



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# ECONOMY, ENERGY AND TOURISM COMMITTEE

Wednesday 26 January 2011

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**Wednesday 26 January 2011**

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**ECONOMY, ENERGY AND TOURISM COMMITTEE**

**3<sup>rd</sup> Meeting 2011, Session 3**

**CONVENER**

\*Iain Smith (North East Fife) (LD)

**DEPUTY CONVENER**

\*Rob Gibson (Highlands and Islands) (SNP)

**COMMITTEE MEMBERS**

Ms Wendy Alexander (Paisley North) (Lab)

\*Gavin Brown (Lothians) (Con)

\*Christopher Harvie (Mid Scotland and Fife) (SNP)

\*Marilyn Livingstone (Kirkcaldy) (Lab)

\*Lewis Macdonald (Aberdeen Central) (Lab)

\*Stuart McMillan (West of Scotland) (SNP)

**COMMITTEE SUBSTITUTES**

Nigel Don (North East Scotland) (SNP)

Alex Johnstone (North East Scotland) (Con)

Jeremy Purvis (Tweeddale, Ettrick and Lauderdale) (LD)

David Whitton (Strathkelvin and Bearsden) (Lab)

\*attended

**THE FOLLOWING GAVE EVIDENCE:**

Norman Kerr (Energy Action Scotland)

Elizabeth Leighton (Scottish Environment LINK)

Professor Mark Shucksmith (Newcastle University)

David Stewart (Scottish Federation of Housing Associations)

Dr Ian Wall (SURF)

**CLERK TO THE COMMITTEE**

Stephen Imrie

**LOCATION**

Committee Room 4



## Scottish Parliament

### Economy, Energy and Tourism Committee

*Wednesday 26 January 2011*

[The Convener *opened the meeting at 09:31*]

### Decision on Taking Business in Private

**The Convener (Iain Smith):** Good morning, colleagues. Before we start, I remind everyone to switch off mobile phones completely, not just switch them to silent mode, because they can still interfere with the sound system when they are in silent mode.

Welcome to the third meeting of the Economy, Energy and Tourism Committee in 2011. We have five items on today's agenda. Item 1 is to consider whether to take item 5, which is on our work programme, in private. Is that agreed?

**Members** *indicated agreement.*

## Enterprise Network Inquiry

**The Convener:** Item 2 is our inquiry into the enterprise network. Today we have a panel of witnesses who will be discussing issues in relation to regeneration from both an urban and a rural development perspective. I invite our two panelists to introduce themselves and make brief opening remarks before we go to questions.

**Professor Mark Shucksmith (Newcastle University):** I am Professor Mark Shucksmith from Newcastle University. I was at the University of Aberdeen for many years. I guess that my specialism is rural development, so I am here to help the committee with its inquiry in any way I can.

**Dr Ian Wall (SURF):** Good morning. My name is Ian Wall and I am vice-chair of SURF, Scotland's independent regeneration network. I was previously chief executive of the EDI Group, which is a very successful economic development organisation. I was also chief executive of the Craigmillar urban regeneration company. I am currently on the board of Glasgow Housing Association and a number of other relevant bodies.

**The Convener:** Thank you for coming along this morning. I will start with a question for Professor Shucksmith. Should we apply in the Scottish Enterprise area—particularly in more remote communities, such as Dumfries and Galloway and the Borders—any of the lessons that we have learned from what Highlands and Islands Enterprise does in rural development?

**Professor Shucksmith:** That question has been asked ever since I first came to Scotland in the 1980s. In those days, people were comparing the Highlands and Islands Development Board and the Scottish Development Agency. I should preface my remarks by saying that, having moved from Scotland five years ago, I am a little out of date in relation to what is happening in the southern part of Scotland. I have more knowledge of what goes on in the north as a result of the crofting inquiry that I chaired a couple of years ago.

There are lessons to be learned, not just from the Highlands and Islands but from international experience of what works in rural development, particularly studies that the Organisation for Economic Co-operation and Development has done in its rural policy reviews of different countries. Yesterday, I was at the launch of its rural policy review of England, which makes for instructive reading.

There are two really important complementary strands in pursuing rural economic development. One is the business support, infrastructure,

training and the other things that I think Scottish Enterprise does—if I am not out of date on that.

The other strand, which has always been the subject of debate, is the social side—or, if you like, the softer side—of rural economic development. As I understand it, Scottish Enterprise has not been able to do as much in that area as Highlands and Islands Enterprise, and in my written evidence I have tried to focus on that side of things as the area that is probably at issue—if I have understood the committee's interest correctly.

In the bullet points in paragraph 3 of my written evidence, I highlight the main elements in that respect:

- “• a focus on capacity building;
- local involvement which is genuinely inclusive; ”

networks and

- “• external links beyond the community”

with Government, markets and partners elsewhere;

- “• ability to build on existing skills and knowledge (human capital);

- entrepreneurship”,

which of course will be one of Scottish Enterprise's concerns; and

- “• attention to establishing partnerships.”

I am happy to discuss any of those in greater detail, but the main point is that evidence from around the world, not only in the Highlands and Islands, shows that those elements are just as important as the hard elements of economic development and that you need both in tandem.

**The Convener:** Given the energy element of the committee's remit, we also have an interest in the development of renewable energy schemes. In the Highlands and Islands, HIE is able to assist community businesses in developing such schemes, which provide those communities with a flow of money. However, our understanding is that, under its current remit, Scottish Enterprise is unable to assist rural communities in the south of Scotland in the same way. Is that your understanding?

**Professor Shucksmith:** I defer to others around the table in their knowledge of Scottish Enterprise's current situation. However, what you have suggested with regard to HIE is indeed the case, and like other colleagues I have seen examples of community renewable energy initiatives in the Highlands and Islands that have been supported both by HIE and, in the past, through community buyouts with the Scottish land fund and HIE's community land unit. I commend the work of the community land unit and HIE's

strengthening communities section for supporting that kind of community development.

If the proposal comes from the community itself rather than from some external body that will simply take the profits out of the community, it makes a huge amount of difference not only to getting agreement for a scheme to go ahead in the first place but to the community's activities afterwards. After all, the revenue from renewable energy schemes can make a considerable difference to other community businesses and activities, and where such schemes have happened they have been excellent.

**Rob Gibson (Highlands and Islands) (SNP):**

There will be questions later about regeneration and so on—I note that in the area that it covers HIE takes a different approach to regeneration than is taken elsewhere—but for the moment I will pursue this line of questioning.

HIE is an institution in the Highlands and Islands. Given that, apart from the removal of local enterprise companies, the overall situation has not really altered as such, is it your impression that Scottish Enterprise has a real presence in the rural areas of the south of Scotland?

**Professor Shucksmith:** My impression comes from what I have been told by colleagues working in the rural communities of the south of Scotland, and it is that they always wished that they were in the Highlands and Islands. They always looked to the north and felt that they would do much better if they had HIE's social remit and if there were the same energy, commitment and clear strategy to rural development in the south of Scotland.

That raises two issues: the feeling among people in the south of Scotland's rural areas of being left out and disadvantaged, and the untapped potential of those areas and the contribution that they could be making to Scotland's economy. In fact, that is important for the whole of Scotland.

Down south, I sit as a member of the board of the Commission for Rural Communities, and a couple of years ago we produced for the Prime Minister a report that assessed the potential of England's rural areas. We found a tremendous amount of untapped potential, and I imagine that the same would be true in the south of Scotland.

**Rob Gibson:** The agricultural economy in the south of Scotland is strong—much stronger than in the Highlands and Islands overall, notwithstanding that area's obvious high spots. Agriculture requires modern solutions, and so does the whole issue of broadband. Did points arise from the report in England that might be applicable in the south of Scotland?

**Professor Shucksmith:** Broadband is one of the top issues that arises. All our studies, and all the information that we have received, suggest that broadband—high-speed broadband, I should emphasise—is fundamental to the development of businesses and to the ordinary opportunities of people in rural areas. I will give an example. We had a case study of a girl who found that the only way in which she could do her homework would be to walk to the top of the nearest mountain where she could get a signal. That did not happen too often.

**Rob Gibson:** That was in England, was it?

**Professor Shucksmith:** Yes, that was in England. I have recently been involved in an inquiry into the future of the English uplands, and that was where the issue arose. Broadband is a really important issue, as is housing. That is true in England, and I know that those issues are important in parts of the rural areas of the south of Scotland as well.

Another issue that came up during our study in England will, I think, be pertinent to the committee: we discovered that a huge number of people were setting up businesses from home. In rural England, the number of people working from home was equivalent to the combined populations of Glasgow and Birmingham, which is rather a lot of people, yet there was no policy. The situation fell between the cracks of planning policy, as it related neither entirely to business use nor entirely to home use, and was not officially encouraged. There was little strategy on how to encourage those home-based businesses, and little support for their growth once they got beyond the back-bedroom stage. That is an example of the untapped potential that I have talked about. It is almost under the radar, yet it is probably the future of rural economies.

**Rob Gibson:** There is evidence of that from surveys that I have done in the north of Scotland, where considerable numbers of people use broadband for both business and leisure purposes. It is probably the case that rural areas are underperforming in that context. We must make suggestions to the Government on interventions that will level the playing field. Can you make one or two suggestions, in addition to what has already been said on housing and broadband?

**Professor Shucksmith:** International experience has taught us—and this is relevant to urban areas as well—the importance of encouraging people who live and work in an area, and who know it well, to come together, with the support of organisations such as Scottish Enterprise, local authorities, Government and the voluntary sector, to imagine the area's future and to develop strategies and actions to realise that

imagined future. That sort of place-shaping approach requires capacity building and animation—the sort of things that the community land unit was able to provide when it was better resourced. That approach was fundamental in many of the crofting buyouts, and it has been shown to be effective in Canada, the United States, Japan and many parts of Europe. We have learned a lot from such work—which has, of course, been supplied to a certain extent through LEADER in the south of Scotland. It represents the emerging wisdom on initiatives that can really make a difference when placed alongside policy issues relating to infrastructure, broadband, housing and so on.

09:45

**Lewis Macdonald (Aberdeen Central) (Lab):** I would like a bit of background information from Ian Wall about SURF and its representative role for areas of Scotland. Some areas have urban regeneration companies, but regeneration is an issue in many other areas. I am interested in how you make your representations and how that relates to Scottish Enterprise and other partners with whom you deal.

**Dr Wall:** There is quite a lot in that. First, URCs are a good thing, but they are very limited, as there are only six in the country and they have very small geographic areas. I am not knocking them, but they have a limited role in terms of strategy for the country.

On our organisation, regeneration must be holistic, to echo Professor Shucksmith. In consequence, our membership is varied and includes major local authorities, individuals, community groups and housing associations. SURF is not a representative organisation in the sense that we meet, make a policy decision and recommend to Government that it is the best way to do things, but we do try to draw on experiences and pass them on. Regeneration is about people, not things. That is fundamental, yet a large part of the committee's evidence is about things and not people. In addition, regeneration must be holistic. It is no good investing in only one part of the equation, whether it is physical or social, because we must combine the two.

On Scottish Enterprise, for many years it was what we call a sponsor member, which means that it put £5,000 into the pot rather than £200, £300 or £400, which is the membership fee that would have been paid otherwise. Scottish Enterprise withdrew its membership 18 months or two years ago, which was a bit of a blow for us, because we are a shoestring organisation. I am proud that we are built from the bottom up, but it means that we are always struggling. The committee might be aware that the British Urban Regeneration

Association—the “British” is a slight misnomer because it was never active in Scotland—has gone bust. It was a top-down organisation. Although I think that SURF is going to have a difficult time, I am convinced that we will continue to exist, because we are a bottom-up organisation and we need each other.

Scottish Enterprise withdrew from SURF because, as members will have seen in the evidence that it submitted to the committee, its view is that it is not, in a general sense, a regeneration organisation. That does not mean that it is not doing things that it calls regeneration, but they are overwhelmingly either massive property developments or projections of potential future industries, such as biotech. Of course, Scottish Enterprise also gives strong support to existing businesses, but that is business support and not regeneration in the way that SURF sees it.

I recommend that members look at our website. When you are involved in an organisation, you forget that such things exist; you look at other people's websites but never at your own. However, our website is very useful, and one of the questions that it answers is, what do we mean by regeneration? The site quotes a senior Government official's statement in that regard from about three and a half years ago and it refers to holistic work. It also quotes a number of other people on regeneration, because there is no absolute definition: there is a series of social engagements that one must make. However, there is a neat definition from a community activist, who says that regeneration is about making a level playing field so that poor people get a fair kick at the ball. That may not be a technical or academic definition, but it is one that we all understand.

**Lewis Macdonald:** Indeed. Looking not just at your organisation but more broadly at the success or otherwise of efforts to regenerate areas of Scotland, particularly urban Scotland, has the withdrawal of Scottish Enterprise from a hands-on regeneration role helped or hindered efforts to regenerate communities in Scotland?

**Dr Wall:** It is too soon to say. The structure of administration in any country is always difficult and is a series of movable feasts. Regeneration is being pushed around a bit in that regard. The committee will no doubt remember that Communities Scotland was for a period the lead regeneration organisation. The role was first taken on by Scottish Enterprise, then it was Communities Scotland. Historically—certainly in the past 30 years, anyway—local authorities have increasingly taken on a regeneration role, sometimes against the SDA and sometimes in partnership with it. No doubt some of you will recall some of the interesting spats of the past. The role has therefore moved around a good deal.

The lead role now lies with local government, and in a sense that is a good thing, because local authorities are holistic organisations. They have property and investments, but they also worry about schools, health and housing. The unfortunate thing is that the transfer took place in a difficult period. Economically, things were already getting difficult, and people could see that they were going to get far worse.

If we give people responsibility in a wide sense—which is absolutely right—we have to expect that some of them will not deal with it as well as others. Some local authorities are better geared up because of their size, location or local resources, or just because the luck of history means that they have a few decent people and they have been able to respond well. Others have had more difficulty in dealing with the work.

In a period of economic decline, although the rhetoric on regeneration becomes very strong, the area is often cut, often on the social side.

**Lewis Macdonald:** We have heard from Mark Shucksmith and previously from other witnesses about the effectiveness of the strengthening communities remit of Highlands and Islands Enterprise, particularly in remote, rural and more geographically disadvantaged areas. Do the witnesses have a view on whether that remit, which HIE has carried out so effectively in the Highlands, could be applied in lowland Scotland? Should it be applied in the context of the work of Scottish Enterprise—which, as we have heard, no longer sees itself as a regeneration body—or should there be some other mechanism whereby local authorities work to a standard and take an approach to strengthening communities that reflects what we have seen in the Highlands? As Ian Wall said, there is a varied picture of engagement and effectiveness on the part of local councils.

**Professor Shucksmith:** It would be worth while for the sorts of things that HIE does in its strengthening communities work to be done in the south of Scotland. I think that that is essential. It has the potential to animate communities, to support them, to give them more power, and, as the European Commission has said, to draw on the knowledge that only they have of their places—what is special about them, what their strengths, weaknesses and opportunities are, and so on.

There is a question about who should carry out that strengthening communities function. It could be done by an agency such as Scottish Enterprise or by local authorities. I guess that which of those would make more sense depends on the configurations around them. Does it make more sense to try to link the work to the business support aspects of the economic development



agency—which is how it works in the Highlands and Islands, or it did last time I looked—or should the local authority be the main player in economic development and have those powers? The important thing is that there should be synergies between the strengthening communities work and the business support work, so it rather depends on who the main player is in relation to the other aspects of economic development.

**Dr Wall:** I firmly believe—but it is a belief—that giving authority and responsibility to local government is important, primarily because it is within democratic control. If Scottish Enterprise has had a weakness, it is that we have not been able to get much traction on it, even in its heyday. Local councils have always listened, and if there is a serious issue in a community it may be possible for the council to change and improve things. Setting standards, particularly for a social area as complex as regeneration, is technically difficult. I do not think that it is just a question of confidence in authority, but the Scottish Government could assist local government in being more confident.

There is a lot of loose talk about innovation, creativity, risk taking and so on. Let us be clear about it: at the moment, nobody rewards people who take risks if they get it wrong. Government needs to say that taking risks and getting it wrong occasionally is nothing shameful, as long as it is done in a decent and professional way. Stupid is one thing, but making a judgment and having a go is another. We need to give more confidence and authority to people, particularly on the more social side of things. It seems that the public sector is ready to gamble on property developments but not so much on people. It might be better to gamble on people. I have often found that people provide a better return than property does.

On the question of Scottish Enterprise having a social remit, I support that. It comes back to what I said earlier on the complexity of administration. If we give authority to councillors, local government officers and so on to do their best for their community in the light of what their community calls forth, one way to ensure that there is a wider set of reference points and to bring in extra heavy weight is by giving Scottish Enterprise a social remit. That would also give it some degree of democratic purchase, because the council could say, “It would be good if you could help us with this in the Borders. It is part of our economic strategy. See how it fits with things.” I am not saying that Scottish Enterprise could agree to doing all of that—it could not—but that would ensure that there was a combination of national discipline, strength, weight and strategy to be used in a bottom-up as well as a top-down structure. That would be an ideal situation, but at the moment it seems that Scottish Enterprise’s

objectives are at the far end, and they need to be pulled back into the middle.

My final point is on the lack of reference to housing associations, certainly in the published evidence that you have received. Those are major organisations. Let us take housing associations in the Borders, which is an area that the committee has touched on. Housing associations are growing. They have been doing that consistently for a long time, and that growth will accelerate in the coming period. They are powerful organisations that are locally rooted. A number are tenant controlled, or are strongly tenant influenced, and they have good working relationships. They are powerful forces for social good, and they can play a much greater role than just collecting rent and doing repairs.

The committee should consider seriously the wider role of housing associations in Scottish society. Some associations think that they have such a role and some think that they do not—actually, more associations think that they do not, or are very low key on it. I return to my point on confidence and authority. Maybe it is not about the Government legislating for or changing things but about staying its hand. If a housing association engages with the local council and Scottish Enterprise to do something useful, it should not get shot down in flames if things stutter a bit the first time or do not work quite the way that people felt they would. Housing associations are an underestimated and undervalued force in Scottish society.

**Lewis Macdonald:** That was very interesting, particularly with regard to housing associations. It reflects how associations see economic development, which is perhaps not joined up in the holistic way that you describe. You spoke about people-centred and material-centred regeneration activities. Is it your view that developing a social remit applies equally to public bodies in urban and rural areas? Are the regeneration lessons of the remote rural areas in the Highlands applicable to inner-city areas in lowland Scotland? If so, and there is a gap in what is happening in much of lowland Scotland, is a national lead required?

I take the point that local accountability ought to strengthen councils’ capacity for delivery, although, as a citizen of Aberdeen, I have to question a little Ian Wall’s confidence in the capacity of local authorities always to listen to their residents when making policy decisions. Nonetheless, do we require an addition to local-council decision making that would point public bodies in the direction of that holistic approach to regeneration?

**Professor Shucksmith:** The issues in urban and rural regeneration are very similar. Along with the more material aspects of regeneration, place-

shaping and partnership approaches are common to both, as is the importance of investing in people, supporting them and building their capacity.

There will be specificities around rural and urban regeneration to do with the challenges for each type of place—such as whether it is remote or whether there are issues with access to broadband or training—quite apart from the housing and size of settlements. However, that does not require a different approach; it may only be that different priorities are right for the particular place. We are assisted in determining that by engaging with the people who live in the place, and who can help to draw out what is special about it so that we do not take a one-size-fits-all approach.

10:00

I will add to what Ian Wall said about housing associations. I agree with him that they have great potential to be part of broader community development. Twenty years ago, I was responsible for helping to draft the rural housing policy that Scottish Homes developed in its first year. I argued for the idea, which I got into the policy, that housing associations could be the catalyst for broader rural community and economic development. At the time, nobody in Scottish Homes really understood that; they kept thinking that I was talking about tenant participation. Over the following five or six years, I was responsible for evaluating the demonstration areas where the policy was tried out. It was clear that nobody really understood that point, but it has subsequently become well understood, particularly with Housing Plus and the move to Communities Scotland.

Actually, the housing associations that were based in communities always understood the point. I am thinking particularly of the housing associations in Glasgow and in the Western Isles where, in the late 1980s, as a result of discussions that we had, there was a constellation of community-based housing associations that have now been rolled into a bigger housing association. It seemed to me that that idea could play an important role not only in alerting people in communities to the possibilities for actions that they could take in one area and, therefore, in other areas but in addressing a pressing need.

**Dr Wall:** The answer to the question is twofold. There needs to be national input and social responsibilities should be added to SE's remit. That would support local government. I could be as scathing about local government as Lewis Macdonald can—I could probably be worse, actually—but the truth is that, as is said about democracy, it is not very good but it is better than anything else that we have.

At one level, the people of Aberdeen have the council that they have, so it is up to them to try to sort it out. If there is a problem for local government, it is that its responsibility and power have been reduced over a long period—the past 30 or 40 years. That is part of the reason why we have poor local authorities.

The chair of a housing committee was an important and powerful figure in society 30 years ago. It was a strong role that all its holders, regardless of party, took responsibly. Nowadays, what does the chair of a housing committee do but put the rents up and sell the houses off? Why would anyone want to do it?

There is a problem for local government that is much more strategic than the question of powers alone, but local government is still the only game in town that has some relationship to what people need. If we add to local government some strategic sense and authority through a social remit for Scottish Enterprise, the other side of the coin would be the community bottom-up approach, which the Highlands exemplify extremely well.

I do not want to diminish the enormous amount of work that has been done in the islands but, at one level, it is a lot easier to take a bottom-up approach on a specific island, where there is an absolute community identity that does not apply elsewhere. "Community" is one of those terrible words that means all things to all people, but which actually means very little. At least, there is a clear geographical band from Shetland to Gigha—from the bottom to the very top of Scotland—in which communities have transformed themselves by organising and managing themselves.

The committee clerk kindly placed in front of committee members information on the awards that SURF gives each year. They are judged absolutely independently—I know that because I occasionally get telephone calls from people who are bitter that I did not ensure that they got something, which is how many awards are done nowadays—and are overwhelmingly, although not entirely, aimed at community groups.

I do not expect or want members to read everything, but if you skim through the awards for the past three years or pick out the ones in constituencies that you know, you will get a sense of the quality of work and the imagination, commitment and enthusiasm that people have put in—and they have mostly been fighting against the public sector, rather than being supported and assisted by it. That energy and enthusiasm is what makes things happen, as is demonstrated by experience in the islands. We pay much lip service to it and there is constant talk of empowerment. However, in our society power is money—whether it is cash or land and property, or a bit of both—and if you really want to empower people that is

what you give them. Communities in the Highlands and Islands have been empowered by taking control of seriously valuable material assets.

Our conversation is made a little more difficult by the ideas from England about the big society and so on, which I do not want to get into. It is difficult to have discussions such as we are having without hearing echoes of the big society and it is unfortunate that the idea has become a political football rather than a topic for serious discussion about how we organise society.

As I said, it is about people, not things. If we do things, we generally do them for everyone. That brings me back to the point about broadband. I do not know where the next garage workshop will be set up or where the next internet company will be set up in a back bedroom, but I know that if people do not have broadband those things will never happen.

Government and major Government agencies such as Scottish Enterprise can invest capital long term in strategic investment for the country. That is where capital investment should go—it should not go to prestige property development projects. The private sector will do those projects if there is a profit to be made; if there is no profit to be made they will not get done. If there is no profit, why bother doing them?

**Lewis Macdonald:** Thank you.

**Stuart McMillan (West of Scotland) (SNP):** I have brought with me the 2009 brochure for the Auchmountain community resource centre. I stay in the Greenock area and I know the area well—I used to stay round the corner from the centre. I have been to see it, and it is a tremendous facility. There is also record investment in housing in the area, so the community has been empowered—for want of a better word—and is improving from the state that it was in some years ago. If you have not been to the area recently, I encourage you to do so.

**Dr Wall:** I will do so.

**Stuart McMillan:** You said that Scottish Enterprise should consider capital investment in long-term, strategic projects rather than in prestige property developments. How do you square that with investment in URC developments throughout the country, such as Riverside Inverclyde developments?

**Dr Wall:** URCs vary substantially, of course, given their social objectives. Although URCs are mainly to do with property, the issues that a company must deal with in, for example, Raploch in Stirling, are different from the issues that a company must deal with in Inverclyde.

URCs are good thing. They are holistic—or they were meant to be. Their weakness was that they

were property-profit led, by and large, and there is not much in the way of property profits at the moment—in fact there are probably negative property profits. That does not mean that what they were proposing to do was a bad thing. Any serious programme was always meant to last at least 10 to 20 years. The organisations that succeed, whether they are private or public, are those that continue to push on with what is worth while when things get more difficult.

My view is that, in broad terms, URCs continue to need serious commitment if they are to work. I am not talking about every aspect of URCs; I know that the world is getting tighter and more difficult. The worst thing in the world is to pour stuff into something and then run away when things get a bit difficult. Sure, we run away if there is a catastrophe, but I do not regard any of the URCs as catastrophes.

Of course one does not keep blithely pouring money into an empty hole, but none of the URCs is an empty hole. Of course, the wider issue is the message that cutting such prestige flagship projects sends elsewhere. For a start, what is going to happen to the people who do this work and rely on tiny but nevertheless essential amounts of public support?

**Stuart McMillan:** Do you have anything to add to that, Professor Shucksmith?

**Professor Shucksmith:** No.

**Stuart McMillan:** Is there sufficient support to allow URCs to bring new regeneration activities to fruition? If not, what might be done to stimulate investment?

**Dr Wall:** I do not have enough detail to answer that. Having been responsible for a URC, though, I can say that I know how different it was to other URCs. Each of them will have to find different solutions to getting through difficult periods, but I do not have enough technical or practical knowledge to comment on that. The Irvine Bay and Raploch URCs are miles apart not just geographically but with regard to the point that they have reached in the process, their objectives and so on. Also, surely—given its relationship with the Commonwealth games—Clyde Gateway is of major national importance. Of course, it also deserves its position on its own merits, as does Glasgow URC.

You cannot ignore the fact that life is more difficult if you are looking to make a private profit, although I point out that a large number of the programmes that URCs developed were essentially social. For example, the new secondary school in Craigmillar was an essential part of our project. Moreover, given that private sector housing development is not possible at the moment, one should start to think about

developments involving housing associations. Of course, not all those properties have to be for social rent; there can be intermediate rents, shared equity and so on. The point is that there are ways of managing these things.

Although you will have to expect things to be slower and more difficult, you should not give up on the strategy, but instead rejig your tactics and continue to drive forward. Most important, you must invest in the social side, because that is what transforms areas. The nice areas in Scotland have the best parks, the best schools, the best health centres and so on; good areas are defined by the quality of their public investment, not by the people who live there. If you really want to transform areas and have great and economically more successful communities, you need to give them first-class schools and health facilities, good housing and public transport and decent sports facilities.

**Stuart McMillan:** How much of an influence have the recession and the situation with the UK's public finances had on the progress of Scotland's regeneration agenda since 2007 and what sort of influence will they have in the foreseeable future?

**Dr Wall:** Up to now, the impact has been relatively small, although a lot of people are now genuinely fearful about their jobs, whatever they have committed their lives to and so on. Six months or a year ago, the URCs were not headline news; however, they are now, because of cuts in proposed expenditure, and we are going to see more of the same in the future.

I believe that, particularly in the worst-off areas of our society, regeneration efforts need to concern themselves most with the employment of 16 to 25-year-olds. The people who did not get jobs during the last recession, which was in the early 1990s, were very damaged by the experience. They never got jobs and ended up with all sorts of social problems and had bad health and so on. I hope that I am wrong, but my judgment is that this recession will be worse in its social impact—after all, youth unemployment in Britain is now close to 1 million and will be more than 1 million by April, May or June—and we need to organise something dramatic and enormous to deal with that. It is easy to toss around phrases such as “wasted generation” but, being functionalist about all this, I believe that we are simply building up enormous social costs for the future.

10:15

It should not be beyond the wit of the various agencies and the Scottish Government to devise programmes in which people who do not have jobs, either because the private sector will not

employ them or because the public sector is being cut back, start doing things of social good. Those things should be socially good partly because the people doing them feel that they are valuable and worth while and partly because society values those people for the contribution that they make. A range of things could be done. It seems inconceivable that we should abandon those people.

When I say “we” I mean we as a society. A lot of the evidence that the committee receives talks about Scotland as though it is some kind of abstraction. It is not; it is 5 million people and we know most of them. We ought to be doing something for them. Unemployment will be an awful thing, particularly for young people, over the coming period and we really need to do something about it.

One of my pet phrases is that we should turn a negative into a positive. We will have lots of spare labour and we have lots of land and lots of imagination. The money is the lesser factor; it is about organising and changing things. To use a silly example, why not have a massive programme of allotment creation? There is a real shortage of allotments throughout Scotland, even in rural areas. It sounds silly to say it, but it is true. Let us start building them in scads. They are not very expensive; they are a joy and they lead to social engagement, because they are not run by councils but by the people who use them. That is a small example, but it is not difficult to multiply such things.

If you asked housing associations what more they would like in an ideal world, they could all list lots of things that would improve the situation for their current tenants and that require lots of physical labour and not so much money. We need skill and organisation. I am not saying that that is free, but we continue to spend hundreds of millions of pounds on regeneration. How much of that goes to help the people who need it most and to solve future social problems?

**Professor Shucksmith:** I am not so closely in touch with what is happening on the ground in rural Scotland as a consequence of the recession, but I have good information on what is happening in rural areas south of the border and I think that some of it might be similar.

The Commission for Rural Communities which, as I said before, I am a board member of, has been producing quarterly recession reports for the Treasury on the effect of the recession on rural England. The first impacts related to the difficulty of accessing credit, which particularly affected small businesses that were trying to keep going. It meant that they could not get the working capital that they needed and it threatened their businesses in many cases, as well as threatening

new developments. At an early stage, there was also an impact on the housing market, property development and the construction sector. Those were the first things that hit. The credit issue was a particular problem because of the small size of most rural businesses—they are mostly microbusinesses.

What is happening now is the effect of loss of confidence in the future—people's worry about what the recession will be like. Investment is being reduced and people are postponing the investments that they would have made. The cuts are already impacting on the housing sector, with the reduction in the budget for social housing in England. There are also huge cuts for local authorities. Those are being passed on, so they affect delivery of services and, potentially, the support of the community and voluntary sector—the big society, which we were not going to get into today.

There is a real concern in the north-east of England. We had a rural summit in Northumberland, which is not so far from the Scottish border, just a couple of months ago, at which every community or voluntary organisation was fearing for its future and wondering how it would be able to keep going without the support that it had had from local authorities, the regional development agencies—which are being abolished—and so on.

We will wait to see how it pans out. Clearly the coalition Government hopes that new jobs will come in to replace the public sector jobs that are lost, but we will have to wait and see on that.

What is clear is that, as Ian Wall has said, the worst impact of the recession is on young people, in all sorts of ways. In November I produced a report for the European Parliament's Committee on Agriculture and Rural Development, on young people in rural Europe. Across rural Europe, the rate of youth unemployment has dramatically increased in the past six to nine months. Across rural and urban Europe, that generation is bearing the brunt of the recession, in terms of a loss of job opportunities and in many other ways.

The other issue that particularly concerns me is that some of the effects will last for a very long time, not only for young people but for older people. The rate of increase of pensions is no longer tied to the retail price index but to the consumer price index, so pensions will not go up so fast and may not keep pace with the cost of living. Many problems might be stored up as a result of the recession, unless we manage to get through it quickly and put some of these things right.

**Stuart McMillan:** Dr Wall mentioned the rejigging of tactics and that one thing that the

Government should not do is run away from what is in place in terms of regeneration, in particular the URCs. What do you think of the Government's proposals in the budget for the funding of the URCs?

**Dr Wall:** I am sorry, but I am not aware of the Government's proposals in the budget for funding the URCs.

**Stuart McMillan:** You touched on the issue a few moments ago.

**Dr Wall:** I suspect from what I have read in the papers that some cuts are involved, although from what I had read I understood that the cuts came through Scottish Enterprise rather than from the Government direct. My recollection—it is three years since I was chief executive of Craigmillar URC—is that Craigmillar URC, for example, never had any money from Scottish Enterprise; it was never part of the strategy. The URC had its money up front from the Government and had to get on with it, and it has done. The situation varies. I am sorry, but I am not in a position to comment on that.

**Stuart McMillan:** That is okay.

**Gavin Brown (Lothians) (Con):** I come back to the changes that were implemented in April 2008 with regard to regeneration, with local regeneration moving to local authorities. Dr Wall said that it was too early to say what impact that move had had. Given that almost three years have passed, although it is probably too early to do a full analysis of the impact, do you have any sense—even anecdotally—of what impact it has had?

**Dr Wall:** It is another of my shibboleths that economic development is full of anecdotes. Everyone can tell a story about a training scheme, a housing scheme or whatever. Of course, those things are genuinely good, but they do not tell you anything; they are just interesting stories. I know that stories are important, so forgive me.

The difficulty is that my feeling, from reports from members and from discussions at forums, groups, conferences and so on, is that the situation is patchy. I know that that is not a good response, but it is true in a sense. Some local authorities have leapt up to the challenge. They have been keen and enthusiastic as they already have an intellectual, practical and administrative base to take local regeneration on in a fairly easy way, but others have been less so. Of course, each local authority has its own immediate priorities, some of which might, understandably, not be regeneration and such things.

I go back to what I said earlier. I think that it is the right policy, because it puts local regeneration under democratic control and it makes it closer to

the people who are the beneficiaries, or disbeneficiaries, of local government action. In retrospect, I suspect that the transfer of assets and money from Scottish Enterprise was slower than it should have been; it should have been done quicker because a bit of spark and vigour are needed to get things moving. It drifted for a long time; there was a bit too much bureaucracy and not enough getting on with the business, but it is easy to look back at people and say, "Well, I would have done it differently." It is going in the right direction.

To echo what Professor Shucksmith said, I suspect that the real issue is going to be the resources that go into regeneration. That is going to be a problem because the ending of ring-fencing—which was the right thing to do because local authorities should be allowed to determine how best to spend their money—means that regeneration gets more emphasis in some local authorities than it does in others. In a way, we cannot say that that is a good or bad thing; it is just what the local authority decides. Someone might think that it is politically the wrong thing to do and campaign against it, but it is not objectively wrong. It is just the cut and thrust of political life, with people saying, "We need to spend more here and less there; vote for me."

**Gavin Brown:** I will not ask you to name any local authorities.

**Dr Wall:** I would not even if you did.

**Gavin Brown:** Have any been highlighted to you that have regularly stepped up to the mark and done a good job since 2008?

**Dr Wall:** It would be invidious to name individual authorities because I do not know enough and I might miss out some that are doing a first-class job or an appalling job just because I am not aware of them. It is fair to say that there is a degree of common consent that Dundee City Council does a decent job—except for the V&A, but I did not say that.

**Christopher Harvie (Mid Scotland and Fife) (SNP):** This takes me back about 40 years, to when I was doing urban studies at the University of Edinburgh and looking with Geoffrey Best at the Victorian period and the creation of large-scale urban intervention. At the same time, we were looking towards what was going to be the Wheatley report and the reorganisation of Scottish local government. Looking back, I am inclined to see our enthusiasm for size and professionalism as something of a misplaced investment compared to the relatively small and accessible units that have been familiar in Germany since that period, and to amateur engagement.

I will give just one example. I have been involved with inland waterways and railway

preservation. In Wales, a totally voluntary organisation, the Ffestiniog Railway, has just built a 25-mile line to give major access through Snowdon at a cost of £30 million. In Edinburgh, an extremely well-endowed organisation called TIE, whose executives' salaries come in at £120,000 annually, has just made what is called in the Highlands a boorach of a £500 million tram scheme. There seems to be a continuity of executive coherence in large public authorities that we did not really forecast in the 1960s. It is more about the creation of that type of power unit rather than what both witnesses have been looking at, which is the interpenetration of what Richard Titmuss called the gift relationship, or the ability of people to work apart from their professional roles and create a network of mutual aid.

This is a rather long preamble, but it suggests something of the problems that we are faced with when looking at large bodies such as Scottish Enterprise as well as very large local authorities and the relatively high-output but low-prestige element of voluntary organisations and small, immediately accessible organisations. Do you think that we have gone down a path from which it will be difficult to get back?

10:30

**Professor Shucksmith:** That is an interesting and huge range of questions. I will begin with the size of local authorities or governance bodies. There are trade-offs between size and proximity to the population. The smaller the unit and the closer it is to the population, the more accessible and transparent it will be to the ordinary person, the more effective it will be—because it knows the territory—and the easier it will be to engage with. On the other hand, it might be more difficult for it to draw in some specific skills, which is where the question of professionalism comes in. For example, we could consider a local authority that is trying to negotiate a quota of affordable housing in a scheme that is being developed. I am not sure what the relevant section number is nowadays in Scotland. It was section 50 some years ago. Is it section 75 now?

**Members:** Yes.

**Professor Shucksmith:** I am not so out of date, then. In order to negotiate that with the developer, the housing associations and so on, the authority will need somebody who knows what they are doing. Many local authorities, perhaps, get rather poor value because they do not have anybody specialised enough to do that. That is just an example.

It seems to me that the ideal is to try to achieve both things by having small bodies that are close to the people and higher level bodies that can

draw in those sorts of skills. That is the approach that I had in mind when I gave the example of the constellation of community-based housing associations in the Western Isles. None of them employed its own staff. Instead, they bought in services from an umbrella body, Tighean Innse Gall, to try to achieve that marriage of the benefits of community control with the necessary skills and professional aspects.

The issue is about the vertical relations of governance. It is about how we can have different levels and the connections between those. That brings me to the thing that has changed enormously since 40 years ago and the times that you spoke about, with Wheatley and so on. Generally, the process of governing has become much more complex, or at least all the literature says so. We have moved on from a time when it was very much the case that Government bodies could direct and decide and do. Nowadays, we live in a much more complex world where government takes place through partnerships that involve a range of different actors, power has become much more fragmented, and we want to involve the voluntary, community and private sectors and so on. The picture is necessarily more complex and we need the vertical relations that I mentioned between different levels of governance.

**Dr Wall:** If we are talking about urban intervention, I would go back one generation from Wheatley and start with Patrick Geddes and the old town. You will all know the great scheme around the writers' museum off the Lawnmarket, which includes Ramsay Gardens and so on. Do you know what Ramsay Gardens was for? It was for students. That scheme was an holistic development that was aimed at improving the old town, which was then a real cesspit. It was an absolute slum and it housed the worst dregs of society—not that that was the case, of course, but that is how it was described. There are plenty of areas like that in Scotland now. You only have to read the papers to see areas being demonised in exactly the same way, with no lack of justification.

Patrick Geddes came into my mind earlier, because it strikes me as slightly odd that our country generated his thought. His cross-section famously shows the relationship between the uplands, the flat rural lands, the town, the city and so on, and it is important not to make too much of a distinction. If you look at the brochures on the SURF awards, you will find that there are some successful projects in Wick. They are urban projects that would only be needed and required in an urban situation, yet they are in HIE's area.

Local government used to be incredibly successful. It ran power stations and gas systems, and Edinburgh ran a wonderful tram system. Actually, it continues to run one of the best bus

systems in Britain, if not the best, according to independent evaluation. It is run by local government, and it always has been. That is an example of what can be done when local government is given the power, the authority, the confidence and the trust. Part of the problem is not professionalism in the pure technical sense, whereby someone brings a professional skill to bear on something. The problem is consultants.

In my world, there are two sorts of consultants: those who are architects, engineers or whatever and who bring their necessary specialist skills to a particular project, and the rest. One of the problems with the public sector generally—and it applies to enterprise agencies, local government and so on—is an obsession with process, which partly reflects an absence of trust and an unwillingness to accept outputs as the measure of things. If you want a tram system, that is fine, but one has only to look at the number of administrative hoops that people have to jump through to satisfy 127 different bodies, none of which has any purpose or meaning. I am sorry—I am exaggerating, of course. A little bit of rhetoric came in there. I should be on the other side of the table—I am a politician, really, not a professional.

However, the truth is that the current situation is very difficult. Twenty-five years ago, when I started working in Edinburgh with what was then called the SDA, there was none of this and since then I have watched things slowly deteriorate to the point at which people have to produce for the board very thick reports on individual projects that no one bothers reading. The withdrawal of trust from public sector workers and politicians across society is exemplified by the way in which consultants have been employed to substitute officers in making judgments and delivering projects and by the production of reams of paper to prove to everyone else that everything is being done properly. Actually, it does not matter whether or not it is done properly; the question is whether it is being done at all, and the danger is that we bend the stick too far the other way.

The situation can be improved. The authority that local government lost is being restored slowly, although it needs to be restored a lot more. We need to give local authorities complete control over their budgets and, indeed, the means of raising money—which I realise is a politically difficult subject. Nevertheless, I believe that it is the way to go. After all, 30 years ago, the councillors in Edinburgh were people like Robin Cook and Malcolm Rifkind. Being a councillor used to be a serious social responsibility in its own right and attracted great admiration. I do not want to knock what our current councillors do—indeed, they do a wonderful job given the circumstances—but I do not think that the same is true these days. You cannot restore the proper balance of the body

politic without getting back to the earlier situation; indeed, you need to go beyond that and give more responsibility and power to the communities in question.

**Christopher Harvie:** Geographically, councils are often of immense size and places at one end of, say, the Dumfries and Galloway council area—which, I should point out, is of moderate size—have no real fellow-feeling with people at the other end, whereas on the continent the communal idea is still very important and little towns and villages still have their own authorities.

Since I have been here, I have been struck by the great deterioration in Scottish urban life because of the rise of out-of-town retail centres and the decline of the high street. If the ironmonger moves out of a thriving high street in a town of 7,000, it will almost automatically go down, because he supplies the necessary toolkit for the other small shops. Those services are vanishing because councils do their deals with big concerns for planning benefits. These decisions are being made because petrol is cheap, but I think it quite likely that within a decade oil will be in the region of \$200 or even \$300 a barrel. At that point, the whole thing will fall apart. Indeed, in the 19<sup>th</sup> century, people were panicked at the prospect of coal running out and many planning decisions were made with that in mind. The Geddeses and so on came out of that era. Patrick Geddes's essential point was that we need to get the politics of carbon right or else. The fact is that we will simply not be able to cope with our carbon-based paleotechnology.

That approach seems to have disappeared at that level and have been replaced by—

**The Convener:** Can you get to your question, please?

**Christopher Harvie:** Yes. It has been replaced by large salary payouts that do nothing but concentrate power at the upper executive level and in dealings with similarly well-endowed bodies.

**The Convener:** I am not sure what the question was.

**Professor Shucksmith:** I understand the question about the size of local authorities. The United Kingdom in general, and Scotland in particular, stands out as having enormous local authorities. It is often said that Highland Council's area is bigger than Belgium—and now Belgium is too big, even for the Belgians. The size of council areas is a real issue. I thought that the district councils in the Highland area worked rather well, prior to the establishment of the unitary authority. A similar thing has just happened in Northumberland, because we have abolished all our district councils and moved to a unitary

authority, which means that people must go a long way to meet anybody on council business. So there are issues about what might happen and what should happen below the level of the unitary authorities in rural areas in Scotland. Whether you can visit on the authorities the harms that you suggest is a much bigger question. You began to bring in the motor car as a culprit in that regard as well, but a range of factors are involved in the development of out-of-town shopping centres.

**Dr Wall:** There is a problem and we have seen it recently in the response to the reduction in public sector spending. People talk about saving money by making things even bigger—for instance, it has been suggested that Scotland should have just one police force. There has been a lot of pressure from editorials in *The Herald* and *The Scotsman* to combine local authorities to get rid of chief executives, directors of finance and so on. My thought was that the newspapers could combine so that we did not have to have two editors, two directors of finance and so on. If they set an example, the public sector might think that it was worth doing, but while they continue to believe that they fulfil important social roles, they should stop lecturing the rest of us.

The problem is that a lot of local government is talked about in terms of business efficiency instead of in social terms but, at the end of the day, it is about people. We must always ask who is doing what to whom. We must ask what efficiency is for. A number of people who have given evidence to the committee have talked about the importance of continuing to have sustainable growth. Okay, what for? The first question that anyone in a normal organisation would ask is, "Yeah, you want to grow—what for?" It is not about growth for its own sake but about what benefit it would bring.

I saw a report yesterday on a major retail development that said that so-and-so will create 3,000 jobs. They will not create jobs: they will employ people. If a merchant builds a new shop, you do not go and buy an extra pullover—you just do not. There is only so much retail spending, so building new retail space means that the spending is redistributed elsewhere. The point about small shops is that they employ more people. In general, a supermarket employs very few people in very boring, mundane, unsatisfying and soul-destroying jobs—although I am sure that being chief executive of Tesco is probably quite satisfying.

People talk about regeneration, but the first thing that you have to work out is why degeneration has taken place. It is quite easy to explain why town centres have been destroyed: it is because of massive out-of-town shopping centres. There is no other reason and all such developments were gifted by the public sector,



which gave planning permission for them. One can understand that, to begin with, people were a bit uncertain about what would happen, but the situation is now very clear. It was the Conservative Administration in Great Britain prior to the previous Labour Administration that introduced the policy that said that developers had to build in town centres first, and only if they could not do that could they build elsewhere. That policy is not terribly well observed in England or Scotland, however, and things will just get worse in that respect. We are talking about the deterioration of not only small towns, but major cities. For example, Edinburgh's Princes Street continues to decline in objective terms.

10:45

**Marilyn Livingstone (Kirkcaldy) (Lab):** I want to pick up on Dr Wall's point about the recession's impact on young people. I represent what was previously a mining community, so I do not think that we have to rehearse what happens to young people in my constituency.

I share your concerns, because I see the same things emerging. I am not sure which of you said it, but this is all about synergy, partnership and people working together on an holistic approach. For example, local colleges are facing 15 per cent cuts and my concern is that we are doing things in isolation instead of looking at the big picture.

I realise that what I am about to say is anecdotal, but I would like to hear your views. When, at a recent meeting, I was talking about sport and leisure activities for young people and the fact that my local council was simply not listening to my community, I was told that one of the problems was that we no longer had a body such as Communities Scotland to drive forward much of that work and to get people working together in partnership. We might well have local government, the health service, local colleges and all the different organisations that have been mentioned, but the lack of an organisation like Communities Scotland to drive that policy forward and pull people together has left a huge gap. Since Scottish Enterprise pulled out locally, I have noticed that there has been less involvement with the business community in my constituency. How do we stop that happening? What drivers do we need to ensure that we work together and that we do not have Government policy that is made in isolation and actually harms the big picture?

**Professor Shucksmith:** I am not so au fait with the situation in Scotland, so I will pass over to Ian Wall to say something about that. However, it seems to me that, at the moment, there is a negative synergy with regard to opportunities for young people. South of the border, unemployment among young people is rising; the funding of

university and college places is being changed; and it is likely that local authorities will decide to cut sports and leisure facilities, training and other things as they retrench in order to be able to meet their statutory requirements. All of those things are likely to impact on young people.

I do not know whether it will help to have an agency that is responsible for promoting young people's interests, because these decisions are being taken by different departments at different levels of government and are collectively happening to impact on this particular group. Perhaps an alternative approach would be to put in place, either in Government or in Parliament, someone similar to the commissioner for older people to carry out more co-ordinated scrutiny of what is happening from the young person's perspective. You might already have such a person in place, so I will shut up and pass over to Ian Wall, who knows about what is happening in Scotland.

**Dr Wall:** I find it difficult to respond to your question. Earlier, we discussed national leadership and local initiative. At one level, it is good to have different organisations to bring clarity to things. For example, an organisation that runs a college has absolute clarity about what it needs to do, how it should respond to students and so on. You certainly need that. Of course, I also point out that partnership cannot be forced on people; they have to want it.

I am sure that it is as frustrating at Government level as it is at chief executive level when you think that you are in charge of things and that all you have to do is say, "Do this and it'll all come right" and you find that it does not work that way at all. Leadership is all about creating the climate for and encouraging other people to do things. I am trying to remember who first used the phrase, "No one gets left behind"—I think that it was an American political slogan from the 1960s—but perhaps we should be thinking along the same lines for the people of Scotland. Things are going to get really hard. Some politicians—no one in this room, I am sure—are very fond of drawing analogies with the family, as in, "Times are hard; the family needs to tighten their belt." However, families that are a bit short of money and have to tighten their belts do not just throw granny out on the street or cut back on their children's education; instead, everyone comes together to make small sacrifices and, in doing so, they re-establish greater family unity, self-regard and so on.

I dislike such analogies; politicians use them to avoid engaging with reality. Perhaps our approach—and I stress that this is not SURF policy; I am just making it up as I go along—should be based on that taken with nurses and teachers, who used to be told that when they left

school there would be a job for them, at least for a year. Why can we not do that for everyone?

I will leave that easy question with you. It would be so much easier if we could change things around and I asked you the questions.

**Marilyn Livingstone:** You talked about getting young people to engage with community activities because, after all, we do not want to lose a generation. It is, as you say, easy to use such phrases but, as convener of the cross-party group on construction, I have been told by the industry that it is losing skills every day and that, given the built environment that we have in Scotland, we should start training, say, stonemasons and lime casters. I know that such training is available in Edinburgh, but outwith the city those skills and trades are very scarce. Instead of retrenching, we should be building for the future, as that will, in turn, keep young people employed. I am very concerned about the current situation because it appears that we are retrenching, particularly in further and higher education, and that we are not looking at things in an holistic way. I like your point about trying to look to and prepare for the future and benefiting the community by doing so.

**Dr Wall:** I absolutely agree. The other point is that, as well as making the world wonderful, very good quality social investment lasts a long time. Why do we not build stone walls round our houses? After all, they do not need to be rebuilt for at least 100 or 150 years. That is a little enthusiasm of mine, but what about the win-win-wins—or however many wins you want to add—we could get from small-scale energy projects? I am talking not about massive schemes, investment in wind power or whatever, but about re-engineering all our existing commercial and residential properties. That kind of massive programme will bring enormous benefits, give people positive work as well as skills and confidence and at least begin to provide some response to Mr Harvie's questions about the energy environment. It all hangs together and would not actually be difficult to do, although it will cost some money.

Of course, when times are hard, we have to think about our investments and perhaps defer one or two of our favoured investments for what, relatively speaking, would be a short period—five years or something—but five years ripped out of someone's life is a life sentence. In the next five years, we could really make a whole range of small-scale things happen and engage with people to make our society better.

I do not want to give people just hope; I want them to have jobs, to do useful things and to feel that they are a major part of society. In our firm, we used to say to people, "Whatever job you're working on, you'll want in five years' time to drive

by it and be able to turn round to your kids and say, 'I was responsible for that and I'm proud of it.'" That applies as much to working allotments, greening office blocks, factories or houses and so on. We need to give people valuable, useful work.

I do apologise—some more rhetoric got in there.

**The Convener:** You have touched on an area that the committee is fairly familiar with and very much supports.

**Dr Wall:** I realise that you have an energy remit as well.

**The Convener:** No doubt we will cover those matters next time.

**Dr Wall:** If you really combined the two aspects, you could go down as the greatest committee in Scottish history. The opportunity is open to you, convener—you just have to grab it.

**The Convener:** Perhaps this should have been asked at the very start but, given the change to the Scottish Enterprise remit that resulted in its continuing to play a role in regional and national regeneration while responsibility for local regeneration was returned to local government, do you think that the definition of local regeneration and how it differs from national and regional regeneration is sufficiently clear? Indeed, do the agencies involved—the Government, Scottish Enterprise and local authorities—actually understand it?

**Dr Wall:** In a word, no.

**Professor Shucksmith:** I am not sure what the practice is, but I think that the most important thing is not to have hard and fast definitions but to ensure that the various agencies communicate so that they know what they—and each other—are and should be doing.

**The Convener:** With those very straightforward answers—

**Dr Wall:** I can give you a longer answer, if you want.

**The Convener:** No, no—that is fine.

**Dr Wall:** I do not want you to think that I was being brusque.

**The Convener:** Your answer was very clear and the committee will take it on board. I thank Dr Wall and Professor Shucksmith for a very interesting and wide-ranging discussion and I am sure that the evidence will be very helpful to the committee when it concludes its inquiry in a couple of weeks' time.

Next week we will take evidence from the Cabinet Secretary for Finance and Sustainable Growth and we will discuss lines of questioning with our adviser at the end of the meeting.

I suspend the meeting for a change of witnesses.

10:55

*Meeting suspended.*

11:00

*On resuming—*

## Energy Bill

**The Convener:** Item 3 is on the United Kingdom Energy Bill legislative consent memorandum. I remind members that we are scrutinising not the bill but the legislative consent memorandum, which deals with parts of the bill that refer specifically to devolved areas. Members should ensure that questions are focused on those areas and not on the wider issues in the bill, which are for the UK Parliament to scrutinise.

I invite our panel of witnesses to introduce themselves and make opening remarks. Obviously, we have your written evidence, so if you make only brief opening remarks, we will be able to move on quickly to questions.

**David Stewart (Scottish Federation of Housing Associations):** I am a policy and strategy manager with the Scottish Federation of Housing Associations, which welcomes this opportunity to be consulted.

We think that energy efficiency, climate change and fuel poverty are hugely important. We note that the housing association sector is the most energy efficient of all housing sectors in Scotland. We are keen to build on that and to help to remove our members' tenants from fuel poverty. If we have one overriding concern about any energy efficiency or energy legislation, it is that we do not want the drive for energy efficiency and carbon reduction, important though it is, to lead to the unintended consequence of fuel poverty continuing in any way. We are therefore keen to ensure that the green deal does not lead to our members' tenants continuing to spend too high a proportion of their household income on fuel bills.

**Elizabeth Leighton (Scottish Environment LINK):** I am a senior policy officer with WWF Scotland, but I am here today on behalf of Scottish Environment LINK.

I commend the committee's efforts over the past couple of years in raising the profile of energy efficiency and in demanding greater action on that agenda, particularly in the Climate Change (Scotland) Act 2009. The legislative consent memorandum and motion offer the committee another opportunity to improve Scotland's position vis-à-vis that agenda. My comments will largely relate to provisions that I think might not improve Scotland's position in that regard but rather put it at risk and, indeed, set it back. Some aspects are good, but I am concerned about others. I will highlight those very quickly, and we can go into more detail with some questions.

On the green deal, we think that the pay-as-you-save approach is positive, but we must ensure that we maximise its benefit for Scotland and that we are not disadvantaged. We also believe that the disclosure provisions that will be allocated to the Scottish Parliament should be made through the energy performance certificates, because they will apply to all tenures and are a key communication tool. However, they must come with a whole-house package of measures, which can be used to incentivise and motivate people to take forward changes.

On the energy company obligation, we believe that the committee should seek to obtain commitments for a target for investment in Scotland to ensure that we do not suffer from less than pro rata investment, as happened in the past. We must also ensure that the target is tied to our climate change and fuel poverty targets.

The methodology for energy performance certificates needs to be improved so that they are more robust and will meet the needs of the green deal and of the Scottish Parliament's intention to have minimum standards for the private housing sector.

The provisions on the private rented sector are concerning. They are unnecessary and inadequate to the task. They are unnecessary because we already have much broader powers in section 64 of the Climate Change (Scotland) Act 2009. We should look to remove the provisions in the bill and, at minimum, we must seek clarification that those provisions will not impinge on section 64 of the 2009 act and that section 64 will take precedence.

The bill will repeal the Home Energy Conservation Act 1995 in Scotland. We strongly believe that that act should not be repealed; rather, it should be amended or replaced with a duty on local authorities to have targets to achieve energy efficiency in the private housing sector in their areas and to report on the achievement of those targets.

**Norman Kerr (Energy Action Scotland):** I am the director of Energy Action Scotland. Like our colleagues, we have concerns. We worry that the energy company obligation will continue to be funded through regressive taxation on fuel bills, which could have an impact on Scottish consumers. We worry about whether the green deal will truly apply to all areas, including rural areas, given the current difficulty in the Highlands and Islands in accessing measures.

We welcome the recognition that energy performance certificates are different in Scotland. The Scottish ministers will have to take measures to collate certificates and make them available to other interested parties.

As Elizabeth Leighton noted, the bill will repeal HECA. HECA has provided a great focus for fuel poverty and energy efficiency work through local authorities. Should it be repealed, it will be important to replace it, perhaps with other duties in local housing strategies that will continue to make fuel poverty and energy efficiency a focus for local authorities.

**The Convener:** Thank you for those opening remarks.

I will start with a general question on a subject that has already been touched on. The UK bill will implement changes to existing legislation that directly affects Scotland, but powers that are already in the 2009 act have perhaps superseded some provisions of the 1995 act, for example. As has been mentioned, the 2009 act provides powers in relation to the private rented sector. Will the bill hinder or assist the Scottish ministers and the Scottish Parliament in developing their energy policies? To what extent will the bill improve or impinge on the Scottish Parliament's existing legislative powers?

**Elizabeth Leighton:** I touched on the private rented sector. In informal talks with civil servants, I have been assured that the powers in the UK bill will be purely discretionary. However, we want to be sure that we make the best use of the powers that are at our hand. If the powers in the 2009 act are broader, more encompassing and more ambitious, we should move ahead with them rather than use the powers in the UK bill, which—to be frank—are not as good, probably take a cumbersome approach to regulating the private rented sector and do not look as comprehensively at the whole sector.

We urge the committee to seek to clarify with the Government that the bill will not impinge on the powers in the 2009 act. We urge the Government to address that in its forthcoming statement on the use of those powers. We want it to tell us what will happen with some urgency, instead of waiting to tell us several years down the line.

**David Stewart:** I hope that, in striving to address climate change, the green deal will not cause fuel poverty. That is key. To pick up on Norrie Kerr's points, I hope that the energy company obligation will allow us in Scotland to address poor energy efficiency in properties that are more difficult and expensive to treat—there is a difficulty with the carbon emissions reduction target programme in that regard.

**Norman Kerr:** At this point, the UK bill will enable Scottish ministers to act if they so wish. Elizabeth Leighton makes a very good point. We already have powers, which we should be looking to and working through, rather than seeing the UK

bill as a hindrance. We already have policies in place, on which we should continue to focus.

**Elizabeth Leighton:** I would like to supplement my previous answer. We have all referred to the repeal of HECA, which I think is a backward step. Although there are definitely problems with HECA, it has led to local authorities prioritising energy efficiency in the private housing sector. That will be lost. The Scottish Government is suggesting that it should merely be put into guidance that authorities are to report through their local housing strategies. That is quite different from the duty that is contained in HECA. I think that what is proposed represents a diminution of our powers.

**The Convener:** I challenge you on that. You say that it represents a diminution of the powers, but the Scottish Parliament and the Scottish Government still have the power to introduce whatever legislative proposals they want to introduce in this area. Is it really a diminution of the powers to remove from the statute book a piece of legislation that might be past its sell-by date?

**Elizabeth Leighton:** It is a fair point that the Scottish Parliament and the Scottish Government could choose to introduce something else, but removing a legislative provision without giving a commitment to replace it with a duty or power that is equally strong is a backward step. An opportunity still exists to improve on HECA.

**The Convener:** You say that the UK bill should impose a duty on Scottish ministers in an area of devolved responsibility instead of removing the existing legislation, which would give Scottish ministers and the Scottish Parliament the freedom to do what they think is appropriate in that area.

**Elizabeth Leighton:** I would welcome the Parliament taking up that opportunity but, at the moment, the proposal is to replace HECA with something weaker, so I would rather see HECA stay in place until a stronger alternative is proposed.

**The Convener:** I have just one final point before I open up the questioning to other members. Some of the written evidence that we have received suggests that HECA has not been particularly effective in driving forward energy efficiency in Scotland.

**Elizabeth Leighton:** Yes, but in the “Conserve and Save” consultation on the energy efficiency action plan, although people recognised the deficiencies of HECA—on which I am completely in agreement—the majority of respondents said that it should be replaced with a duty on local authorities to have a target for reducing emissions from the private housing sector and to report on progress on that.

**Rob Gibson:** Good morning. In recent weeks, the committee has had a visit from the UK Secretary of State for Energy and Climate Change. He extolled the virtues of the green deal, which he said would be delivered fairly. To address Norman Kerr’s point, the energy secretary suggested that people in hard-to-treat, hard-to-heat houses would get fair access to the money. Can we hold out hope that that will happen?

11:15

**Norman Kerr:** No, I do not think that we can.

The bill will give Scottish ministers the opportunity to encourage and promote energy conservation. There is a difficulty around the fact that, under the green deal, it is down to the individual to make the application. With reference to rural areas in particular, it can be difficult to look to the high street or to the big-name stores that are being suggested as those that will raise the finance. If someone’s nearest B&Q is 150 miles away, how do they access the grant? Who makes the assessment of the measures that are needed for that person’s house? How do they enter into negotiations to have the work done? It all relies on the home owner taking the necessary steps.

Much of the work going into the current programmes, including the CERT programme and the community energy saving programme, is being done by the power companies in combination with local authorities, local energy efficiency advice centres or others, so that they can promote it. Energy companies spend a great deal of time and effort promoting those programmes and, by direct mailing or cold calling, getting people to take them up. I do not see anything in the green deal to suggest that that will continue, by which I mean that it is very much down to individuals.

If the energy companies are struggling to give away insulation, by the time high street stores add their uplift, and the cost of the assessment is also added, it will be extremely difficult to negotiate with someone to get them to take such measures. I do not think that the green deal will be anywhere near as successful as the secretary of state thinks it might be.

**David Stewart:** I imagine that the green deal will work and will be effective where the measures that are required to make a property significantly more energy efficient are relatively cheap and where the occupier has a reasonable level of income so that they can continue to pay for them. However, the green deal cannot be fair, as it cannot be applied across all sectors of society, all areas of Britain or all types of housing. For instance, I cannot see how the green deal would work for someone on a relatively low income living in an off-gas area of Scotland in a stone-built

property. It is a key requirement for other measures, such as the energy company obligation, feed-in tariffs and the renewable heat incentive, to be targeted at individuals and areas to ensure a level playing field.

**Elizabeth Leighton:** We are equally concerned that the green deal will not live up to its ambition, simply because not enough money will be stacked behind it to provide adequate subsidies or support for more expensive properties. Let us not forget that for several years we have been living with the odds stacked against us and with UK programmes short changing us. It is essential to get it right this time, so that we make up for past underinvestment.

About a third of our housing stock is hard or expensive to treat, and it continually gets left out of the picture. Promises have been made by the UK Government that the energy company obligation will make up for the fact that properties are expensive to treat. However, looking at the pot of money that is to be available, I cannot see how it will stack up—I cannot see that that pot of money will be able to deliver when it comes to the increasing fuel poverty problem and the very expensive measures that will be required for hard-to-treat homes.

**Rob Gibson:** Setting aside for a moment our experience of the way in which schemes such as the CERT programme have worked, does the engagement of tenants and owners through energy performance certificates provide a way to trigger the help that they require, however it is delivered? We can argue about delivery mechanisms in a minute, but can energy performance certificates play a bigger part in people's entitlement and access to what is required?

**Norman Kerr:** I certainly see the certificate as something that could highlight the measures that could become available. However, it is about the interpretation of the certificate, who produces it in the first place and their qualifications and understanding of the measures. Someone should be able to walk you through what is needed for your home and give you independent advice on what might be available.

The difficulty is the tie-in to the finance package. As Elizabeth Leighton said, for a property that is off the gas grid and has solid walls, an investment of £10,000 to £15,000 might not be uncommon. It is about how that is repaid back through a finance deal over a 20 or 25-year period, and whether people can be encouraged to take out what is in essence another small mortgage.

Although the loan—we are told that it is not a loan—is attached to the property and not the individual, that raises questions about the next

occupant being aware of those arrangements when they move in. Part of the process for Scottish ministers is to ensure that the next occupant is aware of any outstanding finance arrangements from the green deal that are still tied to a property.

Energy performance certificates have a role to play, but we need to consider carefully what that role is and how the certificates will be applied.

**Rob Gibson:** I am very conscious of the issue when I see examples in the Highlands and Islands. Energy performance certificates are something that we can influence directly, so what can we do to improve them? Are we suggesting that the people who make the assessment in the first place should be of a higher standard? Are we talking about things that can be fed in to give people more security in the knowledge that they can demand particular solutions to their problems?

**Norman Kerr:** The way that EPCs are structured just now means that the people who deliver them are trained to a very high standard to survey properties. I would say that, because my organisation works in partnership with the Building Research Establishment to offer training to those who deliver EPCs. However, what they are not trained to do is pick up the EPC and give a great deal of interpretation and further advice on the appropriateness of individual measures. We need to look at the standards. We are told that down south the green deal assessment will be done by domestic energy assessors. There is no such thing as a DEA in Scotland. Scottish ministers will need to ensure that another set of suitable qualifications is applicable in Scotland. We need to have a view on the skills and training that people will need, over and above the skills that they already have. Their work might start to involve arranging finance or putting forward different proposals for financial packages. The regulation of assessors just now is fairly loose. We have a fairly big job to do in considering how we further regulate our assessors so that they are able to deliver impartial and fair advice to householders.

**Rob Gibson:** That is very helpful.

**Elizabeth Leighton:** On EPCs and how they work, the "Conserve and Save" consultation showed that people support the use of EPCs as an important communication tool. The A to G rating works for people. You asked how EPCs could be improved. First, there could be a requirement to include them in all marketing materials for a property, so if a property is marketed for sale or rent, the A to G band rating is right there, along with the particulars.

Secondly, you could look at enforcement and whether EPCs are being provided as they should be, by law. A recent UK-wide survey by Consumer

Focus indicated that about 50 per cent of people said that they had received their EPC. That survey also reveals the problem to which Norrie Kerr referred: only about 17 per cent said that they would act on the recommendations. People gave various reasons for that, such as that they thought the recommendations were not terribly applicable to the house or that there was not enough information. The credibility of EPCs is questionable, which is why we have argued for the methodology to be improved so that it takes account of location, climate and traditional building needs.

**Rob Gibson:** That is helpful; thank you very much.

**Marilyn Livingstone:** I will start with a question on fuel poverty. Does the panel agree with the Scottish fuel poverty forum that the Scottish Government should not pass responsibility for fuel poverty to the energy companies?

**Norman Kerr:** As I sit on the fuel poverty forum, I agree with that statement.

**Marilyn Livingstone:** I thought that you might.

**Norman Kerr:** We are in danger of privatising fuel poverty. We are looking at absolving ourselves from our responsibilities. Scottish ministers should endeavour to eradicate fuel poverty as far as is reasonably practicable. Passing that responsibility on to others is not an option. We can certainly include others in helping us to eradicate fuel poverty, as we do through the CERT programme. The energy assistance package, the home insulation scheme and the universal home insulation scheme rely heavily on funding from the Great Britain CERT programme. We rely on input from the fuel companies but I do not think that we can pass responsibility to them completely.

The energy company obligation will replace the CERT programme, the community energy saving programme and the warm front initiative, which the Department of Energy and Climate Change has decided will no longer be applied. In a few years, £350 million will have been taken out of fuel poverty programmes in England; that money will have to be replaced by energy company obligation funding.

We also know that the community energy saving programme money that is drawn from generators will no longer be applied. We are told that the green deal will have a level of finance that is similar to the current CERT obligation. Money is being stripped out and the scheme is being made GB-wide. The level of measures is also being expanded. Elizabeth Leighton talked about hard-to-treat homes. If a CERT grant is worth about £300 to £400 but the energy company obligation that provides heating, insulation and cladding

costs £10,000, significantly fewer homes will be helped across Great Britain, far less in Scotland.

We face a real difficulty. Scottish ministers and the Scottish Government need to take their responsibilities into account and ensure that funding continues for fuel-poor households.

**Marilyn Livingstone:** I guessed that you would agree with the forum's statement. I am really concerned about the situation and I agree with what you said. What do the other panel members think?

**David Stewart:** I agree that it is a concern. As I said in my opening remarks, I do not want funding that is meant to reduce carbon emissions to keep people in fuel poverty. Housing associations are faced with a difficulty—we do not want to raise rents in the current climate to pay for improved energy efficiency.

It is key that the Scottish Government or the UK Government should retain overall responsibility rather than devolving responsibility entirely to private companies.

**Elizabeth Leighton:** Scottish Environment LINK in no way sees its work on the reduction of carbon emissions as taking precedence over fuel poverty goals. They are twin goals that have to be reached in tandem. That is why we have called for a high energy efficiency standard that will future proof homes against fuel poverty.

In its evidence, the fuel poverty forum raised an interesting point. We are discussing what the green deal and the new energy company obligation will mean for Scotland, but at the same time we should be discussing how they will integrate with Scottish programmes such as the energy assistance package and the universal home insulation scheme. What does all that mean for Scottish Government-led packages? Now is a good time to discuss that, rather than waiting until after the fact.

11:30

**Marilyn Livingstone:** You have covered the issue broadly, but I have a specific question. We know that local authorities' budgets are tight at the moment and that they are looking to make cuts. If the 1995 act is repealed, will they be able to lower their commitment to energy efficiency?

**Elizabeth Leighton:** There is definitely a risk of that happening. Every local authority is looking at where it can cut costs and jobs. If energy efficiency is no longer seen as something that they must do or they do not see it as a local priority, that investment will be put at risk. That is a shame, because local authorities such as Aberdeen City Council and East Ayrshire Council have made it a priority in the past and because of that they have

developed in-house expertise. We know from experience that if a local authority is switched on to the issues, it knows exactly where to make investments, which makes them cost-effective. We want to maintain that expertise in local authorities, rather than diminish it.

**Norman Kerr:** The Scottish housing quality standard, which will give homes an energy efficiency rating by 2015, provides us with an opportunity. All homes should achieve a standard assessment procedure score of 55 or a national home energy rating of 5 by 2015. We have the opportunity to consider whether the legislation that establishes the standard should be amended to raise the level of energy efficiency that we seek.

Local housing strategies already include a fuel poverty element; local authorities must state what they are doing to address fuel poverty. It may be that they are doing nothing; if they state that they are doing nothing and said in the strategy that they would do nothing, they will have complied. At issue is how we give them encouragement and direct them. I take Elizabeth Leighton's point that there is a danger in simply repealing HECA and putting nothing in its place, but there are a couple of pieces of legislation that we should be able to use to continue to place the issue at the front of local authorities' minds.

**Marilyn Livingstone:** As you know, there is in my constituency the greener Kirkcaldy initiative, which is doing an amazing job. I am sure that the same is true of projects in Ayrshire and other areas that have been mentioned. We would like those projects to be kept going, because we want in no way to step back from the progress that we have made. That is another issue of concern.

**David Stewart:** Like Norman Kerr, I think that there is potential in the Scottish housing quality standard. I know that the Scottish Government is considering moving beyond that standard in the future and to having a standard for housing associations and council housing that is focused on energy efficiency and meeting the targets that the Climate Change (Scotland) Act 2009 sets. The SFHA and its members have talked to the Scottish Government about participating in a working group on that. Through that, there is potential to set targets and to monitor progress on increasing energy efficiency.

**Marilyn Livingstone:** We heard from the previous panel about the impact of the recession on young people and how we could utilise that resource to look at energy. Are we doing enough training and skills development to enable us to progress measures such as retrofits?

**David Stewart:** I am not sure that we are, at the moment. I see it as an area of great potential and as a win-win: we could address fuel poverty,

energy efficiency and carbon emissions at the same time as we put in place training for real jobs and develop more jobs and training for young people. Our members are keen to participate in that process. There is potential both in energy efficiency, through improved insulation of housing, and in renewable energy and renewable heat. Housing associations are potentially well placed, as organisations with experience of project management. In the past, housing associations have innovated and led on new energy technologies, and because they have groupings of stock—houses together—it is perhaps easier for them to set up, for example, a district heating scheme or a scheme using photovoltaics or solar water energy.

**Norman Kerr:** Scottish Gas is in the process of opening three skills academies to retrain people. That is important because, as we move away from the traditional insulation measures the question will be what to do with the workforce. We need to look at how we retrain them—at how we can enable, for example, a plumber to fit a solar water heater or an electrician to fit photovoltaic panels on a roof. Retraining is small scale just now and we need to grow it, but I do not see many signs of huge growth. We must do that—before we encourage young people to come into modern apprenticeships or move into new technology areas—by developing actual skills and qualifications for the particular things that we need to do.

**Marilyn Livingstone:** Where is Scottish Gas setting up the skills academies?

**Norman Kerr:** I believe that there is one in Oban and one in Dumfries, and I think that there is one in Edinburgh, but you would need to confirm that with Scottish Gas. However, it has said that it wants to take the work into the community so that it can provide local employment, initiatives and support. That is to be welcomed.

**Elizabeth Leighton:** I can add to that. We have made estimates in reports of something like 10,000 jobs every year up to 2020 if housing does its part to contribute to our 42 per cent target. That figure is just from the direct jobs and does not include the indirect ones down the supply chain. It is a huge win, if we can grasp it, but it will require strong direction and leadership from Government to say, "Yes, we're going for the target. Yes, there's the finance and yes, we are also going to provide a backstop through regulation." We need that direction to ensure that there is enough motivation and a strong incentive for the measures to be taken up because, if we do that, industry will follow the lead. The progress has been far too stop-go up until now.

**Stuart McMillan:** I have a brief question about money. One thing that focuses the minds and



attentions of politicians is the cost of something—not so much the value, but the cost. I am interested in the overall picture. What is the estimated cost to Scotland in budget shortfall in both private and public moneys if the UK bill is passed?

**Norman Kerr:** A lot of the detail has still to be worked out. We know that the driver for the energy company obligation will continue to be money that is collected through their bills. Currently, every consumer in Scotland pays around £88 a year in their bill for CERT, CESP, the European Union trading scheme, feed-in tariffs and a variety of other things that are all gathered through the bill and redistributed. There is nothing in the UK legislation that says that any particular part of that money is ring fenced, so Scotland does not need to get its 9 or 11 per cent of the total UK budget. The fear with the energy company obligation is that there continues to be no talk of ring fencing any of the budget. We could do very well and get more than our percentage, or we could do very badly.

If Warm Zones, which operates in England and Wales, works closely with power companies to use energy company obligation money to support its work, money might be diverted from Scottish consumers. We simply do not know whether that will happen.

As I said, the energy company obligation is regarded as replacing CERT, CESP and the warm front scheme, so I think that we can conclude that less money will be available for Scottish programmes, given that we are reducing the overall UK and English budgets and that more funds will be sought to support English fuel-poverty programmes because the warm front scheme will no longer exist.

**Elizabeth Leighton:** I concur with what Norrie Kerr said, which backs up our call to ensure that the energy company obligation is set up such that we are not disadvantaged. Energy companies are resistant to targets, but there should be negotiations to ensure that account is taken of our more severe climate, because the scoring in the current programmes disadvantages us, and to ensure that consideration is given to giving powers to the Scottish Government to co-ordinate eco-activity in Scotland, so that delivery is more efficient and effective.

That has been done in a voluntary way, through the CERT strategy group, and much effort has gone into improving Scotland's position vis-à-vis CERT. There has been some progress. We have spent a fair amount of Scottish Government money to make up for CERT's market failures, but we should not have to do that. The programme should be designed such that Scotland benefits, as well as the rest of the country.

**David Stewart:** It is key that the arrangements do not disadvantage Scotland. Scotland is a more rural country, with more properties that are off the gas network, and we have longer, colder winters and more non-traditional or difficult-to-treat properties. Account should be taken of those issues. CESP was a welcome addition in the attempt to address the expensive-to-treat properties and to take account of the fact that individuals and communities are fuel poor, instead of just focusing on carbon reduction. Whatever comes from the Energy Bill, we hope that that work is continued and issues such as expensive-to-treat properties and fuel poverty are covered by the new legislation.

**Stuart McMillan:** The Scottish budget reduced last year and this year and is expected to reduce in coming years. The Scottish Government has less money and the bill might have a negative effect on other funds that come to the Scottish Parliament and the Scottish Government that will be in place post-election. That is concerning, particularly in relation to the points that you made about our rural economy and the number of off-grid houses.

In its submission, the SFPF noted that there is "a differential of some £120 in annual heating bills between similar houses in the west of England and the west of Scotland".

The point must be made in the strongest possible terms if there is likely to be less money as a result of the new arrangements, in addition to the existing and future cuts in Scotland's budget.

**Norman Kerr:** I whole-heartedly agree. Aside from the green deal and the energy company obligation, the warm home discount programme will be funded as part of the supplier obligation, which will ramp up during the next few years until £350 million per year is being spent on discounts and other measures.

As it stands, the warm home discount that will be given to pensioners in terms of the data match is £130. Scottish pensioners will receive a discount of £130, but the benefit to them will be just £10 because, as was rightly said, the difference in heating costs between the west coast of England and the west coast of Scotland is £120. Again, that is a regressive way to deliver, because it is a charge on all consumers but only a certain group of vulnerable, fuel-poor households will receive the funding. It is not based on ability to pay, on location or on need; it is a flat fee, which does not support Scottish fuel poverty at all.

11:45

**Lewis Macdonald:** Elizabeth Leighton rightly highlighted that there is a good deal of expertise in some Scottish local authorities. She mentioned

Aberdeen in that regard, which was probably the first place in Scotland to take on board the challenge of better energy efficiency some 25 years ago. For the past 15 years that has been based on HECA, which provides a statutory duty. We know that Aberdeen City Council and other councils are now talking about doing in the future only what statute requires of them. Will the repeal of HECA inevitably mean that there will no longer be a statutory requirement and that some of the expertise and the commitment that councils have given over the years will automatically be lost, given what we know about councils' approach to future funding commitments?

**Norman Kerr:** I am happy to start on that; there are a number of points to make. When HECA was agreed with local authorities, each local authority was able to set its own target. The indicative target in England was 30 per cent, but some local authorities in Scotland went for 12 per cent. It was an indicative target and was about reporting. There is nothing in the legislation about what would happen to a local authority that did not achieve what it set out to achieve. So, the act had a number of flaws. Elizabeth Leighton alluded earlier to the fact that we all recognise that it was flawed.

I come back to the things that we still have. If Aberdeen City Council is looking at what it needs to do, the Scottish housing quality standard gives a firm message about the standard that needs to be achieved for houses, whereas HECA gave a notional reduction in overall energy demand. Perhaps HECA is not past its sell-by date, but over the years local authorities have become more acutely aware that perhaps their starting point was wrong. However, they could not amend that, so they were forced into reporting every two years against something that they knew had been flawed from the outset.

There will be local authorities that may consider, when the act is repealed, that they do not need to do anything else. However, we should look to the legislation that we have and see whether, for example, we can amend the Scottish housing quality standard that says that there should be a SAP of 55 or an NHER of 5 and move it to an NHER of 8 by 2020, so that it continues to give meaningful targets to local authorities rather than a notional energy saving.

**Elizabeth Leighton:** We can certainly consider alternatives to HECA, because the reporting requirements alone are enough to drive local authority housing energy officers crazy. However, if we have in place what is suggested, it is only guidance that local authorities should report on their performance on emissions reduction in the housing sector through their local housing strategies or the single outcome agreements.

There is nothing to say that local authorities must do that. Particularly for single outcome agreements, authorities determine their own priorities. That is quite different from having a statutory duty.

When we consider our commitments—under the Climate Change (Scotland) Act 2009, and in our 2020 target—we must remember that housing represents a quarter of our emissions. I am not talking only about the social housing stock—which, as David Stewart was saying, is the best-performing housing stock. Local authorities have to consider both social housing stock—which has a standard already—and the private housing stock. The need to cover the whole of the housing stock is one issue that an SHQS alone will not solve. Also, when we come to regulating the private housing sector and applying minimum standards, local authorities will have an enforcement role to play.

On the flip-side, local authorities will also have a role in motivating people and in identifying the best places in which to invest. I am told that the local authority in Orkney has been able to make great strides in addressing fuel poverty because it really knows its housing stock. It has put effort into gathering that knowledge and it has made the right investments. For us to make progress with this agenda, it is essential that local authorities have that knowledge base.

**David Stewart:** I would like to amplify what Elizabeth Leighton has said. I am not an expert on HECA—obviously, it is a local authority duty. However, in the current economic climate of public spending cuts, I am, like anyone else, concerned that if a body such as a local authority does not have to do a particular thing, or has a choice about where it spends its money, there is a danger that the money will be concentrated only on statutory duties. That is a real concern, because rising fuel prices, fuel poverty and climate change are huge issues.

The idea behind the Scottish housing quality standard is very good, as is the idea of a successor standard that focuses on energy efficiency. It will be important to build on those ideas, but at the moment they cover only affordable rented housing—which is the minority of the housing, and not necessarily the housing that presents the greatest problem.

**Lewis Macdonald:** Does the current housing legislation going forward offer any opportunities to address those issues, or is its scope and focus elsewhere?

**Elizabeth Leighton:** Are you referring to the Private Rented Housing (Scotland) Bill that is going through Parliament now?

**Lewis Macdonald:** Yes.

**Elizabeth Leighton:** The bill focuses on tenants, so there are some opportunities for providing tenants with information on the energy efficiency of their property. Such information would put tenants in the position of being able to negotiate on the price. The Consumer Focus survey has some information relating to that: apparently, only about 6 per cent of respondents had used that information.

The bill offers another opportunity to raise the profile of energy efficiency and to stress that, in the private rented sector, it is a tenant's right to have a high-quality property. There is also the requirement that any marketing materials must include the EPC. Again, that raises the profile for tenants.

**Norman Kerr:** For a number of years, Energy Action Scotland has said that the private rented sector should be regulated, and that is still our view. We can give a lot of encouragement, and we have been giving a lot of encouragement, but there remain particular parts of the private rented sector that should not be renting out houses. The sector needs to be regulated, and a minimum standard of energy efficiency should be required in homes before they can be let.

**Lewis Macdonald:** Am I right in saying that that is covered by section 3 of the UK Energy Bill, where there is a conflict with the Climate Change (Scotland) Act 2009?

**Norman Kerr:** I believe so.

**Elizabeth Leighton:** I hope that there would not be conflict and that the Scottish Parliament would be able to make it clear that the Scottish climate change provisions take precedence and are more encompassing.

Although there is a need to regulate the private rented sector, in which the quality of many properties is very poor, we should consider the housing sector as a whole and not regulate only the private rented sector at first. Regulating the whole sector would be more equitable and would ensure that rented properties did not make a simple shift and become owner-occupied properties.

**Lewis Macdonald:** I have to say that I read section 3 of the Energy Bill for the first time when Chris Huhne was here the other week and I was at a loss to understand why such detailed legislation was being brought forward in a devolved area. I do not know whether you have had any explanation from UK ministers or Scottish ministers as to why that might be the case.

**Elizabeth Leighton:** The only explanation I had was that it offers consistency across the country and provides a discretionary power to the Scottish Government, if it chooses to take it up. I agree that

it is untidy at best, and confusing in terms of knowing what the Scottish Government's intention is. Will it use the powers in the Climate Change (Scotland) Act 2009 or the discretionary powers in the bill?

**Lewis Macdonald:** Perhaps we will pursue that next week.

Norrie Kerr mentioned outstanding financial arrangements where a house changes hands in the owner-occupier sector. Is there a perverse disincentive in the sense that houses in which an owner has taken advantage of the green deal will potentially cost more than a neighbouring house, because of outstanding financial commitments for that work? Does that mean that people who are looking to sell a house will not want to take advantage of the green deal because it might reduce their ability to sell?

**Norman Kerr:** The repayment will be through the electricity bill. DECC is quite clear about applying what it calls the golden rule: that the savings made by the measures should offset the energy bill. Therefore, if the measure costs £100 and is repaid over 10 years, someone should see a reduction of £10 a year in their bill. There should be a netting off. We do not believe that that will be the case.

When you move into a property you need to be aware of how much further the loan repayment will extend. Someone might invest in external cladding, a heat pump and a variety of things that make the house more efficient and more attractive than the neighbouring house. That might not impact on the selling price, but it will impact on the running cost. That is why we are keen that there is full disclosure of any outstanding finance.

People who want to buy or rent a new property might be swayed if it has 20 years' finance left on it and the measures were installed six months before. There is nothing that says that when you take the finance you need to give some assurance that you will continue to be in the property for a particular length of time. Our energy assistance package says that people should be able to show their intention to reside in the property for at least a further year. My understanding is that that does not apply to the energy company obligation.

However, that should not impact on the cost of the house; it will impact on the running cost of the house, which is something different that the energy performance certificate might reflect. If someone takes up the green deal, their energy performance certificate should change because they have made improvements. It should reflect the potential running costs for the next tenant.

We need to ensure that there is legislation that says that there must be disclosure of outstanding finance.

**Lewis Macdonald:** Thanks very much.

How will the green deal operate and will its operation in relation to housing association and council homes be satisfactory?

**David Stewart:** I have some real questions about how it will work with housing association homes. The impression I get from reading information on the green deal is that consumers will lead. They will decide, for example, that they want a new, more efficient gas boiler. That does not fit well with the idea of a housing association being responsible for and managing its own property. For example, if a housing association intended to replace boilers, it would probably decide to replace a large number at the same time and to the same specification. It might even decide to look at a district heating scheme, as one of our members, Ore Valley Housing Association in Cardenden in Fife, did when it was time for it to replace its gas boilers. It thought that, in the long term, a district heating scheme would offer better value for money for its tenants and would be better for the environment. There is a potential clash between the green deal being led by the consumer or occupant and wider responsibilities, not to mention the project and stock management skills that housing associations and councils have.

12:00

**Norman Kerr:** My understanding is that the house owner—which might be a local authority or a housing association—must give consent for the work to be undertaken. We may not be able to enforce that rigidly—some people may slip through the net. That comes back to the issue of who makes an assessment of the house. If the house is a local authority or housing association house, should their first question be about consent to undertake the work? It is stated that, in the private rented sector, consent should not be withheld unduly. With a house that is not owned by the occupant, there must be some sign-off process, whereby the home owner, whether that is the local authority or the housing association, agrees to the work.

As David Stewart has rightly identified, there is the issue of what happens when someone who is not a home owner gets a new boiler and that boiler breaks down. They will look to the housing association for its repair or maintenance. We have lots of questions about the warranties that will come with the products that are fitted. I am talking less about boilers and more about things such as external cladding. What kind of warranty might someone in a house to which external cladding is fitted be looking for? If the cladding starts to fall off after five or 10 years, who will they go back to? There are a number of questions that we are told will be answered in secondary legislation, but

Scottish ministers should have a view on those areas.

**Elizabeth Leighton:** I have a quick comment on the green deal. To go back to first principles, we in WWF have argued for a pay-as-you-save scheme for a long time. To the extent that that is how the green deal is talked about, it is a good thing. If the golden rule will apply, if the safety nets are put in place and if there is adequate investment in eco-measures for fuel-poor households, it sounds like quite a good thing, but we are talking about the risks and whether the numbers stack up.

There are concerns, but let us not forget that retrofitting our housing stock will be extremely expensive, so we do need to bring in private finance from householders who are able to pay, as well as through a financing mechanism and through private companies. We need such a scheme, but let us ensure that it will work for Scotland and Scottish circumstances.

**Lewis Macdonald:** I fully take your point that the principle of a pay-as-you-save scheme is good. My question is really about social housing. Is there a risk that we will end up with something that is less likely than the current scheme to deliver the improvements that we want?

**David Stewart:** That will be a concern until we get more detail.

**Lewis Macdonald:** Would it be fair to summarise your responses as saying that it might happen, but it might not, depending on the follow-up in secondary legislation?

**David Stewart:** I would say so.

**Gavin Brown:** Elizabeth Leighton mentioned concerns about the bill compromising the Climate Change (Scotland) Act 2009. You made specific reference to section 64, which has been covered. Are there any other parts of the act that you think the bill might compromise?

**Elizabeth Leighton:** Not specifically in terms of legislative confusion, as there is with regulation of the private rented sector. At the beginning of the meeting, I raised questions about whether all the provisions will make it possible for us to meet our 42 per cent target for 2020. Do they make it easier or harder? That is why I looked at HECA, at ensuring that regulation of the private rented sector does not confuse things, at improving EPCs and at ensuring that we maximise our devolved powers on energy performance certificates so that they improve our energy efficiency.

I have not mentioned the 2009 act's requirement for an energy efficiency target, which is now contained in the energy efficiency action plan as an energy demand reduction target. That is reasonably ambitious and it would be interesting to consider how the Government believes provisions

in the Energy Bill will help it to meet that energy demand reduction target and how they can be tied to that target.

**Gavin Brown:** Norman Kerr, you have expressed concerns about the idea of a flat-rate eco-subsidy and you highlighted the £120 difference between the west of Scotland and the west of England. Is there a way of structuring an eco-subsidy that is not a flat rate, that creates fair distribution but does not become unduly bureaucratic and complex? Are we missing a more straightforward solution?

**Norman Kerr:** The warm home discount that gives the rebate is not part of the green deal or energy company obligation; it will sit separately. It is akin to the winter fuel payment and it could be restructured to take into account location within the country. We believe that the warm home discount could be banded; three or four bands across the UK could take into account the difference in heating costs and make a percentage increase in the discount accordingly. The south coast of England could be band 1, and bands 2, 3 and 4 could be used to apply a greater percentage for people who stay in the Highlands and Islands or off the gas grid. That would be a fairer way of providing the subsidy to those people who need it most.

**Christopher Harvie:** It strikes me that, when renewables gets into its stride, power is going to be supplied largely by electricity. On the other hand, heating at the moment is predominantly provided through oil and gas. We are heading towards peak oil, which already seems to be hitting. The \$100 barrel was supposed to come in the 2030s but it will be here next week. In those circumstances, what do we do to ensure that the ordinary forces of supply and demand within the various power modes do not automatically bear down on those who are least able to pay?

For example, our consumption of electricity has gone up more than fourfold since the 1970s, although the heating element has gone down. As bureaucrats and officials, we are not using the pen-and-ink books that we were using in the 1970s; we are using all this energy-intensive equipment. I shudder to think what my carbon footprint must be now. How do we ensure that the electricity that we generate for heating goes to people who are cash poor but energy demanding? How do we cope when we can see that the price of oil and gas is to go up by a factor of 2 or 3 within the next decade?

**David Stewart:** I will attempt to answer the first part of your question, which I think is important. Renewable electricity will be extremely important in the future, particularly as fuel prices rise. As I said earlier, I see potential for housing associations, as well as councils, to play a role in

that. There are already examples of councils and housing associations developing renewable electricity or combined heat and power schemes. In fact, we at the SFHA have been talking to members about the possibility of setting up a scheme, which the Scottish Government is also interested in, to fund renewables through loans, the joint European support for sustainable investment in city areas—JESSICA—fund or the European Investment Bank, and to repay those costs through the feed-in tariff.

From the SFHA and housing associations' point of view, it is important that we meet the opportunities that things such as the feed-in tariff and the renewable heat incentive provide at the same time as generating income for our members and their communities and ensuring that fuel poverty does not become even more of an issue than it is at the moment.

The second part of the question, about the cost of gas and oil and adjusting our response, is very difficult. There have already been a couple of instances of work among housing associations. For example, in Rothesay on the island of Bute, Fyne Homes made a deliberate choice to make a new-build scheme energy efficient. It insulated the buildings extremely well and then installed electric rather than gas heating. I suppose that the idea was to try to future proof the scheme. If that was to become a more widespread approach, whether among housing associations, private landlords or developers, there would be a real issue with education and ensuring that people make the right choices as consumers and know how to use heating systems most effectively. Looking ahead, I think that it is a big issue.

**Elizabeth Leighton:** That is why we have called for the green deal package to take a whole-house approach and to look to the future, to having a national home energy rating of 8—a very good energy efficiency standard—by 2020 and beyond that, to 2050, to giving home owners an idea of the changes that their particular house will need over time. That will allow home owners to look at the range of measures that are available when they make decisions.

Your question also points to the need to discuss how the green deal, which is really aimed at the individual householder, will relate to other programmes for, for example, district heating programmes or the types of things that David Stewart was talking about with housing associations. We will have to do that too—it will not be enough just for some individuals to take up measures. In many cases, it will be more cost effective and efficient for us to have community heating and renewable schemes that provide for our heating and electricity. Those programmes

need to dovetail, and that needs to happen now rather than when the green deal is announced.

**Norman Kerr:** I have nothing to add to that.

**The Convener:** There is one final point that you may wish to comment on. Given the issues that have been raised in the written evidence that we have received and the evidence today, do you think that the Scottish Government's legislative consent memorandum is a little too sparse and should provide a little more detail about what it sees as being the implications of the legislation for Scotland?

**Elizabeth Leighton:** Yes.

**Norman Kerr:** Yes.

**David Stewart:** Yes.

**The Convener:** Sorry for the leading question! *[Laughter.]*

That concludes our questioning. I thank David, Elizabeth and Norman for coming along and giving helpful evidence. Next week, the Minister for Housing and Communities will give the Government's take on the memorandum, and I am sure that the information that we have been given this morning will help to inform our questions to him.

## European Union Legislative Proposals (Reporter)

12:15

**The Convener:** The committee may recollect that the European and External Relations Committee recommended a new procedure for dealing with European legislation, which it wishes to pilot in the remaining weeks of the current session. The role of the EU reporter will be to provide early engagement with and scrutiny of European Union legislative proposals and the accompanying explanatory memorandums and to report back to the convener on the issues.

The pilot will run from now until dissolution. I do not imagine that it will involve a great deal of work between now and 22 March, but it seems to me that the role would be appropriately carried out by the committee's deputy convener. I therefore recommend that Rob Gibson be appointed as our EU reporter. Is that agreed?

**Members** *indicated agreement.*

**Rob Gibson:** I am delighted to accept the honour.

**Lewis Macdonald:** I am very happy to support the nomination. I thought that Chris Harvie had some eminent qualifications, not least his enthusiasm for the Bundesrepublik Deutschland—*[Laughter.]*

**Rob Gibson:** I might have a wider focus.

**The Convener:** That is agreed. I welcome Rob to his exciting new position. I am sure that he will enjoy it over the next few weeks.

12:16

*Meeting continued in private until 12:41.*

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