group with its aspirations or need for a project to happen and other organisations such as the NHS or the local authority. We bring the parties together to try to overcome any issues and to make sure we have a way forward for the project. We would certainly be keen to be involved in the future of the bill and how it evolves because it is vital for all the communities that we work with.

Getting good case studies out there at the appropriate time is vital. Sharing how other people have done it and the pitfalls and the learning from each project is the thing, because there is a lot that can go wrong in community-led development. The people on the panel have talked about the risks: there could be financial, operational or resource issues, or changes of staff or board members. All of those things can influence the success or not of a project. On-the-ground experience is vital and the community voice is vital to the bill.

Willie Coffey: It is really good to hear that you are keen to be involved to a greater degree than perhaps you are at the moment. It is very encouraging. Thanks very much to everybody.

The Convener: You will be pleased to know that that brings us to the end of our evidence session. I thank our witnesses very much. It has been a fascinating discussion and, more significantly, it has been really helpful in our consideration of the bill. Thank you so much indeed for your input.

I suspend the meeting for a changeover of witnesses.

10:56

Meeting suspended.

11:01

On resuming—

The Convener: I welcome everyone to our second evidence session this morning on the Community Wealth Building (Scotland) Bill. I welcome our panel: Councillor Gail Macgregor, environment and economy spokesperson, and Calum Lindsay, policy manager, environment and economy, from the Convention of Scottish Local Authorities.

I once again make an appeal—which I will fail miserably on—to ask members and witnesses to keep their questions and answers as concise as possible. To kick off our questions, I call the deputy convener.

Michelle Thomson: Good morning—I thank the witnesses for joining us. We had quite a protracted discussion with the earlier panel on the financing needed to enable the good work and good outcomes that we want to see arising from the bill. I am aware that many of the ideas that have been discussed are reserved, and I am also aware that the Scottish Government has a fixed budget. That affects not only what we choose to spend the money on but the way in which we spend it and our appetite for risk.

I am interested in your views on the extent to which funding mechanisms have been considered—even by yourselves—and where you see the opportunities within the limitations that I have set out. Gail Macgregor, do you want to go first?

Councillor Gail Macgregor (Convention of Scottish Local Authorities): Calum Lindsay is here to prop me up on the detail, because the bill is a technical one.

I do not need to tell you about the issues with local government and funding, and we have concerns about resource with the bill. Certainly, within local authorities there will be huge pressure on the resources we need to deliver on the bill. There is estimated to be a £4.4 million cost to local councils in implementing the bill, which we need to be assured will be sufficiently funded.

On individual examples, we may need to get some evidence from the Improvement Service and SLAED—the Scottish local authorities economic development group—which we can feed into the committee, but, along with skills and people on the ground, I think that resourcing will be one of the biggest challenges.

Calum Lindsay (Convention of Scottish Local Authorities): There has been some consideration given, and we have done some work with Scottish Government to produce the financial memorandum. The reality is that there will be 32 different answers to the question, depending on how invested a given local authority is in community wealth building so far, the mechanisms it is using and how far it has decided to embed it in its approaches. Alternatively, it may have decided that it is not an approach it wants to take, and those are the local authorities for which the bill will potentially have the biggest impact on resourcing.

Michelle Thomson: What further consideration—within the guidance of the bill—do you think would be helpful to push the 32 different local authorities into giving active consideration of community wealth building? Do you think more guidance is needed—or more of a stick perhaps?

Calum Lindsay: We will probably come back to the guidance a few times today. It is a common theme throughout the bill that the guidance will have to pick up a lot of aspects.

On funding, we would not welcome any sticks to local government financing and we do not support duties that are not funded. However, we can see the benefits that a duty could deliver for mainstreaming the community wealth building approach. The issue comes down to what the aim is of the bill. Is it to ensure that every community in Scotland is covered by a community wealth building action plan, or is it to mainstream community wealth building as an economic delivery model? If the ambition is to mainstream it, there has to be some resource accompanying the duty. Otherwise, it is unlikely to lead to a culture shift in all areas.

Michelle Thomson: This is a very general question, and there will be lots of different answers across the 32 local councils. In general terms, given the chronic power restrictions on financing, how much of an entrepreneurial bent do you think councils have? To derive answers in community wealth building, we will need people to think creatively because of the complexity and challenges. What is your general sense of that—by appetite, capacity and capability?

Councillor Macgregor: I chair the Business Gateway board nationally, and Business Gateway is doing a lot of work on the entrepreneurial approach. We will have to have discussions in that board on where we can provide better support. The issue goes back to capacity within councils and skills. The board works across 32 local authorities, so it is a good starting point.

On the point about duty and imposition, we have always challenged the Government to give us more of an organic approach. That would still be the view of the COSLA environment and economy board, but the duty will undoubtedly press the local authorities that are not as far down the road with community wealth building to catch up—and that is where the resource implications will be fairly stark.

Certainly in the Business Gateway space and working with the chambers of commerce, the Federation of Small Businesses and all the other partners that we have, we can get a creative approach.

Michelle Thomson: Do you have anything to add, Calum?

Calum Lindsay: No.

The Convener: I have a follow-up question. Is COSLA happy with the financial memorandum? Is that £4.4 million accurate? What is COSLA's ask for resource?

Calum Lindsay: We are broadly happy with the financial memorandum. That is a roughly accurate figure, but we urge caution about using it as a headline figure, because a lot of the work that is costed will already be happening in some local authorities. It is a question of trying to capture what the amount will be for each individual local authority. Certainly none of our members has come to us saying, "That is a gross underestimation". Equally, I feel that the councils that are not as invested in community wealth building are less likely to have examined it in such detail.

We have not firmed up a position on a clear ask of the Scottish Government on funding for the duty yet, but it is something we would like to discuss further, to see how the bill could work on the ground, as the legislative process progresses.

The Convener: Kevin Stewart wishes to come in with a supplementary question.

Kevin Stewart (Aberdeen Central) (SNP): I am interested in Mr Lindsay's comment that there has to be resource to lead to a culture shift. Do we have to throw money at things to get changes in culture?

Calum Lindsay: No, I do not believe so. By resource, I do not necessarily mean just money. The skills resource is very important, as are the sheer staffing numbers that can be dedicated towards the work. The investment could be most valuable in risk averse local authorities struggling with their finances who are put off the culture of investing in community wealth building, but it is not to say that resource is simply cash.

Kevin Stewart: Are there a lot of risk averse local authorities, Mr Lindsay?

Councillor Macgregor: I will answer that as it is quite a political question. By nature, directors of finance are fairly risk averse. We have to take a prudent approach of managing our budgets within local government. With a small pot of money, we have to be very careful where it is spent.

I will pick up on the point about resource. Local authorities are struggling—and we are aware of this across the piece—with what we call our enabling services: our planning, building control and building standards services. All the services that will help to enable the bill are the areas in local government that have been cut over the years. To deliver on the bill, it will be important to get the capacity back into the areas where we can enable growth.

Kevin Stewart: I recognise that directors of finance are often risk averse, having been a local authority member myself. Are elected members too risk averse when it comes to driving forward changes? Has there been any move by COSLA to export the best practice happening in certain local authorities to all local authorities, so that they recognise that investing in community wealth building is not only good for communities but can also save money and drive forward the economy of their places?

Councillor Macgregor: I do not think that elected members are particularly risk averse. If there is a good idea, we will take a risk to deliver it but, as I say, we have to be prudent.

Local government is very good at using its benchmarking framework and reaching across to other authorities within family groups to see best practice. That is what we need to be encouraging. We do that through the board, because obviously the board brings together 32 members from 32 councils four times a year, and the benchmarking is vital. We need to look across authorities, see where there is good practice and where it is working, and see whether that can be replicated. As you know, how something is delivered in an urban area will be completely different to rural or remote rural areas, so it is a question of working within the family groups to ensure that the model being put in place will work for the authority in question.

Kevin Stewart: Thank you. It would be interesting for the committee to get an idea of how

COSLA has helped export or communicate the best practice that is already going on.

Murdo Fraser: Good morning. A few weeks ago, Clackmannanshire Council told us about some of the work that it is doing in this area, and I am aware that different councils will be at different stages with all of this. We have also heard from many witnesses about the value of community wealth building and a lot of what the bill aims to achieve. However, this committee has to look at the bill that is before us and what difference it will make.

What difference does COSLA think that the bill will make? To an extent, you have already answered that in your responses to Michelle Thomson's questions, but do you think that there are things that need to go into the bill to strengthen it, or is it your view that the less interference from Scottish Government the better, and therefore you are quite happy with it as it is?

Councillor Macgregor: That is a good question. Calum Lindsay can respond to that, as he has been having the conversations with Government.

Calum Lindsay: We have already touched on that issue. We think that the bill lays some good groundwork to build on, but the guidance will be key in what happens next. One of the big things that the guidance could help with is creating a bit of cohesion around what is now quite a fragmented policy landscape. There are lots of pieces of work that might not necessarily be badged as community wealth building within local authorities but are picked up in relation to other areas, and there is a need to bring about a more holistic policy approach, as areas such as land use, fair work, planning and housing all have an interest in the community wealth building space, too.

The other area that I feel duty bound to report back on for our members is procurement. I should say that—as we made clear in our written response to the call for views—we do not have in-house expertise around procurement, but we hear time and again from our members that that is one of the big barriers at the moment, and is therefore one of the levers that could unlock a lot more local growth through providing local businesses with pathways into local procurement.

11:15

Murdo Fraser: Let me follow that up. I do not know whether you heard the previous panel, but the FSB is very exercised by the procurement issue, and said that it wants the bill to be strengthened, not to specify targets but to put an obligation on local councils to set targets to increase the amount of spend that goes to local businesses or small businesses. What is your view on that?

Calum Lindsay: I think that that is worth exploring further. We have not had an opportunity to discuss it, and we have not engaged with the FSB on it, but we would definitely be interested in looking at the mechanisms for that, because, ultimately, that is where a lot of the benefit of community wealth building can be achieved. It would have to be achieved in a way that did not disadvantage local authorities or put them in a position where the approach did not work in the interests of their broader outcomes.

Councillor Macgregor: COSLA and the individual local authorities have a long-held view that the procurement thresholds can be challenging for local authorities. That needs to be investigated further, so we would welcome discussions in that space. Certainly, the current thresholds make it hard for local authorities to prioritise local businesses, which is something that we are all trying to do through our procurement mechanisms, such as Scotland Excel. We all want to support local businesses and use them as best we can, so I am sure that councils would welcome anything that could be done to break down contracts into smaller chunks that are more appealing for a small local business to tender for.

Murdo Fraser: I have one more question, which I have asked other witness panels. Is there anything that is not in the bill that you want added to it?

Calum Lindsay: I do not think that there is anything that we feel has been missed.

Murdo Fraser: Let me turn the question on its head: is there anything in the bill that you would like to see taken out?

Councillor Macgregor: We do not have consensus on the duty to promote community wealth building. Some authorities are fairly comfortable with the duty, but others are not. I suppose that it goes back to the question around the top-down approach. From our perspective, local first would absolutely be our preference. We would like the bill to ensure that localism is maintained, whether through councils, third-sector partners, the national health service or whatever. That local-first approach would be absolutely pivotal for us, so we would like there not to be too much of a top-down approach.

The Convener: I will pick up on one of those points, Gail Macgregor, you noted the concerns around procurement thresholds. Is that something that COSLA feels that the bill could try to tackle by ensuring greater flexibility or perhaps just mandating economic impact considerations with regard to procurement? Would that strengthen your ability to support SMEs more in local areas?

Do you see the bill as an opportunity to amend some of that stuff on procurement?

Councillor Macgregor: I would certainly say so, yes. In those conversations with the FSB and other partners, there should be an attempt to create something that would be workable.

The Convener: Murdo Fraser touched on what the FSB had said around targets. It also said that it would support standardised reporting across councils on procurement spend, particularly with regard to SMEs. I do not know whether COSLA has discussed that and if you have a position on it. Certainly, having that standardised reporting would allow us to look across the country at what the actual spend is.

Councillor Macgregor: It is not something that we have a position on at the moment. As I say, our principle is local first, and local councils determine how they operate that approach. As you will know, having been a councillor, local government has pretty standardised reporting mechanisms anyway, but I do not think that councils would welcome an additional layer over and above what they are doing. Certainly my council reports regularly on procurement spend, within commercial confidentiality limits, through our enabling customer services committee. Councils are good at showing what is going into the local economy through their normal reporting mechanisms, so I am not sure that a standardised reporting mechanism would be necessary. I think that they are probably doing it anyway.

Daniel Johnson: Picking up on that, earlier the representative of the FSB on our first panel of witnesses said that the reporting mechanisms that many councils use, which involve not specifying spend below a certain threshold, such as £50,000, mean that we do not get clarity on what is being spent among SMEs and local businesses. I can understand where that approach came from, but, in 2025, most of the SMEs will be using software that would allow them to track such spending, so it strikes me as odd that councils cannot do that.

Councillor Macgregor: That is an interesting point. I do not have an answer for that, I am afraid.

Daniel Johnson: Is it something you could look at?

Councillor Macgregor: Yes.

Daniel Johnson: Good enterprise resource planning software should enable you to see the granular detail of what you are spending on businesses in which postcode areas, and that would allow you to aggregate and report spending on SMEs. That would probably do more than anything else to address the issue.

I have a blunt question. I am concerned about something that we have heard from the previous witnesses today and in previous meetings. What I have heard from you this morning is that the bill might require you to do an awful lot more consultation and produce more reports, but that it might not have any net effect. Is that something that you are concerned about?

Councillor Macgregor: As we have already pointed out, there are councils that are already doing what is being called for, and doing it well. I think that the bill is trying to encourage all councils to do it, and do it well. However, as I said earlier, if you do not have the resources, you cannot catch up at the same speed as others that do. I think that the position will be challenging. The intention is absolutely right, but resource will be pivotal.

Daniel Johnson: The previous witnesses alluded to things that perhaps should be included in the bill, such as initial facilitation that makes it easier for small businesses and community organisations to engage, processes to engage community organisations at the start of a process and standardised reporting. Those things might make a difference. Does COSLA think that the inclusion of those issues might strengthen the bill? Right now, local authorities are required to do some additional consultation and produce a report—there is no additional activity, duties or obligations. My concern is that, without exploring some of those additional possibilities, nothing much will change in some areas.

Councillor Macgregor: Possibly. We have talked about procurement and promoting employment, diversification, entrepreneurialism and supporting local businesses. Those elements form the basis of the bill but, to cite Dumfries and Galloway again, we run “meet the buyer” events across the region, which involve businesses coming in, looking at what is coming up in the contract system and being introduced to others. There is already some really good practice on the ground, without legislation. The question is, what is the bill going to bring in that a lot of authorities are not already doing?

Daniel Johnson: That is exactly my question.

Councillor Macgregor: Yes, and the ones that are not doing that should be catching up, anyway.

Calum Lindsay: It is a good point. I think that the issue that you raise is a risk, and that is why the duty has some value to it. However, I come back to the fact that there are already authorities that are doing successful work in this area and have evidence to support their results. I do not have evidence of this to hand, but I know that North Ayrshire Council has done an awful lot of work to show the outcomes that it has produced with its approach. Rather than compelling people to take that approach, that evidence can be used to convince them to do so. We need to do a better job of presenting that case to them. I know that the Improvement Service recently set up a practitioners network for those undertaking community wealth building, which we view as a good opportunity to demonstrate the positive results that can be delivered. As Gail Macgregor said, the best results have been achieved where there has been the most investment in that approach.

Daniel Johnson: The previous witnesses touched on the fact that there are already existing levers and vehicles in this area, such as the Community Empowerment (Scotland) Act 2015 and community asset transfer, and we discussed the fact that the bill does not re-examine or tweak any of those things. Do COSLA members have any interest in how we can make the process easier, more straightforward and beneficial in the interests of community wealth building and local authorities themselves?

Calum Lindsay: The appetite varies across our membership. There are concerns from some that it is a less suitable model for them. It comes back to what I said earlier about the guidance helping to declutter some of that fragmented policy landscape, where lots of bits of the approach are being picked up already, but not under the badge of community wealth building. We need to tease out where that is already taking place in authorities that might not consider themselves invested in community wealth building at this time.

Daniel Johnson: Again, however, that is more an expression of hope regarding what might be in the guidance rather than a suggestion for something that might be specified in the bill.

Calum Lindsay: If there were opportunities to include that in the bill, that could be of value.

Daniel Johnson: Thank you. I will leave it there.

The Convener: One of the points that has been put to us is that the duty—I appreciate the point you make about the duty and the fact that there are mixed opinions on that—is not as much about trying to get local government to engage in the approach as it is about trying to get other bodies around the table. The bill will specify a list of organisations that need to be at the table. I appreciate that you have to be diplomatic, but has that been an issue for COSLA in the past, and do you welcome that?

Councillor Macgregor: It is absolutely crucial that we have those partners around the table. Again, I will cite the town centre boards that have been set up through UK Government funding. If you do not have the right people at the table, the approach will not work, but who are the right people? We need to ensure that that list has all the right people. Do we need the third sector in Dumfries and Galloway around the table; do we need the NHS? The involvement of people who should be included will be absolutely pivotal but, often, if you have too many people around the table, you do not achieve an awful lot, so it is important to have the right people there.

Calum Lindsay can talk about his engagement with those partners.

Calum Lindsay: The issue has been a challenge for some councils. I am fairly certain that Clackmannanshire Council has had some issues in that space, but it is also important that councils have flexibility. There should not be one cohesive list, as requirements will vary from place to place, particularly with regard to the anchor organisations in a locality. One of the strengths of the bill is the ability to bring different partners to the table. It will not always be the local authority that is the anchor institution in a locality, and the approach to bringing partners together needs to work for the communities involved.

Councillor Macgregor: Further to that, we are looking at whether there will be duplication of things that people are already doing. Regional economic partnerships have all the partners around the table that will help to boost the economy, improve skills and address issues around housing, transport and all the things that will make the approach work, and community planning partnership boards have all those partners around the table, too. We have forums already, and a lot of the necessary work is being done in those spaces. Therefore, I worry that there will be an element of duplication. Is this just another tier that could end up with more people sitting around the table discussing the things that we are already discussing?

The Convener: That is interesting. I should place on record a declaration of interest as a member of the town centre board that Councillor Macgregor just mentioned.

Lorna Slater has some questions.

Lorna Slater: Councillor Macgregor, I will pick up on a point that you made about Business Gateway, given that you are familiar with it. I have heard from stakeholders that Business Gateway cannot support and mainstream social enterprises, co-operatives and other more democratic business models as much as people would hope. If people are trying to start such an organisation, Business Gateway does not necessarily have the tools to support them. Is that true or is that not your experience?

Councillor Macgregor: Business Gateway has had its funding cut, so its reach is a lot more limited than before, and its digital element has been cut back a bit. Business Gateway is still very much delivering on the ground, but it is working primarily with private businesses. If there is an issue, I can take it back to the board for discussion, because I would not like to think that anybody faces any barriers. Sometimes, the issue comes down to funding, capacity and resource. I am happy to note that point.

Lorna Slater: While discussing community wealth building, we have heard a lot that community and employee-led businesses are so important for community wealth building but, when people want to start a co-operative or other such organisation, the resources to do that are not necessarily available. I would appreciate that being discussed.

I have a couple of specific questions about the bill. First, the bill provides for three years for bodies to come together and create a community wealth building action plan. From the evidence that the committee has received, a quarter of councils—eight out of the 32—are already doing something on community wealth building. I do not know what that means for the rest—whether they are doing nothing or not enough.

Three years seems like quite a long time, because it will be three years after the bill has been passed, which will be several months off. As councils have already started on that work, could we make that period more ambitious? Would it be reasonable to say two years?

Councillor Macgregor: Calum Lindsay has been having conversations about that.

11:30

Calum Lindsay: We would have to consider the impact of the local government elections in that time. Three years might sound like quite a long time, but the elections will have a significant impact on councils' ability to produce and ratify any action plan that they put together. That is my major concern about being more ambitious on how quickly that is done.

There is a lot of learning out there from councils that have already done work, which is helpful, but it will not necessarily be immediately replicable across other local authorities. There is nothing to stop a local authority having a more ambitious period than three years but, in the interests of doing this right and giving space for a new administration to come in, three years sounds about right for the timing.

Councillor Macgregor: The situation with local development plans is similar. Local authorities are all at different levels—some are on target, some are behind target and some are well behind target.

We come back to the issue of people in authorities having the capacity to work on community wealth building plans when they are already doing a huge amount of work on local development plans, other plans and the total council plan. That comes back to the resource to have an individual in an economic development department who can progress such work. Three years is probably the optimum period.

Lorna Slater: That is brilliant—thank you. My second question is about the intentions behind the bill and how we measure success. Right up front, the bill says that its intention is to

"reduce economic and wealth inequality ... and ... support economic growth".

In various evidence sessions, we have heard how we might measure economic growth or success. If economic growth is measured simply by GDP, that does not necessarily measure the things that we are trying to achieve with community wealth building, such as quality of life, crisis management and the human connection piece that we know is so important but is not necessarily captured in GDP.

How do councils and COSLA measure economic success? Do you have standard metrics? Is there something that you look at? How would you decide whether the bill was working in your areas?

Councillor Macgregor: I will turn to Calum Lindsay for more technical stuff, but I think that you will see 32 different models. An awful lot of that is about what is perceived as economic benefit, as you said—whether that means volunteering hours, money being spent in the community or activity or wellbeing levels—and that will be measured in different ways across authorities and reported through their committee processes as such.

In Dumfries and Galloway, we look at the benefit that our event strategies bring in a year, and that is not just a monetary question. We ask whether events have enriched the lives of people in the community and whether they have enabled people who would not normally attend events to attend them. Such measuring varies very much across authorities and depends on what they are looking to measure.

Calum Lindsay: At a national level, COSLA does not measure such things for individual councils. That is for partner organisations and the Improvement Service to look at through the local government benchmarking framework. We would be happy to provide more details on how that is undertaken, but I am afraid that I do not have that information to hand. COSLA supports the wellbeing economy approach over that of sheer growth and GDP.

Willie Coffey: Good morning. I will pick up on what your submission said about the broad acceptance of whether there should be a duty under the bill. Your submission said:

> "We recognise that the aim of the duty is to extend and deepen the implementation of CWB across Scotland, which correlates to our own ambitions",

but

> "we are concerned ... by seeking to ensure universal coverage and shared principles through a duty".

If not everyone is delivering on community wealth building, how do we get broad universal coverage without a duty?

Councillor Macgregor: I am looking to Lorna Slater, because she and I had lengthy negotiations about such things in relation to the Circular Economy (Scotland) Bill. I go back to the carrot and the stick. Local government always reacts better if we can implement an approach locally. I always prefer the carrot and, through negotiation with the Government, we can usually get to a position where we are all happy and comfortable.

The key thing for the bill will be to have joint sign-up—there has to be sign-up from local government, the Scottish Government and wider partners. If we can co-create or be involved in the mechanisms that co-create the bill, local authorities will move at the pace that they can—some can move faster than others. If we get to the stage of imposing an approach, that is really difficult for those that do not have the capacity. The fear of having penalties or fines thrown at them is not terribly incentivising.

As I have said, our members have mixed views on the duty in and of itself. If there is to be a duty, it has to take a soft touch and, as long as we are communicating where delays will occur, it must be accepted that they will happen, and for good reasons. Councils are not sitting there saying, "We're not implementing this—we're not bothered". There will be reasons why they cannot meet a deadline. If there is communication between local government and the Scottish Government, delays will not be insurmountable. That is about communicating and ensuring that everybody understands what is expected.

Willie Coffey: The bill is only 12 pages long.

Councillor Macgregor: It is not the longest.

Willie Coffey: The bill simply says that local authorities shall develop a community wealth building action plan; it does not say anything about timescales, punishments, fines or anything like that.

Councillor Macgregor: No.

Willie Coffey: The bill just invites councils to develop those things and get on with it. As you said, we have seen that happening across Scotland. When we talked to local communities that are doing such work, they did not realise that it was anything to do with community wealth building, so there is a point to be made.

What is it about the universality issue that some councils are unhappy with? The bill simply requires them to develop a plan. Why are they unhappy about that?

Calum Lindsay: The concern is that that might present barriers to the ground-up approach—the very organic community-led approach that we have seen. When community wealth building is done successfully, it will look very different in different places.

For councils that have not pursued community wealth building, one of the big barriers is resource. Without any certainty about how they could resource that, they cannot see the means to implement it as effectively as those that have succeeded so far.

Willie Coffey: In the places that members have visited, it has been great to see such work going on. It is very much a case of ground-up community activists plus really good council officials working together. Everything that I have seen—perhaps other members have seen it—is ground up. There is no hierarchal diktat from the top going on at all. Local people have been keen to say that they do not want to be participating in huge, great big round tables like the community planning partnerships, where community members wait until the end of the meeting to have their say.

People tell us that their experience of the community wealth building process has been really different. With that in mind, do you think that that is a better approach? It is not enshrined in the bill, which is just about producing a plan. All the flexibilities that you seek to achieve in the ground-up nature are very much for councils and communities to get on with. Do you see it like that?

Councillor Macgregor: That is exactly how I see the approach—absolutely. I cited the example of a town board, where communities and volunteers in communities come together with economic development to do something for a town, with funding.

The regeneration capital grant funding is another brilliant example of community wealth building, because communities are bringing forward the projects, which involve investing in buildings and communities on the ground. Communities are doing all the hard work, and we are facilitating the capital investment, which trickles out to businesses everywhere, as you know. That is absolutely brilliant.

My point is that authorities are doing a lot of this anyway—some are doing more than others, and that is probably because of economic reasons. We try to spread the regeneration capital grant funding across Scotland, but that does not always happen, because decisions are based on the merits of projects.

There are lots of really good examples out there, and communities should be really proud of themselves, because they are picking up an awful lot of the weight of things that local authorities did when we had funding for that. They are stepping up to the plate.

Community asset transfers are another example of such work. In Dumfries and Galloway, we have the highest number of CATs per head of population in Scotland. It is absolutely brilliant that communities are doing that and using local tradies. Once projects are open, they provide on-going investment in their communities.

Willie Coffey: Have we lost that sense under the community planning partnership model? Did communities—perhaps you can speak best to the communities in your area—feel that they were part of a ground-up movement that could do this sort of thing? Did they feel slightly limited in their ability to achieve things for their community under that model?

Councillor Macgregor: Are you asking about community planning partnership boards specifically?

Willie Coffey: Yes.

Councillor Macgregor: I suspect that the partners that are around the table probably have too many priorities. I believe that Glasgow focuses very heavily on one priority, whereas we have 12 priorities in Dumfries and Galloway. If everything is a priority, nothing becomes a priority.

The partnership boards are effective at putting in place policies and strategies, but the implementation thereafter is the most important part. Community engagement maybe is not as solid as it could be through the boards. The other mechanisms—for CATs and other town initiatives and what have you—are probably much more from the bottom up.

Willie Coffey: So the ground-up approach is best.

Councillor Macgregor: Yes.

The Convener: I will turn to a point from your submission. On rural aspects, you said:

> "There is a view from some of our members that unintended consequences could be more likely in rural areas".

Will you expand on those concerns from some of your members?

Calum Lindsay: Some of our rural members largely feel that the approach has not been as well tested in that demographic, and there is a concern about how the anchor institution model of community wealth building will operate in practice. We are conveying the views of a minority of our members here, rather than COSLA's position, but there is a feeling that the model has been conceived more in urban and suburban settings.

Some authorities would like more space to work out how the model will work best for them and whether all five pillars are genuinely applicable to their geographies and their demographics. That gets to the nub of the issue that there are a lot of different views out there in local government, and it is not easy for us to find single cohesive positions.

The Convener: You mentioned guidance earlier. You might not answer this question today, but you could write to us. The committee's main role is to scrutinise legislation and consider what should be in or out of legislation, but there is a consensus that what the guidance says might be even more important than what the bill says. I am sure that, in our report, we will reflect on what people believe should be in the guidance.

Is there anything that you have not touched on in your submission or today that should be in the guidance? I appreciate that you might wish to come back to us in writing, but I am happy to hear any points that you want to make today.

Calum Lindsay: The main points are covered in our submission, but the opportunity to come back in writing is welcome. The organisation that could give you most detail is SLAED, which has much better hands-on experience of what is happening on the ground, what the challenges have been and what would be most useful for the most successful areas. The opportunity to provide supplementary evidence, based on our conversations with SLAED, would be welcome.

The Convener: That would be helpful.

Councillor Macgregor: As you know, guidance can be a bit difficult to interpret. One point for us is that guidance needs to be clear. For example, there is clear guidance on the mothballing policy for schools, which is hugely contentious, but that can be misinterpreted or interpreted differently across authorities. Guidance needs to be very clear about its intent; otherwise, we end up with misinterpretation, which causes problems.

The Convener: That is useful. I am sure that I will make a submission to Dumfries and Galloway Council's review of its mothballing policy in due course—

Councillor Macgregor: I have no doubt that you will.

The Convener: —but that takes us away from the subject today.

I do not see any further questions from members. Thank you very much indeed for your evidence.

Councillor Macgregor: It was my pleasure.

The Convener: Our final evidence session will be with the minister, next week, and we will compile our report after that. Thank you so much.

11:45

Meeting continued in private until 12:26.

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