



The Scottish Parliament  
Pàrlamaid na h-Alba

## Official Report

# INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE

Wednesday 9 October 2013



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**INFRASTRUCTURE AND CAPITAL INVESTMENT COMMITTEE**  
**19<sup>th</sup> Meeting 2013, Session 4**

**CONVENER**

\*Maureen Watt (Aberdeen South and North Kincardine) (SNP)

**DEPUTY CONVENER**

\*Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP)

**COMMITTEE MEMBERS**

Jim Eadie (Edinburgh Southern) (SNP)

\*Mary Fee (West Scotland) (Lab)

\*Mark Griffin (Central Scotland) (Lab)

\*Alex Johnstone (North East Scotland) (Con)

\*Gordon MacDonald (Edinburgh Pentlands) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

David Bookbinder (Chartered Institute of Housing in Scotland)

Phil Flanders (Road Haulage Association)

Professor Kenneth Gibb (University of Glasgow)

Jim Hayton (Association of Local Authority Chief Housing Officers)

John Lauder (Sustrans)

George Mair (Confederation of Passenger Transport)

Gil Paterson (Clydebank and Milngavie) (SNP) (Committee Substitute)

Susan Torrance (Scottish Federation of Housing Associations)

Ewan Wallace (Society of Chief Officers of Transportation in Scotland)

**CLERK TO THE COMMITTEE**

Steve Farrell

**LOCATION**

Committee Room 6



## Scottish Parliament

### Infrastructure and Capital Investment Committee

*Wednesday 9 October 2013*

*[The Convener opened the meeting at 10:00]*

### Decision on Taking Business in Private

**The Convener (Maureen Watt):** Good morning, everyone. Welcome to the 19th meeting in 2013 of the Infrastructure and Capital Investment Committee. I remind everyone to switch off their mobile phones and devices, because they affect the broadcasting system, although some committee members will consult their tablets because they have their papers in digital format.

We have apologies this morning from Jim Eadie, so I welcome his substitute, Gil Paterson.

Agenda item 1 is a decision on whether to take business in private. I seek the committee's agreement to take in private agenda item 3, under which the committee will consider its approach to the Procurement Reform (Scotland) Bill. Do members agree?

**Members** *indicated agreement.*

## Draft Budget Scrutiny 2014-15

10:00

**The Convener:** Agenda item 2 is evidence from witnesses on the Scottish Government's draft budget 2014-15, as part of the committee's scrutiny process. Today there will be two panels: one on transport, followed by one on housing.

This year the committee has adopted a different approach. Rather than focus on specific aspects of the draft budget, the committee will conduct a wider evaluation of the Scottish Government's performance in delivering its priorities, as set out in the 2011 spending review, in the areas that fall in the committee's remit.

I welcome the first panel of witnesses: Phil Flanders, director for Scotland and Northern Ireland of the Road Haulage Association; John Lauder, national director for Scotland of Sustrans; George Mair, national director for Scotland of the Confederation of Passenger Transport; and Ewan Wallace, chair of the Society of Chief Officers of Transportation in Scotland.

Adam Ingram will start the questioning.

**Adam Ingram (Carrick, Cumnock and Doon Valley) (SNP):** Transport is a significant contributor to the Scottish Government's purpose and purpose targets, and to a range of national outcomes and indicators, which are contained in the national performance framework. What is your general view of the framework? How well does transport do in impacting on and influencing the measures and targets?

**Ewan Wallace (Society of Chief Officers of Transportation in Scotland):** I am happy to kick off. SCOTS is very familiar with the target-based approach across all the member authorities, so the manner in which this session is to be conducted is entirely appropriate.

We have always found that the target-based approach gives a focus on different areas. We have looked at how the budget compares specific issues, such as road safety, carbon footprint, requirements to increase physical activity and particularly the modal shift element of trying to increase the number of people who use public transport.

When we looked at the documentation, either those areas seemed to be reasonably steady, or there seemed to be a general upward trend in a number of them. In particular, member authorities have been very active in pursuing the road safety issue. Everybody has worked together to a common goal in that respect and allocated budgets in local authorities to reflect budgetary allocation in the Scottish Government and its

agencies. That area has been very effective over the past three to five years—if not even longer.

Perhaps overall progress on the other areas has been a little flat, but our interpretation is that not many of them are major causes of concern, with the possible exception of the carbon footprint. We know that how we move forward on that is a real challenge.

**George Mair (Confederation of Passenger Transport):** I think that it is correct to use the performance indicators in the national performance framework to manage and measure the various areas that are set out in the framework. In general, the bus industry is trying to contribute across the different areas, but there is a challenge in that a target for traffic congestion that is set at the national level might not always find its way down to the local areas that bus operators have to operate within. However, in general, without having indicators and measures, they manage the issue as well as they can. It is a good system and progress is being made, but the connectivity to local policies is sometimes questionable.

**Adam Ingram:** The overall purpose of the Scottish Government is defined as being to raise the level of sustainable economic growth. Do you think that the way in which the purpose targets are set out, with all the various measures, is appropriate for the transport sector? Do you see the transport sector being given an appropriate role to play within the overall purpose? That is what I am driving at in my questions. Does Phil Flanders or John Lauder want to comment on that?

**John Lauder (Sustrans):** I agree with Ewan Wallace's and George Mair's general comments. Some areas of economic growth have popped up since the indicators were written and agreed. In my area, which is walking and cycling, we know more about the income that is being generated for Scotland from those leisure activities and from people commuting to work by bike than we knew when the indicators were written. If it were possible, that might need to be woven in a bit more.

My general comment, which may not address your question, is that it would be good to see closer collaboration between the directorates within Government that have complementary aims and ambitions to those of transport. I am thinking particularly about the links between health and transport. Health policy is predicating the obesity strategy to an extent on people living more active lives and one of the aims of transport is to have 10 per cent of trips made by bike by 2020, but there does not seem to be any close collaboration between those two teams within Government. There might be—we may just be unaware of it—

but a more overt and clearer coming together of those two directorates would be welcome.

**Phil Flanders (Road Haulage Association):** We are very happy with the way in which the targets have been set, and we are happy to contribute to meeting them. We could always do with more money, but we know the constraints that exist. Because the targets are measurable, we can hold people to account if they do not deliver. It is a case of so far, so good.

**Adam Ingram:** Let us move on to capital projects. The Scottish Government has an infrastructure investment plan that sets out the medium to long-term capital investment projects across all Scottish Government budgets as well as a national transport strategy and a strategic transport projects review. What is your view of the prioritisation of capital projects in general, and transport projects in particular, within that strategic framework?

**Phil Flanders:** We have been very supportive of the Government's plans for the new Forth crossing, the dualling of the A9 and A96 and the Aberdeen ring road. Certain other roads are not up to the high standard that they should be at, but the Government has prioritised the roads that it feels need to be addressed. There are a lot of concerns about the roads to the Western Isles. After an incident last week, the main route was closed again. Perhaps some money should be set aside to ensure that it can be kept open and to upgrade it a bit sooner than is planned. It is the sort of thing that we do not know about until it happens, but the A83 and A82 are very important routes and it is important that we keep them in the best possible condition.

**John Lauder:** For our part, there is too great an emphasis on investment in roads, which is counterproductive as far as the aim of reducing carbon emissions and tackling congestion is concerned. The budget for tackling congestion, particularly in the urban realm—a lot of which is controlled by local authorities—is constrained. The budget that we manage on behalf of Transport Scotland is extremely small, but the benefit to cost ratios of enabling people to live more active lives and to make short trips by walking or cycling rather than by taking the motor car are extremely high. In our view, there is an imbalance in the budget. I do not think that it provides enough investment in walking and cycling infrastructure. Hardly any money is spent on soft measures, which are interactions that explain to people how to use infrastructure and what the benefits are of walking and cycling more. A tiny amount of money is invested in that.

I am not against investment in roads per se, and I take on board the arguments that Phil Flanders would make about remote communities and the

need to move goods and services, but I think that the budget is out of balance. In addition, as I understand it, there is no fixed budget for sustainable transport. It is extremely difficult to work out how much money is being allocated to it and where it is coming from. There are clear budgets for rail and road, but I can see no fixed budget for cycling. It would be extremely helpful to have a line in the budget that said how much we were spending on it. That would provide clarity.

I want to balance my comments by saying that I take on board and welcome the fact that the Government has put more money into that area, but the evidence from the past few years is that there is an appetite for more walking and more cycling. Every penny that we give out in a grant to a local authority is matched 50:50. We are always outbid by local authorities for projects. We never have enough money to satisfy the appetite that exists. I am very hopeful that the new funding that Mr Swinney announced, and which Mr Brown detailed two weeks ago at his summit with local authority heads, will also be outbid by local authorities. As a result, we might see a greater emphasis on how people move around in the urban realm. Whether an urban realm is in a city or in a market town in a rural area, it is still an urban realm.

**Adam Ingram:** Some of my colleagues will explore the active travel agenda later on.

What is your view, George?

**George Mair:** I agree with the points that Phil Flanders and John Lauder made, particularly the comments about the Forth crossing. There is also the fastlink project in Glasgow. However, having read through the document, I am not quite sure that I can see other investment being channelled towards bus projects. I see plenty of investment in rail. You might expect someone from the bus industry to say that, but it is difficult to see where bus projects might come through.

**Ewan Wallace:** I agree with the comments of all my colleagues.

From the perspective of SCOTS, we look at things—whether we are talking about a street or a road—from the point of view of the functionality that they bring. It is a question of how that is fed into the overall strategic documents that Adam Ingram mentioned. The national transport strategy, which has been in place for a number of years, provides a clear plan for investment. Last year's infrastructure investment plan brought a degree of prioritisation to the work that was done through the strategic transport projects review.

Colleagues might say that projects that were set out in the STPR did not have particular timescales attached. It was strategic in that it took a long-term view. Four and a bit years down the line, there are

some key areas in which quicker wins could have been made. I am sure that George Mair would agree with me when I say that park-and-ride and park-and-choose strategies are such an example. Work on those could have been done in conjunction with a number of regional transport partnerships and local authorities. There might well have been schemes that had existing funding streams and for which sites had been secured. There are a number of such schemes across the country that have moved on, but perhaps not at the pace at which they might have done, had more of a focus been provided by specific timescales.

10:15

Such measures link to various other local initiatives. In the public's mind, the local network and the strategic network is all the same—people will use those networks to go about their business. It is a matter of moving people and goods between different locations. We would like there to be a bit more prioritisation in that respect. That links back into the town centres review and how that fits into some of the strategic documents. We are looking to get the most effective use out of the funding streams that are available to us all.

John Lauder has spoken about identifying spending as much as possible. That falls out of the next stages of the budget process. We all keep a close eye on how much money is available so that we make the best use of it within our own organisations.

**John Lauder:** I have a concern that “strategic” can sometimes just mean “new”, as opposed to what is genuinely nationally strategic. Maintenance, for example, is strategic, and it is really important. Ewan Wallace is right—things move on, and new things come along. It might be time to review, although I do not know about that—I do not wish to drag us all into a major review.

**Adam Ingram:** Is there something in the system that requires to be altered? Are you suggesting that there is a lack of flexibility or of lightness on the feet that needs to be addressed?

**John Lauder:** There could be. A good example is the national planning framework 3, which is now going through. It has been out for consultation. A view has been taken that, in our field, the national cycle network, the canal network and the long-distance walking networks should be national planning priorities. That has happened since we set up the strategic transport projects review. It would be good to have a quick look at the strategic transport projects review and add it in with what is happening with the national planning framework. The two are leapfrogging each other, but it would be better if they were brought together.

**George Mair:** It has been some years now since the NTS was published. I seem to recall that there was an intention at one point to do a refresh, although that was deferred. It might be time to have a look at it again and to take on board some of the things that have changed in the intervening time, as well as considering the stuff that is coming through.

**Ewan Wallace:** On your question whether there is something in the system that requires to be changed, Mr Ingram, I emphasise that the STPR was a first. Such a review had not really been done before on the scale on which it was undertaken. A lot of time and effort was put in. Ultimately, it was welcomed by everybody, but we always knew that it was the start, as opposed to saying, "That's it," putting it to one side and moving on to doing only the implementation.

There would be a willingness across all the key agencies—among those represented here and others, and certainly across the SCOTS membership in terms of regional bodies and local authorities—to do a bit of work. Such a review would be a refresh or light touch—we are not saying that we should spend another 18 months going back to examine the details. By using the available expertise, it is possible to do that type of thing quickly. A number of local authorities have done exactly that with their own local transport strategies. It might take them 12 months to develop the strategies the first time round, but when they go back to them it takes three to six months to have something that is updated and that reflects their priorities and the reality on the ground.

**The Convener:** As you know, all major transport projects should have a Scottish transport appraisal guidance study completed pre-project, plus a strategic environmental assessment. What is your opinion on STAG and SEA analyses as a means of prioritising expenditure within the transport budget?

**Ewan Wallace:** Everyone is looking at me to answer that.

**The Convener:** I am too, Ewan.

**Ewan Wallace:** I declare an interest at this point. In the day job, I was involved in using STAG for the first time. I would not say that it was used as a tool for prioritisation of expenditure, but it certainly identified the best options for solving particular transport problems, which is very much what it has been utilised for.

Interestingly, the STAG process has been refined since it was introduced. It did not need to be quite as cumbersome as it was in some respects, so it has been fine tuned by the experts who have used it. It is an effective tool for identifying the priorities of the key agencies and

the public. The early consultative element is undoubtedly one of the strongest bits, and it brings in robustness in comparing different modes and identifying what the solutions might be on a corridor basis.

The STAG process is an effective way of going about the big interventions that are identified in the strategic transport projects review, but there is a cut-off point beyond which we would not always look to apply the process to the same extent. Most local authorities and regional transport partnerships—and, to a lesser extent, Transport Scotland—try to be pragmatic about how it is used.

We have in place strategic environmental assessments for most of the transport projects that are on the books, and for others such assessments are being undertaken; it is part of the work that is being done for the A96 corridor, for example. We have the high-level strategic overview, but the SEA process kicks in and we have a look at the detail in individual impact assessments. Again, the SEA process has been refined over time.

The two processes are pretty much embedded within the transport professions, but we can always go back and look at them again. It is an iterative process; on the back of every project, we identify whether something was too heavy handed, or whether we did not identify some things that we should have identified.

**John Lauder:** I agree with Ewan Wallace from the technical point of view, given how technicians such as Ewan lead their teams through assessment of projects. I am just not convinced that the outcome of the appraisal makes much difference. It seems that big projects take on a life of their own and that once it has been decided that something will be built, it is built. I am not aware of projects being dropped because the outcome of the appraisal was so poor. I am not sure that the STAG process is used strategically to assess which projects are the best and which should not be pursued.

**The Convener:** Can you give an example of a project that you thought should not go ahead because the appraisals showed that it was poor?

**John Lauder:** The benefit to cost ratios are quite low on most major schemes, so I wonder whether other factors are brought to bear. However, I cannot give an absolute example.

**The Convener:** When I did the background work on this, I wondered whether developer contributions are a significant aspect in some projects. Do they skew the process?

**Ewan Wallace:** In my experience, they do not. We need to consider the point at which such



financial aspects kick in and how the appraisal guidance deals with the economics of schemes. I have not seen many projects come through the process that have such things built in from the start. That is unusual. Such projects would be predicated on the idea that they will go through the statutory processes and would be linked to things that might not even be in a local development plan yet. Developer contributions tend to be a windfall at a later point in projects.

I have a comment on what John Lauder said. One part of the process that you could look at strengthening is the softer benefits that he alluded to, such as the health benefits of putting in an enhanced cycle corridor over a four-mile stretch between two settlements. There is emerging work that will identify the benefits of such things for wider society, as opposed to the harder economic benefits that are used in the STAG process, such as journey time savings, reduced fuel use and reduced accidents. There is probably a slight weakness, so including those softer benefits could help to balance the differential between different types of transport intervention. A similar issue probably arises in relation to the value of time for those who use the bus to go about their business. That measure has probably not been updated for a number of years.

**John Lauder:** When we had a housing or property development boom, developer gain was a really good way for local authorities to bring in extra funding for the small schemes—of £0.5 million and less—that we help to fund. That funding seems to have almost dried up, but funding has been found from other places. As Ewan Wallace said, developer gain is a kind of bonus or added extra, but it is not something that authorities can depend on.

**George Mair:** I agree with Ewan Wallace that we need to look at the wider benefits that transport projects can deliver. For example, there is a growing realisation that the concessionary bus travel scheme, which allows people to make journeys to meet people and to socialise, provides wider economic benefits. Even if people travel up to Ullapool and have a cup of tea there, that provides an economic benefit. In refreshing the models, those issues need to be considered as part of the mix.

**The Convener:** Following on from John Lauder's point, is there evidence that post-project appraisal of the economic, social and environmental impacts, particularly of major road projects, is routinely carried out so as to inform future decision making?

**George Mair:** I have not been involved in that, but one would hope that, if large sums of money are being spent on big projects, an evaluation is done to check whether the benefits have been

delivered in the widest possible context. If that is not happening, it certainly should be.

**John Lauder:** I am not aware of that, but that is not to say that it does not happen.

Further to George Mair's point, we are now a lot better at monitoring and making assessments, and that whole field is improving rapidly and perhaps outpacing the policy. As we were talking about before, things need to be done in a measured way, so the policy needs to be reassessed, but it takes time to do that. For example, our ability to monitor the application of the World Health Organization's health economic assessment tool analysis, which is used for small-scale walking and cycling measures, has got better and better. The more often people use that tool, the better they become at it and the more they know about it. That is one issue on which the pace might be outstripping the policy. I do not know how easy it would be to add that into STAG—I imagine that it might take some time—but it would be welcome.

**Ewan Wallace:** There is a requirement within STAG to go back and do those evaluations, although I would need to check with colleagues how many have been done. I am certainly aware that in smaller schemes a road safety evaluation is routinely carried out, whereby people go back in to determine what the impact and benefit to cost ratio of the intervention was. That kind of loop is routinely utilised within the road safety sphere, but I would need to check how many other evaluations have been done elsewhere on some of the bigger schemes.

**The Convener:** Mary Fee has a question about some specific national indicators.

**Mary Fee (West Scotland) (Lab):** Transport has a major role in both climate change targets—to reduce emissions and to reduce our carbon footprint—but is only one of a number of policy areas that contribute to them. A future transport fund has been created to help to reduce environmental impacts. To what extent are those environmental objectives being strategically managed across all policies? Is the transport budget being deployed in the most appropriate strategic manner in order to deliver them?

**John Lauder:** As I have already said, the budget has too great an emphasis on road building, which I think compromises the carbon reduction aim.

10:30

I will not repeat myself, but I will say that a modest increase in the budget for walking, cycling and public transport, which levers in funds from local authorities, on the matched funding principle

that we have been running for a number of years, is a model that is proven to work.

However, the jam is spread very thin. At best, the money that Sustrans manages on behalf of Transport Scotland's sustainable transport team might fund one project in each local authority area. It might do more, bit by bit, in the larger local authorities, but that means that it is turn and turn about—one town might get a project one year and another might get a project the next year, and so on. My assessment, from the evidence that we have, is that if more funds were available to us, more projects would be delivered.

I accept that the overall average number of people who cycle, as recorded by the Scottish household survey, is very flat at only 2 per cent. However, other assessments that we have made and our key performance indicators—which we released this week; they are on our website and the Government uses them to assess our performance—show that there have been huge increases in cycling in urban centres when the right infrastructure is put in the right place and cycling is properly promoted. The benefit to cost ratios can be as much as £9.50 for every £1 spent, which is a really good return on investment.

The committee will say, "Of course, you would say that," because we are involved in the area and we are passionate about it, but I think that if more funding were available, which need not necessarily compromise the need for strategic road and rail networks, there would be benefits in terms of carbon reduction, reduced congestion and improved public health, all of which can be factored into the STAG guidance or the general return that we report. There are health implications simply in encouraging people to be less sedentary and more active, which need to be factored in.

My general assessment is that not enough is being done and that the budget is skewed wrongly.

**George Mair:** I agree with a number of points that John Lauder made. The bus industry welcomes the Government's investment to assist with the purchase of new greener vehicles, and we hope that such investment will continue. However, as well as money to help to finance the purchase of the vehicle, there is the on-going running cost, part of which comes through the bus service operators grant, which is paid to the operator. A low-carbon vehicle qualifies for double the prevailing rate. The danger is that a flat budget line is, in effect, a budget cut, so the attractiveness of investing in new technology diminishes. There is a dichotomy; we welcome the money that the Government puts into buying vehicles, but in terms of on-going running costs, the budget is reducing in real terms.

We used to have the bus route development grant, but the money was handed to local authorities as part of the concordat and has virtually disappeared. The Government recently introduced a bus investment fund, which was hugely oversubscribed by partnerships, local authorities and operators. That demonstrates that if money for the industry is kept at the centre and people must bid for funding, they will do so. It does not always have to be the case that the money is given to the local authority, which might choose not to spend it on public transport or bus projects.

There is an appetite out there. If funding is available, ideas will come forward and there will be growth in bus journeys and in the social and economic benefits that flow from that.

**Ewan Wallace:** It is interesting that the allocation for the future transport fund is for things such as electric low-carbon vehicles and green buses, freight modal shift and cycling and walking initiatives. Operators and individual local authorities are probably trying to bring forward elements of all those things, with a view to reducing operating costs, benefiting their town and city centres and so on. The increase in the fund from £7 million to more than £18 million is significant, but we need to get a handle on how much operators and local authorities in the wider sector are investing off their own bats, if we are to get a sense of how much money is going into the area.

From the SCOTS perspective, in relation to ensuring that the transport network is suitable for cycling and walking, about £490 million to £500 million is spent annually on maintaining the existing road network; that is over and above the dedicated interventions that Sustrans and authorities have already put in place where there is a clear demand, and to generate more demand.

It is still the case that across the 55,000km of road network across Scotland, people will be cycling, walking and driving—they will be using any type of transport. The investment that local authorities and the trunk road authority are making to maintain the existing network, and to continue to maintain it so that it is fit for purpose, is a critical element of ensuring the suitability of the transport network for cycling and walking.

That investment sometimes goes unnoticed. It goes back to John Lauder's point that it is not just about new things, but about ensuring that what you already have does not fall into a state of disrepair, which puts off people using the network.

**Phil Flanders:** We do not get any Government funding because of state-aid regulations, but we work closely with the Scottish Government on the freight best practice programme. Going back about 10 years, there was Scottish Government

investment in driver training—we managed to achieve a 10 per cent reduction in fuel consumption. That has now been rolled out across the industry and it is part of the driver's CPC. Funding to help encourage people to do more safe and fuel-efficient driving would be very welcome. Overall, the hauliers know that there is an issue. They do not want to run around empty; they want to keep everything as tight as possible. Fuel accounts for about 40 per cent of their costs and when you get to about—

**The Convener:** What is the driver's CPC?

**Phil Flanders:** It is the driver's certificate of professional competence. New European legislation sets out that all drivers must have training within a five-year period.

**Mary Fee:** In September, the Scottish Government announced its road map, which sets out its vision for 2050, when town centres, cities and communities will be free from the damaging effects of petrol and diesel. Is that an achievable target, given how the budgets are set out, or does there need to be a separate budget allocation to enable hauliers, bus companies and transport people to purchase the vehicles that would achieve that?

**Phil Flanders:** I think that a separate budget allocation would be helpful. If you take the airline industry as an example, the new Dreamliner is the most fuel-efficient airliner—and the quietest. That technology may eventually feed down into road vehicles. New technologies are coming along all the time. They say that a week is a long time in politics—36 years is a long time as far as technology for vehicles is concerned. I hope that by 2050, technology will have advanced enough to allow lorries—even the great big ones—to be either hybrids or electric. It is important that we try our best for the city centres and I know that no haulier wants to come into a city centre unless they really have to.

**Mary Fee:** Is there appetite among the hauliers to make what is almost a sea change in switching to those types of vehicles?

**Phil Flanders:** The big problem is that the first haulier that makes the change will not be able to command extra revenue for the job. If it costs £200 to do a load, that is all the haulier will get because if he puts his price up, the customer will give the job to somebody else. No matter how green the customers are, they are finding it tight as well and always have done, and they tend to go for the lowest price.

When you look back over time, as far as vehicle utilisation is concerned, the haulage industry is sitting at about 79 per cent. We will never get to 100 per cent because there are certain things that you cannot backload. A fuel tanker going out has

to come back empty. You cannot just put anything else in it. However, we are getting better and better at that.

Britain or the United Kingdom has always led in the logistics industry in Europe. The new European Union standards that are coming in at the end of the year will not do anything for carbon, but they will reduce the particulates and nitrogen oxides.

Things will come eventually. I wish that I had a crystal ball to say what kind of lorries there will be in 40 years—they could be nuclear powered, for all that I know. The hauliers are aware and demand led. If somebody asks for something, the hauliers will do it, and the manufacturers are looking at different types of power, such as dual fuel, pure gas and battery power. As technology moves on, things will come.

**George Mair:** Fuel is a major element of the costs that operators face in the bus industry. Operators are already adopting different technologies to improve the bus fleet's performance, and some of that has been done with help from the Scottish Government. If we aspire to meet the target that has been mentioned, it will be achieved only if we as an industry work together with the Government and local authorities.

There will be significant reductions in emissions if we can get traffic moving in city centres, without doing anything to the existing technology. Projects have been helped by the Scottish Government. For example, the vast majority of the Stagecoach fleet is on biofuel, which produces better emissions than there were before. We also have the potential for gas projects.

The industry is up for looking at different technologies and performing better, and it can deliver when there is a need to meet air quality requirements, as we have seen in certain areas of the country. However, we will get there in the timescales that have been mentioned only if people work together.

**Ewan Wallace:** On alternative fuel technology, whether we are looking at rolling out electric vehicles, hydrogen vehicles, gas power or whatever, there is a lot of best practice in a number of projects throughout Scotland, the UK, Europe and beyond. It is clear that local authorities have tapped into that, and the Scottish Government has done some work. There is a crucial co-ordination role to ensure that we do not land up in a VHS and Betamax-type situation with the technology. Public money is involved, and a lot could be invested in backing the wrong horse. There is a bit of work for all the constituent authorities that are involved to move forward.

On behalf of SCOTS, I was heavily involved in the detail of producing the road map to get it to the stage that it reached. It is being delivered locally throughout the country. Authorities are putting in additional charging points but, further down the line, we will have to see the costs that are associated with running the vehicles and replacing battery packs. The whole-life costs will start to kick in. To allow for them, we will have to build those costs into budgets in future years.

**Mary Fee:** There cannot be a one-off cost; costs have to be sustained over the years.

**Ewan Wallace:** Absolutely.

**Mary Fee:** I will ask a bit more about journeys to work by public or active transport. The national indicator that reflects them has a flat trend. Additional funding has been allocated to cycling in the next two years—that was touched on in previous answers. Are the wrong interventions being pursued? Is the investment in the right place? Are the public, private and third sectors all engaged?

I am also interested in your views on how behaviour change affects how people travel. Is enough notice taken of behaviour change? Should more be done to affect it?

**John Lauder:** How long have you got? [*Laughter.*] As you do not have long, I will try to be as concise as I can be.

On behaviour change, which is the softer side of putting down infrastructure, I have made the point that not enough revenue money is available to fund initiatives such as on-road training for primary school children. The bikeability training is very good, and the volunteer model works very well where it works, but it is underfunded. More funds could be put into that, which would have a big benefit to cost ratio.

10:45

Workplace travel planning is a cheap behaviour change and it is always an effective form of engagement with people in the workplace. Employers do not do enough, and the 2020 climate group could do more. For example, I would like it to sign up to the cycling action plan for Scotland, which has as its vision 20 per cent of trips being made by bike by 2020.

We are working with the Royal Bank of Scotland and its team at its headquarters at Gogarburn on a good initiative, which we are rolling out across RBS. It is a simple, low-level initiative that involves giving people who are enthusiastic about cycling anyway a minimal amount of additional training so that they become the go-to people in the workplace. Cycling is much easier if people can speak to somebody whom they work with, who

knows what they are talking about, who knows the routes into and out of the office and who can recommend clothing, equipment and so on. It is much better for people to talk to somebody whom they work with than to a third party who comes in and whom they do not know. A low level of investment is required for that initiative and the bank is match funding it. That is really good.

In other small northern European countries like Scotland, money is put into behaviour change, particularly in relation to the journey to school, even when cycling has a high modal share. Even Holland, which is a bigger country with a huge modal share for cycling, still funds training and engagement with parents so that they are confident that their children have the right abilities to get out and about.

On commuting, we know that about a quarter of the trips on the national cycle network are by people who are travelling to work. There is evidence from the City of Edinburgh Council's cordon counts that about 7 per cent of trips to work in Edinburgh are by bike, so there are some hotspots in Scotland and some good examples. Other local authorities can learn from Edinburgh's active travel action plan, which is a good plan; the model is simple but effective.

We come back to a combination of funding and what is available. The more funding that is available, the more it will entice local government officers such as Ewan Wallace to do more. The more we do, the more engaged elected members become. When that happens, we tend to find that elected members' confidence that this is a wise investment grows. There is caution about putting money into cycling, because it is seen as slightly elite and perhaps a bit difficult in Scotland, as we have challenging weather and challenging topography, but those things are not the issue that people think that they are. Once we break through that barrier, elected members tend to become much more enthusiastic about cycling.

**Mary Fee:** Does behaviour change have a drip-drip effect on targets? The effect of behaviour change on the achievement of a target is not immediate. Is the fact that it brings about long-term change one reason why not enough focus is put on it?

**John Lauder:** That is an issue. I have spoken to elected members who have said, "It's all very well, John, for you to talk about a benefit to cost ratio for health, but that is years down the line. We are in a tight spot. The issue is where we are financially." I take that argument on board. However, I can only think that investment in cycling makes a great deal of sense as preventative spend, particularly given the modest amount that requires to be put in compared with the really good benefits that can be generated.

For example, we have monitored a small scheme in Linlithgow that cost £150,000 to build and which has had huge benefits for health and for people getting around and has reduced congestion. We know that the national cycle network generates something like £160 million a year in spending, which is not necessarily by visitors to Scotland but by Scots who go out and about and spend a bit of money on doing up their bike, buying some new kit and staying overnight somewhere on a longer trip.

Our budget for investment in the national cycle network is about £1 million a year. That is probably matched by local authorities to the tune of £2 million a year, so for a £2 million spend people are spending about £160 million a year—that is cash; it is genuine revenue. That is a good benefit.

I agree with you on behaviour change. Maybe it is unattractive because it is a slow burn, but it is a sensible investment.

**George Mair:** I agree with that. About a year ago, Transport Scotland did a piece of work that looked at projects in different areas of Scotland that informed people about the choices that they had on how they could travel. The clear answer was that such projects work. They can have a slow build-up, but they work.

A chunk of money was put into a project called choose another way, and the outcomes for that work demonstrated that people's habits and perceptions can be changed. We are probably at a tipping point now that people understand the issues to do with climate, emissions and air quality far better than they did five years ago. People are more receptive, and some bus companies have built on that principle by holding briefing sessions in parts of the country and targeting people directly to encourage them to use the bus. Such projects can work and need to be sustained, as they will grow over time.

As you would probably expect somebody from the bus industry to say, it seems totally wrong that 66 per cent of the transport budget is targeted at 17 per cent of journeys. Although 84 per cent of public transport journeys are made by bus, we get only 16 or 17 per cent of the budget. There is something inequitable about that.

There are bags of research across a range of indicators about bus use. The Passenger Transport Executive Group undertook a good piece of work recently that demonstrated that concessionary journeys are worth in socioeconomic benefits one and a half times what is spent on them and the fuel duty rebate is worth two and a half times what is invested. Encouraging greater use of the bus in local communities

delivers, but the whole set-up of the budget looks wrong.

**Mary Fee:** It is skewed in the wrong direction.

**George Mair:** Yes.

**Mary Fee:** Does anyone else want to add anything?

**Ewan Wallace:** I will add a comment on the private sector's role in encouraging a shift to more efficient and active forms of travel—or even travelling less. A critical aspect is making the case to businesses on what they can achieve for their employees through making them healthier by giving them more time for their journey to and from the workplace in a less stressful environment. Work has been done on that, although it has been constrained by the budgets that local authorities have allocated to it. Regional transport partnerships are strong on the issue and want to do more on it. I would support more being done to target the effective interventions that the private sector can provide through support in kind and in cash.

**Gordon MacDonald (Edinburgh Pentlands) (SNP):** Ewan Wallace mentioned that road safety improvements have been good over many years, which might be partly down to the cost benefit analysis that takes place for every project. Could we use that model for other national indicators on which performance is flatlining or worsening? Are there other distinguishing features of those interventions that could apply to other national indicators?

**Ewan Wallace:** The model is transferable and a similar approach is used in other areas. For road safety interventions, cause and effect tend to be closely aligned, so the evaluation process is more straightforward. We can show what the issue was, what was done and what impact that had. Across most of the other elements that we are talking about, the decisions that an individual makes about the mode of transport that they will use, when they will make their journey and whether they will travel at all are more complex than the decisions that are made about road safety.

That does not mean to say that the approach cannot be used. Various research establishments want to break down the decision-making process to allow interventions to be made through behaviour change and infrastructure improvements, so that we can say, "This is a better way to travel," and put that mode of travel in place. The approach is being replicated, but the road safety side of things is precise in what can be identified.

**George Mair:** Such an approach could and should be taken in other areas. We recently commissioned work on what we term generalised

time, which is the time that it takes someone to complete a journey. If we have the car journey time, the bus journey time, the time that it takes to walk and so on, we can build up a generalised model and look at the parts of that model that need to be addressed to make the bus journey more attractive than the car. That approach seems hugely sensible if we want to look at the balance of walking, car use and bus use or, if the car or bus has to be taken, to find out how to make the bus journey more attractive.

**John Lauder:** I am not sure whether this will answer Mr MacDonald's question but, to follow on from George Mair's comment, I think that there are a lot of things in transport that we do not know enough about. We are beginning to learn things about behaviour change, but we simply do not know enough. If I were to make a plea for anything, it would be for more investment in research into the softer side of the issues, to look at, as George Mair suggested, why people make journeys, how to entice them into considering the appropriate mechanism for making the journey, what time they make the journey at and so on.

We are basing a lot of decisions on assumptions, which is dangerous. I say that because road safety is a tender issue for us, given the number of cyclists who have died this year. We do not know enough about the reasons for the increase in deaths and some research into the issue would be valuable. Is the reason that more people are out on their bikes? If that is true, why is the national figure so low and stagnant? My plea on road safety is that we should find out a little more about all that.

**Phil Flanders:** On behaviour change in the haulage industry, the Road Haulage Association and a number of hauliers support the use of rail freight. It is not the easiest option, but we will not give up on it.

As for road safety, all lorry drivers are well aware of the dangers of the road, particularly for pedestrians and cyclists. It is not so much behaviour change that we need as ensuring that people do not lose concentration at critical times. The A9 safety group is looking at some of those issues in its examination of more general incidents on the road, but we would more than support finding ways of stopping people losing their concentration, particularly in town centres or wherever pedestrians or vulnerable road users are around.

**Gordon MacDonald:** We have also talked about reducing traffic congestion. The Government has indicated that it wants to connect regions and people to increasing economic opportunity. However, given that one in 10 journeys is affected by congestion, might the improvements that are being made to the road

system to improve connectivity have an adverse impact on congestion and emissions? I know that the Aberdeen ring road will bring great improvements to that city, but what about the situation in the west of Edinburgh? I note in the housing budget that the target is to build 107,000 homes by 2024 across six council areas around Edinburgh. West Lothian, for example, is to build 20,000 units. Much of that development will create commuter traffic through the four main arteries from the west of the city. How do we get the balance right? Is the national indicator to reduce traffic congestion coupled with that budget the right strategic approach, bearing in mind the housing and transport situation?

11:00

**George Mair:** Ewan Wallace is probably more of an expert than I am on the Aberdeen western peripheral route. It strikes me that, with that type of project, we need to ensure that any road space benefits that are gained in the city are used to best effect for public transport and for people who have to use the bus. If we simply just let things flow, it is inevitable that traffic will fill up that space. The western peripheral route will be good, but we must consider how we deal with the road space that is freed up in the city. In my view, public transport should be prioritised.

We want development, and new businesses and homes being built—why would we not want that? However, we need to consider how we deal with the planning and elements such as access and transport links. Those things need to be considered fully at the outset rather than being an afterthought.

**Gordon MacDonald:** Would that involve, for example, introducing bus lanes in the cities?

**George Mair:** Yes, there are huge benefits. Of course, you would expect somebody who is for buses to say that, but we have to think of the people on the bus. If we want to convince the people who are sitting in cars, it is hugely effective for those in the queue to see the bus getting to the head of the queue. That helps not only in keeping existing customers but in growing the user base, and it also links in with the park-and-ride issue.

We would consider all the different options, but greater priority needs to be given to public transport and to getting people moving on buses. There are huge benefits from doing that, such as reducing congestion for those who have to use the car. A reduction of 1 per cent in car journeys would increase bus usage by approximately 12 per cent, so how many cars would we get off the road? Emissions would be lower, and footfall to the shops would increase. In most urban areas, the footfall from those who arrive by bus is in the

region of 35 to 40 per cent. If we can get those figures up, and get more people on the bus, there are wins across a whole range of measures. The bus is the business.

**John Lauder:** It is a big concern if we are predicating housing development on people driving for every trip. There is nothing wrong with having a car, and we do not need to look very far to find other countries in which there is a higher level of car ownership but also a greater take-up of public transport and higher levels of walking and cycling.

For example, in Denmark and Norway, most cycle trips are made to a public transport interchange, not from place to place. People simply say, "I'm going to town, so I will cycle to the bus stop and take the bus," or perhaps, "There is a quicker bus from a stop 2 miles away—I'll cycle there, leave my bike, get the bus and come back; my bike will be there and I'll go home again," or just, "I'll take the train." We are not yet at that level of planning in Scotland, which is slightly worrying.

The "Designing Streets" statement is an excellent policy on how the urban realms should look and should be built. Those new houses will, we hope, be built to "Designing Streets" standards, which will make them very nice to live in, and development will be less predicated on cul-de-sacs and big drives for two or three cars per household.

However, we need to think about how we improve the public transport system so that people do not need to make that regular daily grind—which, for a lot of people in cars, is quite boring and not much fun, and not great for their car either. That should be combined with employers not necessarily having vast car parks but instead spending a bit of time with their staff planning and advertising the options for taking public transport to the workplace.

One of the big worries about the Aberdeen western peripheral route is that it will create a lot of housing development alongside it, which will increase congestion.

Perhaps there is nothing wrong with building houses along the Aberdeen western peripheral route if people access the city by public transport. That is the approach that would be taken in Germany or smaller northern European countries. They would already have planned the bus route and stops. They might have put in light rail—dare I mention trams? They would have thought that through and it would be going down as the houses were built. It would be part of the roads structure. I really do not understand why we cannot do that in Scotland.

There is a combination of factors. It goes back to Mary Fee's question about engagement with

employers and their behaviour change. It occurred to me that many employers are in the business of behaviour change: they make us buy things that we do not necessarily need but we buy them anyway, so they are pretty good at changing our behaviour. Engagement at that level would be powerful and would add to the uptake of public transport.

**Ewan Wallace:** There are perhaps two levels to the question. The first concerns the impact on the strategic network and how that is built into the planning of major projects, such as the Aberdeen western peripheral route, the M74, the M80, the A9 and the A96. It also concerns how that is allowed for in strategic park-and-ride or park-and-choose approaches to give an opportunity to interchange with bus and cycle networks. Then we get down to the more detailed role of councils as planning and roads/transport authorities and how we design in the best practice that we have.

Through SCOTS, we are updating the roads developer guides for all local authorities throughout Scotland to use. There will be subtle variations in different areas, such as materials that are more appropriate for different parts of the country being used but, in essence, that will reflect the "Designing Streets" methodology, which is more about people than vehicles; it is about making linkages with the cycle and public transport networks.

The next level is how that is translated into a local development plan that allows us to put planning conditions on large-scale developments, such as saying that, for the next five years, the developer will fund up front the public transport provision for the whole development as it comes on stream. At the end of those five years, it will be for the local authority to consider whether the public transport is washing its face—whether the developer still needs to support it or whether it is commercial, in which case, all of a sudden, there is a market for the private operators.

All those things are being linked together at the local level, but there will always be a bit of a lag. It is not possible to have an all-singing, all-dancing, integrated network when the first few houses are being constructed. A degree of patience that it will happen must be built into the process. It has happened in different locations.

We have talked about the bus investment fund. The best use of that funding is probably to go back in, try to sort out the issues that we have not dealt with in the past and put in infrastructure and additional services that allow us to achieve a shift in the type of transport that is used.

**Phil Flanders:** We should have park and rides further out of towns, such as somewhere in the Bathgate area. A lot of the queues start coming in

from Livingston and that is where everybody gets held up. It would be beneficial if we had more Ferrytoll-type park and rides, where three different bus routes come together. Over towards Glasgow, where Eurocentral has been developed, there are huge areas where that would work. If we get more cars off the road, it will leave more space for the road users who have to be there—those who do not have a choice. People would relish that. Developments that the bus and train operators have been talking about, such as the introduction of wi-fi, will help to encourage people out of their cars. It is not really possible to text when driving, but it is when on a bus.

We would support that.

**Mark Griffin (Central Scotland) (Lab):** Most of the capital expenditure on transport projects will have an impact on the revenue budget in future years for maintenance costs. Has enough consideration been given to the future maintenance costs of a lot of the projects that are in the Government's infrastructure investment plan?

**Ewan Wallace:** I am happy to answer that question in relation to the built infrastructure element. We, as representatives of the local authorities, have done a significant amount of work with Transport Scotland around road maintenance, improving best practice, and looking at backlog calculations to see how much work is outstanding and how we can get the best possible bang for our buck. More money has clearly been allocated to the trunk road network over the next two or three years, and looking back over the past couple of years there has also been more going into maintaining the road network.

Between 10 and 12 local authorities have put additional funding into road maintenance because of some of the joint work that we have done. There was a bit of research that identified the wider benefits of ensuring that we have a well-maintained road network. It showed that for every £1 invested there is £1.50 in wider benefits. That research had not been done before, so it made the case more strongly than it had been made in the past.

There is still an issue with the condition of the network overall. Around 68 per cent of the network is in good condition, but there are areas that we are all aware of—probably there are some in members' constituencies—where a little bit more needs to be invested. It is about the long term as much as anything, which I know is difficult to deal with given the budget allocation periods that the committee has to work within, but the message that we want to send collectively across the industry is that you are in it for the long haul to make changes for long-term maintenance.

On the impact of capital projects, I know that that money will be allocated in future years. There will be a mechanism by which that investment is reflected back in the budget, and that happens in local authorities too. You cannot develop any kind of capital transport project without giving due consideration to the revenue implications. Detailed discussions with finance colleagues are held in individual local authorities about that, and it has to be built into the future, whatever form it may take.

I have been talking about capital for construction, but there are different elements of the revenue aspects of wider transport services, such as buses, which George Mair may want to say something about.

**John Lauder:** I have two short points about maintenance. First, the great thing about maintenance is that it involves people working all across Scotland, so an emphasis on maintaining roads is a good thing because it is low-level activity and because, rather than concentrating on one or two big projects, it applies to all roads and therefore affects all areas, including remote and rural areas. The second thing may be outwith the scope of the committee's discussions, but it is worth noting. Not enough emphasis is given to maintaining footways and pavements for people who are walking in the urban realm. In most local authority areas, claims against the local authority for trips and spills on footways are far higher than those for damage to vehicles on the road network. That is worth reflecting on.

**Mark Griffin:** I return to the specific projects in the infrastructure investment plan. The cabinet secretary has introduced a 5 per cent cap on revenue costs associated with borrowing, and that will apply to transport projects that are being funded through the non-profit-distributing model and regulatory asset base borrowing. Should a measure similar to the 5 per cent cap on borrowing costs be considered for the maintenance costs of those projects?

11:15

**Ewan Wallace:** That would make it very difficult for some of the larger-scale projects. It would be like putting off the fateful day. If we are building a brand new road, for example, we would look to build in costs between about year 15 and year 20 for substantial resurfacing. That would not be cheap and could certainly breach the type of cap described. Without going into the detailed figures, it would be difficult to say whether such a cap would be possible.

Under the NPD approach for a major scheme, any consortium that comes forward to build a new road scheme will do the calculation for maintenance costs. They will know that if they are



in for the 30-year maintenance of any new piece of infrastructure, they will have to build that in. A 30-year term is an interesting one because, generally, we would resurface a major piece of road infrastructure after 20 years, so a consortium would have to build that into its business case. The issue is how that relates back to what we do within our own authorities and how we build it in. We certainly do not set ourselves a particular cap.

**George Mair:** I am less qualified to comment on some of the things that Ewan Wallace has touched on. Given the constraints that the Scottish Government has on its finances, we can understand that there will have to be give and take in some areas. However, the underlying impact of less revenue being available could see some of the more rural areas losing bus services and so on because money has to go on other areas, so there are big risks. Given the major constraints on the Government, managing wider issues is not a task that I would envy.

**John Lauder:** I defer to Ewan Wallace's expertise on the area. This goes back to a point that I was trying to make earlier: strategic is not necessarily the same as new; strategic is also about things such as maintenance. I am a little concerned that, when we look at strategic projects, we think about big new things as opposed to genuinely strategic things that would elevate the condition of the existing network. Maintenance is a big concern.

**Phil Flanders:** Maintenance is concerning for the haulage industry, too. It would be good if there was a way of having more preventative maintenance rather than letting a road deteriorate to the point where it will cost three times as much to fix it next year than if it was fixed this year. I am told that there are lots of examples of that throughout Scotland. It is important to keep the network up to a reasonable standard to allow the free movement of people and goods. Lots of places have a small pothole that develops into a big pothole, which then affects cyclists and trucks. A broken spring on a lorry costs a few hundred quid, a new tyre on a car or a bus costs anything from £100 to £500 and for cyclists it could be a matter of life or death. It is important that we bear that in mind.

**Gil Paterson (Clydebank and Milngavie) (SNP):** Many of the national indicators and all the purpose targets require Scottish Government agencies to align their budgets and activity through joint working, which often extends to private sector and third sector delivery partners. To what extent do the witnesses feel that cross and joint working within the public sector happens? Are non-public sector partners fully engaged in the process of target setting and strategic planning?

**Phil Flanders:** In our experience, the process seems to work quite well. We have been on various groups with Transport Scotland and BEAR Scotland or Amey. Our opinion is that, in the main, it works quite well.

This is perhaps not totally relevant, but I want to raise it anyway. The Government commitment to pay the contractor promptly counts only for the first contractor. When we get all the way down to the haulier, we find that sometimes they wait four months to be paid, and sometimes they do not get paid at all. When we are looking at new contracts, we may need to ensure that the primary contractor makes a commitment all the way down the line. We have seen that problem not just in relation to roads but on one or two of the wind farm sites, where the hauliers have had to wait quite substantial periods to be paid, and one or two have yet to be paid. That could be a big issue.

**The Convener:** That may come up when we consider the procurement bill.

**George Mair:** From a bus point of view, we have relatively good engagement with Transport Scotland, in respect of both policy and operational issues. We participate in a number of working parties and groups and we have good, healthy dialogue. We might not always agree—it is like a good marriage, I suppose. That engagement has been extremely helpful in dealing with issues throughout these difficult and challenging times.

**John Lauder:** I echo that. Engagement with Transport Scotland is really good. The minister, Keith Brown, held a summit two weeks ago on the cycling action plan. It was a really good meeting. He brought together all the important players in transport in local authorities and some statutory agencies. I was really pleased to see that summit, which I hope will be an annual event.

I have already mentioned where I think that a bit more could be done. I do not see—which does not mean that it is not happening—clear engagement between the people who generate lots of short trips for health and education and the people who have to deal with those short trips in transport at the local and national levels. A lot of congestion is created around the school run, and around the major hospitals, where we have people visiting and working. More could be done to bring those agencies together in a coherent way. Like George Mair, however, I am quite heartened by where we are at the moment.

**George Mair:** The minister set up a bus stakeholder group, so there is a range of bodies that participate in regular meetings and look at bus issues. That will undoubtedly drive policy change, improvements in quality and so on. Across the spectrum, we work with Government and Transport Scotland.

I would like to see more engagement at the local authority level. There is still a lot of work to be done in that area, although there are some exceptions where engagement is particularly good.

In general terms, however, engagement is quite good.

**Gil Paterson:** Engagement is all very well, but influence is the main factor when engagement takes place. In your experience, does that engagement allow you to influence? You mentioned local authorities. Is there anything that you can bring to the table to encourage them to see that there is a benefit in engagement? I wonder whether, if you are able to influence, there is a reverse process, too.

**George Mair:** There are some good examples around Scotland. Aberdeen and Aberdeenshire work closely with the operators in their part of the world outwith formal partnership arrangements. In other areas, we have formal partnership arrangements. I would like to see a lot more joint working on how bus services are delivered, the quality aspects, service frequency and a whole range of factors. The more of that work that we can deliver on, the better the chances are that things will improve, and improve more quickly than they would under normal circumstances.

Engagement with Transport Scotland is really good. We work jointly to monitor the concessionary travel scheme, the BSOG, in-year performance against the budget and so on. That is extremely healthy. We exchange views and the approach helps to drive things forward. The changes that have happened have been painful but we have been part of that process, come to the end of it and understood where we were and where we have arrived at. That is to be commended.

**Ewan Wallace:** I am conscious that we are slightly over time, convener, so apart from thanking George Mair for his kind comments about my home team, I wanted to say that there are two levels to that issue from the SCOTS perspective. Engagement with the Scottish Government, agencies such as Transport Scotland and numerous others is generally very strong. There has been some excellent work around the road maintenance review over the past 18 months. It is now pretty much embedded, and excellent direct contacts have been made between different parts of local authorities and the Scottish Government.

The pan-public sector work through community planning partnerships and the national health service is evolving—that would be the best way of putting it. From the SCOTS perspective, all the heads of transportation or roads in local authorities have quite broad remits. We all pitch up at various

forums with representatives from all the groups represented on the panel and many others as well.

The health and social care agenda is the new one on the block and I am sure that it will start to tackle some of the issues that we have discussed today. Transport and health are very much a focus for a number of authorities throughout Scotland.

What we are doing is very strong and there is a lot of debate going on. Things can often get more difficult for us as local authorities because we end up being the focal point of a number of different parts of the Scottish Government budget. If and when the budget goes through, it is quite likely that the same parts of individual authorities will be dealing with electric vehicles and the bus investment fund, talking to John Lauder about the allocation of Sustrans funding, working through freight forums and so on. There is sometimes a capacity issue but SCOTS tries to help member authorities through that, and we share knowledge throughout the group.

**The Convener:** That is a good point on which to end. Gentlemen, I thank you all very much for your contributions, which will certainly inform our report.

11:27

*Meeting suspended.*

11:30

*On resuming—*

**The Convener:** I welcome our second panel of witnesses: David Bookbinder, the head of policy and public affairs at the Chartered Institute of Housing in Scotland; Professor Kenneth Gibb, professor in housing economics in the urban studies department at the University of Glasgow; Jim Hayton, policy manager at the Association of Local Authority Chief Housing Officers; and Susan Torrance, policy manager at the Scottish Federation of Housing Associations.

I ask Mary Fee to start this session.

**Mary Fee:** Thank you, convener.

The link between expenditure on housing and gross domestic product growth—the multiplier effect aside—is probably more indirect than direct. Housing is clearly a requirement for economic activity and growth, but the correlation might not always be clear. What are the witnesses' views of the housing purpose and targets, and how useful do they find the national performance framework?

**Susan Torrance (Scottish Federation of Housing Associations):** The national performance framework is not terribly useful, if I am honest. I have read through the framework and the indicators that are directly relevant to housing.

The indicator for improving access to suitable housing options for those in housing need is, I think, measured by looking at homelessness statistics. In themselves, they are one indicator, but that misses out on the huge amount of need among older people and people with disabilities—people who do not get anywhere near the homelessness figures as such—that is met through the social housing work of associations and councils. All that benefit is missed by that crude indicator. There is another indicator for increasing the number of new homes. Although I hope that there is a net increase every year, that misses out the proportion of social houses that are built.

We have always been conscious of something that the committee itself highlighted last year, which is the need to drill down into housing statistics and figures and how difficult it is sometimes to work out whether targets are being met or how the programme is progressing.

To get back to your original question about housing expenditure's contribution to GDP and growth, the simple, high-level indicator of the increase in the number of new homes does not give us an awful lot to go on.

**Jim Hayton (Association of Local Authority Chief Housing Officers):** I speak from the local authority housing side, where I think that the view would be pretty similar. I doubt that people regularly dig out the framework and check it.

All of us frequently make the case about the importance of housing and its multiplier effects, such as creating employment and training opportunities and increasing GDP. We point out the role that good housing can play in the early years and in helping our children's attainment in education, and the important role that housing can play in preventative spending and improving outcomes in health and social care—indeed, we pointed that out in evidence to the Health and Sport Committee a couple of weeks ago. However, we accept that it is very difficult to establish absolutely that cause and effect.

We continue to make the case and point out the links, but we could and should get a bit better at making those links absolutely copper bottomed and getting them into the public domain.

**Mary Fee:** Should we pay more attention to the impact that housing has on the things that you have mentioned? Housing can kick-start the economy, but it also has an effect on health, wellbeing, employment and so many other things that it should be given a more important role in the budget.

**Jim Hayton:** Yes. I would certainly make that argument, and I think that my colleagues would too.

**Susan Torrance:** Absolutely.

**Professor Kenneth Gibb (University of Glasgow):** I would like to turn the discussion on its head a bit. For me, the issue is the extent to which the housing sector as a whole contributes to the long-term growth of the economy. It is not necessarily so much a question of individual budget items as one of the contribution that housing makes to investment more generally.

Houses in the right places can encourage investment in the right places. Does the private rented sector allow flexibility in the labour market? That is the sort of issue that I think about. Are house prices and rents stable? Do they follow the general rate of inflation rather than being speculative or volatile? Such instability is bad for the economy: a rapid rise in house prices leads to disturbance in consumption expenditure, which, through things such as equity withdrawal, distorts the economy.

There is a much broader sense in which the housing system matters to how the economy functions and, important as the budget is, it is not just a question of the budget.

**Mary Fee:** Does David Bookbinder have any comments on that?

**David Bookbinder (Chartered Institute of Housing in Scotland):** I echo my colleagues' comments on the performance framework. It is a very general framework, and housing is not outlined in great detail. Therefore, we tend to measure the Scottish Government's housing supply performance against its housing supply pledges rather than the national performance framework per se.

**Mary Fee:** If you could influence how the national performance framework is set out, what changes that would be beneficial to you would you like to see?

**David Bookbinder:** As alluded to a minute ago, I would like to be better able to measure the impact that housing has on other areas. There are lots of models for measuring. For every pound that is spent on housing there are economic and employment multipliers. Health and education outcomes are more difficult to measure in absolute terms. I would like to see better ways to measure those other outcomes.

**Jim Hayton:** I echo David Bookbinder's point. I would like to see the framework make the relationships more explicit. If things in general appear to be heading in the right direction, if the economy is growing, if educational attainment is going well and if crime is coming down, we tend to assume that we are doing something right. Maybe a step in the right direction would be to make the relationships between housing expenditure,

investment and those other important indicators just a bit more explicit, transparent and easier for ourselves and others to get a handle on.

**Susan Torrance:** I do not sit on the housing policy advisory group but a colleague passed on some good work that that group has done on drilling down into the national performance framework and specifically linking housing outcomes to policy and the framework. I was quite interested to see how that would eventually be translated into the framework. Some good work has been done on specific outcomes and targets, but at a much lower level than the committee would want to consider in the context of the budget.

**Gil Paterson:** The Scotland performs web pages do not carry many comments about the need for quality housing to promote participation, enhance cohesion or solidarity, and boost productivity. Could and should those web pages be more explicit in linking housing, and in particular capital expenditure on housing, to specific purpose targets?

**Jim Hayton:** Absolutely. That is part of what the previous question was about. Whether being more explicit and making it easier for people to understand will result in more comments I am not sure, but we should at least make it easy for people to see the links and to form their opinions about that.

**David Bookbinder:** Given that the overriding purpose relates to the economy, we understand that how much economic activity housing generates is probably top of the list. However, it is right and appropriate that the role of good housing provision and management in relation to issues such as health, education and reduction of crime and antisocial behaviour is kept in mind. The approach that Gil Paterson suggested would encourage that.

I will give the committee an example. There is growing interest among councils and housing associations in using at least a modest part of the grant to which they have access to make one-off purchases in the private market, where doing so accords with the local housing strategy. The Scottish Government is nervous about that, because there is not a new unit, although there is new supply, so the approach does not generate the same economic activity, although it might well go a long way towards enabling the housing authority to meet housing need. To apply only the economic indicator, rather than the wider indicators, is perhaps to take too narrow a look.

**Susan Torrance:** There is sometimes a disconnect between the work of development agencies and housing. I speak from experience in the Highlands, where linking Highlands and

Islands Enterprise's activities on investment in the economy with housing provision, which is obviously attractive to inward investors, was a difficult task, which was sometimes not helped by a kind of silo effect, whereby people said, "Housing has really nothing much to do with us; we are just focusing on industry." I make a plea for more joined-up thinking and a more holistic approach, so that we do not just get business in but ensure that there is housing for the workforce, particularly in areas in which significant inward investment is required, but housing is not there to accommodate demand.

**The Convener:** Should the money be allocated differently? Should money for houses follow the economic activity, instead of being allocated across local authorities?

**Susan Torrance:** That could be another strand of the budget. I am not necessarily saying that the delivery of affordable or social housing should not remain the remit of local authorities and their housing association partners. However, we could be more imaginative about other financial models in the context of housing development and the economy.

**Professor Gibb:** To some extent the issue is a function of how resources are allocated at sub-national level and the weighting and other criteria that are used. If affordability is an element of that, it is implicit that there is something to do with pressure in the market, which might, again, be a function of the levels of economic activity. I guess that needs-based allocations will reflect where demand is, to some extent.

**Jim Hayton:** That is true to some extent, but I agree that a case could and probably should be made for housing investment being used, at some level, to help to support the economy. If there are areas of the country where there are jobs but there is a severe lack of affordable housing provision, it should be part of the national strategy to ensure that economic growth in such areas is not inhibited by a lack of funding, particularly for affordable housing.

**Gil Paterson:** Can we look at the issue the other way round? If the provision is there in the first place, the industry might follow. For example, people are attracted to set up businesses in areas that have colleges and universities. If the infrastructure is there, is it likely that industry and commerce will follow?

**Professor Gibb:** There is a bit of debate in the housing economics literature about which comes first. Does the location by business follow housing, or does housing follow business? I have seen work at UK regional level that suggests that good new housing in suburban areas can attract

investment into a region. Housing can be a source of growth.

**Susan Torrance:** If you build it, they will come.

**Jim Hayton:** Perhaps our national policy should be able to accommodate a bit of both.

**Gil Paterson:** Housing provision and advice on housing around the impacts of changes in welfare benefits are part of the Scottish Government's strategy to mitigate any detrimental effects of welfare reform on vulnerable groups. What are your views on how the Scottish Government's budget proposals address that?

11:45

**David Bookbinder:** I will comment from the housing point of view. The Scottish Government has gone a long way in looking at how it can support both tenants and social landlords to do what they can to mitigate some of the worst impacts of the reforms. Only some of the reforms are in place at the moment. There is some money for advice services that are provided by independent voluntary organisations and a tranche was announced recently for social landlords. A number of national housing bodies are receiving some money to provide, for example, guidance and training to help social landlords to cope with the existing changes and prepare for those that are yet to come.

More recently, substantial sums have gone in to help local authorities to bolster their discretionary housing payments, predominantly for the underoccupation penalty. Our view on that recent £20 million announcement is that it represents a significant form of assistance for local authorities, which, like the affected tenants and social landlords, are in a difficult position over the underoccupation penalty. We believe that the £20 million was a proportionate response and that to go beyond it would start to become disproportionate in relation to others, such as people in the private rented sector, who are badly affected by the cuts—in some cases much more than people are affected by the underoccupation penalty. No one is talking about Government bailing them out or helping them. We need to keep the assistance proportionate, and the £20 million, which represents about 40 per cent of the bedroom tax bill, is a proportionate response.

**Jim Hayton:** From the local authority housing side, the first thing for me to do is to emphasise how vital the provision of good advice and information is, particularly for people with council tenancies who are affected by the underoccupancy penalty.

It is ironic, because the impact of that is to affect the person's income, but it obviously affects

council resources as well in the sense that, to make sure that we protect people as far as we can from the impact and that they understand the importance of sustaining their tenancy, a lot of advice and information has to go in. Many councils tell me that they are recruiting specialist advice and information staff to do just that. Some councils are doing innovative things such as bringing their employability advisers across to housing interviews to ensure that tenants get that advice. That does not apply to just council tenants, because tenants in the private rented sector need that advice as well.

As you mentioned the budget, I note that, on the surface of it, it seems from table 9.11 that there is a significant increase in welfare expenditure because of the Scottish welfare fund and mitigation, and David Bookbinder mentioned the £20 million to support discretionary housing payments. However, Shelter in particular has argued that that is not enough and that we need more. We are grateful for the increase, but we make a plea to Government to be responsive and to continue to work with us, because in some ways the worst is yet to happen. We have not yet seen the impact of universal credit, and there is concern that if that is not handled properly, tenants may get into difficulties when they receive rent direct. We make a plea to Government to work with us and help us when resources are required.

Councils are seeing big increases in rent arrears, which will impact on their revenue, so there will be a need for continued revenue support. We would look to Government to work with us and help us with that on a continuing basis.

**Susan Torrance:** I endorse what Jim Hayton said about flexibility and a continued willingness to monitor the situation. We have parallel issues to do with rent arrears, and we are increasingly concerned about the role of housing staff in providing support to try to keep people in tenancies and to keep the arrears from the so-called bedroom tax under control. The situation is fluid, and we want to work continually with Government to mitigate the effects.

**Professor Gibb:** I have done some work on the impact of the bedroom tax and it is fair to say that a great deal of case-study evidence is already building up on how different organisations are coping. They are involved in intense management of the problem and in finding out a lot about the tenants who are exposed to the issues.

One thing that struck me from talking to people is that different groups are more or less likely to be under pressure. The evidence seems to show that people who are in low-income employment and still receiving housing benefit are sometimes better able to cope with a 14 per cent reduction in their

housing benefit, but that certain groups are potentially exposed. Those include the people on disability living allowance, who potentially face big problems ahead as the support that they get changes.

There seems to be a cluster of single adult males who are churning round in the system a lot. Those who are benefit dependent are the most exposed and the least able to cope with the type of problems that they face. That is not necessarily something that housing landlords can deal with—it goes beyond their remit, to some extent.

**Susan Torrance:** There is a debate among our members at present about whether they should consider changing some of their house-building programmes to build one-bedroom flats. However, that would just skew the future provision. Over the past 10 or 15 years, the Scottish Government has actively encouraged housing associations to build two-bedroom rather than one-bedroom flats, so there is a severe lack of appropriate accommodation for single young adults. The question whether our response should be to turn our programmes wholesale towards building one-bedroom flats is under discussion.

**Gil Paterson:** The question that remains unanswered is how we use a finite budget to maintain things that are likely to come over the horizon and that are outwith our control. Mr Hayton said that we have not seen it all yet. If there is more to come, how do we gather people together to have a dialogue? How do we explain that we do not have enough tools in the box, and that we do not have enough money?

Is it possible to continue as we are, simply by using the budget that we have, which is for schools, colleges, hospitals and all the other things? If we are using the money as a bulwark against a decision that we do not have the powers to address, does there come a time when we need to come up with a different answer?

**David Bookbinder:** There has to be a limit to how far the Scottish Government can pay for or bail people out of UK Government changes, whether those are welfare reforms or other changes. One very cost-effective way in which the Scottish Government has chosen to spend some of its mitigation funding is to enable the sharing of information about how to deal with the worst impacts.

One of our partner organisations, the Scottish Housing Best Value Network, now runs regular forums—predominantly for councils and housing associations—on, for example, learning the lessons from the direct payment pilots that have been running for the past year or so. The forums are helping landlords to look ahead and help people by having a range of rent payment

methods, for instance, so that under the direct payments system the arrears build-up is minimised as much as possible. A lot of that is about information sharing, which can go a long way towards minimising some of that damage. That use of resources is more cost effective than looking at the other end of the scale and using big money to nullify the changes, and we need a balance of both approaches.

**Jim Hayton:** I take part in a whole range of groups related to welfare reform and think that there is a fair degree of consensus in civic Scotland—if I can call it that—about the nature of the problem. Of course we are still at a fairly early stage. The changes were introduced in April and councils all over the land and their housing association counterparts will be trying to make sense of them and work out their medium and long-term impact. Councils will know what has happened to their revenue since April and will be asking how much of the rent that might have been lost is likely to be recoverable and what they need to do to get tenants ready for the next stage, which will be universal credit, such as ensuring that they have bank accounts of some kind, making them aware of the importance of budgeting and, as I said earlier, perhaps providing advice on employment. They will be doing all that and the Scottish Government is constructing a wider framework to enable us all to see the impacts on services as a result of the potential revenue reductions.

Councils are also looking at potential solutions. Some might have the headroom to put up rents to cope with the situation, although such a move brings its own problems. After all, if you put up the rent of an individual facing a 14 per cent reduction in their housing benefit, you will create a bigger problem. The councils will be looking at all that in the round. We are not quite at the stage of being able to add everything up, present the outcomes—I was about to say “bill”—to Government and say, “This is the absolute magnitude of the problem we are facing.” The Convention of Scottish Local Authorities has made a decent effort at putting together some estimates of what the different elements of the reforms might do, but we have to keep a close eye on the matter. As I said earlier, we have to stay close to the Scottish Government and keep it advised of what we think the impact might be. We will do what we can to help ourselves, of course, but we must try to establish that big national picture so that elected politicians are able to make judgments about priorities, just as councils will do.

**Susan Torrance:** We have all learned a lot from the Department for Work and Pensions Dunedin Canmore pilot, which gave us an early heads-up about some of the issues that we expected to emerge with regard to tenant profile and the

almost automatic increases in arrears. The sector and local authorities need to gird themselves to complement the direct cash that can be applied for under the discretionary payments system with what might be seen as the other side of their activity, which will include providing support to tenants and preventing things from happening early on. As I have said, that sort of contribution cannot necessarily be measured in financial terms but must be a huge part of the mitigation of the welfare reform measures.

**Professor Gibb:** The intensive management that housing associations and councils have been carrying out for the past 18 months or so might have a huge opportunity cost—after all, it means that they are less able to do other things—but it has also made the bedroom tax a kind of pilot for the next round of welfare reforms. There is much more information about which tenants are vulnerable, what things will have to be done for them, what options they face and how their behaviour might change as a result of these measures, and that will be tremendously valuable as we move forward.

**Mary Fee:** The 2014-15 housing supply budget contains an apparent uplift between 2013-14 and 2014-15. There are many pressures on the Scottish Government and calls for capital and revenue expenditure to be used to address specific issues. Is the resource allocation correct, targeted in the right way and sufficient to achieve its purposes?

12:00

**David Bookbinder:** The spending round funding covers a three-year period, so we have tended to analyse the budget on a three-year basis, rather than necessarily scrutinising individual years. The way in which the Government funds house building lends itself to examination over a longer period. A house can be approved and builders can go on site, but it may not be finished for a year or more thereafter.

Our feeling, both about the 2014-15 budget and, perhaps more appropriately, about the three-year spending round, is that the budget had a bad start. It started from a very low level, when we all expected cuts, given what was happening in the national and global economies. Housing seemed to take a disproportionate hit, compared with the overall hit on the Scottish Government's capital budget.

We are comparing about £630 million in the original three-year budget with £970 million now, and that means that a lot of the initial damage and the disproportionate cut have now been addressed in a way that provides us with a solid basis going forward. Although the 2015-16 outline budget is

not the subject of the committee's current deliberations, that budget sustains and builds on the average amount of funding that has been available in the current three-year round.

Eventually, we would all like there to be even more funding to enable Government to go beyond its current targets, but what is in the budget for the current three-year period up to March 2015, compared with what was in the budget when it was first announced a couple of years ago is still a good-news story.

**Jim Hayton:** Mary Fee asked three questions: is the allocation correct, is it targeted, and will it achieve its purposes? It will probably not surprise the committee to hear me say that, as a housing professional, I would like much more money to be invested in housing. We still have a big housing shortage in Scotland, and we really need to address it. We were extremely disheartened a few years ago, when we thought that housing had suffered a disproportionate cut of 40 per cent. We are equally gladdened that a lot of that funding has been restored, and that the amount has gone from some £638 million to about £970 million. Ken Gibb makes the point in his written submission that housing has had the biggest real-terms increase of any budget heading. We greatly welcome that.

Is the allocation targeted? It should be. Affordable housing is effectively a consequence of work done by local authorities and their partners on local housing need priorities. One hopes that local authorities and their housing association and private sector partners know best what is needed.

Does the allocation achieve its purpose? I argue that it does, and that we are building to very high standards, including energy efficiency standards. Overall, this is about our ability to evaluate the effectiveness of the programme. As we have already said, some improvements can be made.

I repeat that it is difficult—for me, at any rate—to think of a better investment nationally than investment in good-quality housing for people who need it.

**Susan Torrance:** The budget, together with the changes to the subsidy levels that were announced in July, have put confidence back into the sector. We are finding that people who were laying off development staff and whose entire build programmes were grinding to a halt are now moving forward with more confidence. They are considering feasibilities, and they are more able to engage with the private sector, for example in following through on section 75 commitments on mixed-tenure projects. Rather than saying, "I'm sorry, but we can't partner or collaborate, because the funding isn't there," as was the situation about a year ago, we are finding many more opportunities to work with our local authority and

private sector partners and to begin to deliver the housing supply that we need. The budget has made a huge difference.

As Jim Hayton said, we have not got back to the levels that we were at—we always want more—but we want to show you what we can do with what you have given us. You have put confidence back into the sector, and I think that that is a great thing.

**Professor Gibb:** Last year, one of the issues that the committee identified was financial capacity and the problem of the relationship between housing associations and private finance. Several of the submissions to the committee identified continuing market-failure capacity issues for private finance. Turning the grant levels around and reinforcing the position by increasing the overall programme to accommodate that increase in grant is an extremely effective way of overcoming at the margins some of the issues with private finance. Everyone says that that has made an important difference to the willingness and ability of social providers to build.

**Mary Fee:** One of the criticisms that Audit Scotland, in particular, has made is about how complicated housing budgets are and how difficult they are to track and properly scrutinise. As Audit Scotland rightly pointed out, and as the witnesses have said, housing took a disproportionate cut initially, although money has been injected to level off the playing field.

Do you agree that it is extremely difficult to track where the money is? The comment has been made that it will be 20 years before enough new homes are built. I have a final small question. Would it be beneficial if there was a 10-year strategy for housing that allowed you to track and plan over a 10-year-period rather than over the present three-year funding period?

**David Bookbinder:** On that last point, there will be periods when we will be grateful for a three-year programme. We are looking at 2015-16 as a single year, for reasons for which the Scottish Government cannot be held responsible, after which, we hope, we will enter another longer period. However, I am sure that Jim Hayton and other colleagues would agree that it would be terrific for long-term planning if programmes of the length that you have suggested—which would, of course, extend beyond the period in office of one or more Governments—could be provided.

Your first point was about Audit Scotland and the complexity of the housing budget. The housing budget has a number of complexities that other budgets do not have. For example, the spending plans that are outlined under the housing heading will not include the money that Glasgow and Edinburgh get for housing supply, which is

provided under the local government settlement. The figures need to be pulled together from different parts of the budget. We all think that there is scope for the Scottish Government to set out what is in the Scottish housing budget more clearly—on its website, for example—so that anyone can access the information.

Over the past few years, many welcome additions have been made to the housing budget, as a result of Barnett consequential et cetera, which have taken some effort to track. Those additions have been good news, but good news that has not been obvious to see. There is certainly scope for improvement in that regard.

It is even more of a challenge—although it is a challenge that we set for the Scottish Government—to track nationally how that money is being spent. That presents significant challenges because of the lag in the programme. For example, how much money can be spent in-year and how much will be paid out later for a house the building of which is started now? The Scottish Government has recently made a commitment to make staged payments rather than paying everything at the end, which will help to keep the budget moving. It is a complex issue. There must be scope for some better information, or information that provides more accountability, on the budget and how it is progressing.

**Mary Fee:** Does anyone else want to come in on that?

**Susan Torrance:** I was just going to mention the split between grant and loan and equity. During the course of the budget debate, we kept hearing that additional loan and equity is being made available, which will not necessarily support social housing building but which may be used for shared equity, the national housing trust and so on. The application of that has always been confusing, so I make a plea for more clarity in that regard.

**The Convener:** Okay. Let us move on.

**Alex Johnstone (North East Scotland) (Con):** I will try to rattle quickly through the more specific questions. Housing has a major role to play in achieving climate change targets. To what extent does the housing budget support the provision of sustainable, greener homes?

**Susan Torrance:** Within the grants system, there is a premium grant that can be applied for when housing associations put in additional renewables features. The majority of housing associations take advantage of that because they are working not only to the Scottish housing quality standard but to the new environmental standards for public housing that are about to be introduced. Housing associations have been a flagship, along with our local authority colleagues,



in building new housing that addresses the carbon agenda. There are two strands to that, one of which is fuel poverty. If housing associations are able to make houses energy efficient, their tenants will find them more comfortable and cheaper to live in, so it is in our interests to build to those standards. At every level, we have embraced that agenda; even when grants were tighter we fought to build good-quality, sustainable homes.

**Alex Johnstone:** That answer almost gives the impression that housing associations and local authorities have been taking the lead. Has the Government been giving you enough encouragement?

**Susan Torrance:** There are two things to consider, the first of which is the setting of the standards that we are to be measured by. They are things that we want to achieve anyway, but there are standards that we must meet. Regulation, standards and guidance are one thing to aim for. Secondly, the fact that the grant levels encourage additional features—indeed, more grant is paid for those additional features—is hugely helpful and supportive.

There is still an issue about whether, as standards rise, the grant levels will truly be enough to support where we want to go in terms of zero carbon, 2020 emissions targets and so on. It is about working closely together and providing you with evidence about where we are going with all that.

**Jim Hayton:** Obviously, the biggest challenge in relation to the energy efficiency of our housing stock is in existing houses. Each year, only a small percentage of stock will be new but we are getting pretty good at identifying how to build new houses to the appropriate standard.

Your question was about whether housing budgets support the green agenda. They must not just support the green agenda, but address the equally pressing social issue of fuel costs and fuel poverty. We are working closely with the Government on a number of schemes—I almost said acronyms, because I am talking about EESSH, HEEPS and REEPS.

EESSH is the energy efficiency standard for social housing, under which local authorities and our housing association counterparts are expected to improve all our housing to a minimum energy efficiency standard by 2020, with a much bigger step change by 2050. In the context of the sustainable housing strategy, some of us have been working closely with the Government on pilot projects to arrive at specimen costs for reaching the 2020 standard for basic council house types. There is, however, an issue with resources and we have said to the Government that, although we are committed to meeting the standard, we have

concerns about the extent to which the utility and energy companies will be able to fulfil their obligations. Nevertheless, we are absolutely committed to getting our own housing stock up to that standard, not least for the benefit of people who are paying exorbitant sums in fuel costs, which every price hike amplifies.

HEEPS—home energy efficiency programmes for Scotland—is much more about mixed-tenure estates. It also involves a lot of work with local authorities and more money going into it. Finally, REEPS is the regulation of energy efficiency in private sector housing—we are talking about regulation in that regard.

12:15

We are starting to get our ducks in a row on what the strategy should look like and a handle on the technical aspects of what we can do to get our houses up to a minimum standard. I do not think that it is possible to say yet that we have all the money in place. I do not think that we have, but we are working on the basis that, if we think that reducing carbon emissions and reducing fuel poverty are important, the resources will be made available. I know that COSLA has fairly strongly emphasised that it will sign up to EESSH on the basis that, if the utility companies can keep their side of the bargain, some help from the Government will be needed for that to happen.

**David Bookbinder:** The longer-term challenge for central Government funding for energy efficiency will probably come from the expected introduction of minimum standards of energy efficiency for private owners. We expect to see that ball starting to roll in around 2015, with full implementation a few years later. There is a question over the extent to which the Government will provide carrots or incentives for home owners perhaps in a way that will not necessarily involve throwing grants at them. It is very hard in the current economic climate to justify throwing grants at home owners, who will ultimately benefit from that through property values. There is a challenge for the Government. For example, it could reinvigorate the exploration that it embarked on a few years ago, before the credit crunch, of having a national lending unit to support local authorities with their schemes of assistance to help owners to get equity loans that have to be paid back on the sale of the property but which do not involve interest payments. That would really make a difference to home owners who have an asset in their property but who do not necessarily have a lot of income. A big question for the Government is how far it can go to fund support for home owners in the future. Even if there is some kind of recycling loan fund, it will need funding in the first instance.

Those challenges for the existing stock remain to be addressed.

**Susan Torrance:** I will add a final point about EU structural funds and using the European regional development fund to make renewables improvements to existing housing. Wales and France have been able to use those funds to great effect on specific projects in particular areas. In our submission to the committee, we asked the Government to consider whether a similar proportion of funds could be used in Scotland as part of the use of structural funds. I think that that is being looked at from 2014 onwards. There is precedent, so it is certainly allowable under EU rules, and it could boost the existing homes argument that Jim Hayton and David Bookbinder have referred to.

**Jim Hayton:** I would like to make a final point that is akin to the point that was made about the different elements of the affordable housing budget. I hear a lot of colleagues in councils and elsewhere saying that we could simplify the language—and perhaps remove some of the acronyms—around that agenda. It is quite complicated, and I have probably succeeded in muddying the waters further by using acronyms. It is perhaps quite difficult for consumers to see their way clearly through the maze of available funding and how to access it. I accept that that is not an issue only for the Government. We need to work together to simplify things and to let people know precisely what carrots as well as, ultimately, sticks might be coming in the future. That is part of the on-going work of some of the working groups that I mentioned. Clarity is needed.

**Alex Johnstone:** On a different subject, the national indicator for improving access to suitable housing options for those in housing need is very specific and is measured by the

“Percentage of homeless households that are entitled to settled accommodation”.

What do witnesses think of the measure? Is it still appropriate as an indicator?

**Professor Gibb:** It seems to be very narrow. I think that we talked about it earlier. I think that a broader general measure of housing need in total would be more effective—a measure that tries to take account of all the elements, including affordability-based need and the specific needs of vulnerable people, rather than just one element. It seems odd to have one partial dimension when we all recognise that the problem is much broader. The indicator should measure the extent to which we are addressing that broader problem. As I said in my written evidence, we have not really had a national measure of that kind since 2005. A national estimate that breaks down into those different elements is long overdue.

**Jim Hayton:** I tend to agree. We have probably been preoccupied—perhaps quite legitimately over the past few years—with homelessness in particular as we moved towards implementing the fairly challenging legislation that said that everyone who was homeless should be entitled to settled accommodation by the end of last year.

It is time for another look at the indicators—without losing track of homelessness, because it is the most basic indicator of housing need—so that we can find, as Ken Gibb has alluded to, a more sophisticated way of measuring both the problem and our success in dealing with it.

**Susan Torrance:** In a sense, the numbers do not really say anything about whether there is improved access to suitable housing for individuals. The indicator just says that homelessness figures have gone down. I endorse the need for the indicator to be much more informative than it is.

**Alex Johnstone:** Would it be fair to say that the previous indicator has done its job and that it is time to look for something that tells us more about what is going on now?

**Susan Torrance:** Yes, I would say so.

**Mark Griffin:** Professor Gibb already alluded to concerns about the financial capacity of the social housing sector to invest in new homes. That is against a backdrop of welfare reform and its impact on increased costs in relation to covering rent arrears and lost income. Anecdotally, I have heard—as have other colleagues, I think—from housing associations that have had difficulties with banking institutions as regards their ability to borrow money to fund investment and the reprofiling of existing debts. Against the backdrop of that financial capacity, do you think that the housing sector will be able to meet the targets for new homes that the Government has set down?

**Susan Torrance:** I think that Professor Gibb said that the increase in grant has proved to be a way of saying to banks that more than 50 per cent of the capital cost is now covered so that banks can be a bit more comfortable about some of the changes ahead.

As far as we are aware, the biggest problem for the banks comes from the previous loans that they made to housing associations, which were done at a time when the margins that banks charged were not really commercial. Somebody said to me that there were issues with, I think, 60 per cent of all loans. Banks have been saying, “We will lend you more money but we will have to reprice your existing loans.” That places a huge financial burden on associations, which has prevented many of them from moving forward with plans.

Our approach has been to enter into a dialogue with banks to say that that cannot continue. We are saying to banks that they might have a problem with the previous loans but that we have to find some way round that. Whether that is done through setting up new financial structures, looking at other sources of finance, or coming clean about the problem and trying to find a way through it with Government support—or whatever—it has to be addressed.

Mr Griffin is right: ultimately, the issue might prevent some providers from providing housing in areas where there is need. It could be that, in a sense, grant allocations are made to a provider that is building housing in an area not because it is its remit to do that but simply because of its financial capacity and ability to build. That might present quite a different pattern of housing provision across Scotland.

There is an on-going dialogue, but the issue will not be addressed if we do not confront the banks, call them to account and say to them that, if they have an issue, we have to work through it. I know that Scottish Government colleagues are looking at that approach as well. We hope that the increased grant will give the banks a bit more comfort and perhaps less reason to be as punitive as they have been on our members.

**Jim Hayton:** Councils are funded differently from registered social landlords, so they do not have the same complex problems.

The key problem for councils is maintaining some revenue surplus. Councils have tended to use such surpluses to reinvest in their existing stock to meet the quality standard by 2015 and, more recently, to fund new-build council housing. As has been said, the extra £16,000 per unit that is available to councils will help greatly. I am cautiously optimistic that the councils will do their bit to meet their part of the target of 6,000 new houses a year, with 4,000 of those being social housing. We continually monitor the situation, but the £16,000 extra will certainly help towards the objective.

**Professor Gibb:** I have two points. First, as has been suggested, because there is a problem with traditional banking finances for housing associations, people look for alternatives. They spring up and competition appears—for example, there are opportunities in the bond markets and capital markets. That is okay for a big housing association that can access bond finance, and a smaller housing association may be able to do something on a syndicated basis with other small associations seeking smaller amounts of funds. However, I think that bond markets and capital markets are, in different ways, quite immature market developments. There are clearly still big gaps for associations that cannot access either

route into the capital market and which, as was indicated earlier, do not want to take on bank finance with the terms and conditions that are being offered.

My second point relates to what one of my colleagues said earlier: we do not know enough about the effectiveness of the delivery of programmes as they happen. One of the questions that I always ask is: to what extent are associations that have approvals in the system going to develop when the time comes to make the decision? We often do not know how many associations will deliver what we thought a few months beforehand they would deliver. The anecdotal evidence from different parts of the country is that fewer associations are going to develop than we thought a year ago would do so. That is partly because of the financial question and the market failure or gap in the system. I have no sense of how significant or quantitatively big that issue is in terms of delivering the target. It is very hard to say, but it is a concern.

**Mark Griffin:** I have a point on something that Ms Torrance said. All the panel members have welcomed the £16,000 increase and said that it will go some way towards there being positive discussions with banks. Are there any housing associations for which the £16,000 increase simply will not be enough to get them around the discussions that they are having on their existing commitments?

**Susan Torrance:** I do not think that the £16,000 will be the issue; I think that, as far as the bank's credit committee is concerned, it will be the particular circumstances of an association's level of cover or exposure. The level of grant will not necessarily be the block.

The one thing that I find when I talk to members is that every member's situation is different—members have different relationships with their lenders. I have been keen to agree some sort of protocol with the banks that sets out, for example, how housing associations will be treated in terms of repricing or looking at business going forward so that our members can see clearly that they are not being picked off individually by their lenders.

There has been a sea change just in the past couple of months, which probably reflects the general pick-up in the economy. Certainly, a number of banks have said to us that they are open for business and that they were never not open for business. For instance, they are now talking about 15-year money, which is a big improvement from what was available even just 12 months ago. It goes back to some of the earlier comments that we all made about things being very fluid and about us being as proactive as possible in trying to secure opportunities.

Professor Gibb is right to a certain extent about looking at alternatives. Both ourselves and the Scottish Government have put a lot of energy into bonds, potential borrowing from the European Investment Bank, taking advantage of UK Government guarantees and so on. However, the issue comes back to the scale of some of the developments that we are looking at and what works in a Scottish context, which is quite different from the context in England where there have been some big housing association deals.

12:30

**David Bookbinder:** I will add something to Susan Torrance's comments. For reasons of parity, the £16,000 increase was across the board, both in terms of councils and housing associations and in terms of location. However, the costs of building are bound to be much greater in some parts of Scotland than they are in others. Although we have all warmly welcomed the grant increase, that does not mean to say that the whole problem has been solved for housing associations in Edinburgh or other hotspots. The increase obviously helps a lot, but it may well be that it does not completely solve the issue for housing associations in higher-cost areas.

**Mark Griffin:** I will move on to the privately owned sector and the help-to-buy scheme. Do panel members think that it will have a positive impact overall on house building in Scotland? Is a potential knock-on effect that, because incentives are being offered to first-time buyers and people who are moving up the property ladder, those people will become so focused on new builds that there is a negative impact on the price of existing houses?

**Professor Gibb:** In general, there seems to be a lot of support for the notion that, if the policy exists, it ought to be focused on new builds rather than on the existing market as it is in England. A lot of people are worried about speculative activity that might flow from the policy in England. We have historically low levels of house building in Scotland and they have been going down for quite a long period of time. The scheme therefore helps the industry in an important way.

On the other hand, the ceiling of £400,000 for help to buy 2 is very high; it is nearly twice the price of the average new-build house in Scotland last year, which suggests that it will not necessarily help affordability or help people to get into the housing market. That certainly raises questions about the targeting of the scheme.

To the extent that the scheme should make a significant dent in the house building sector, however, it has to be a positive and helpful development.

**Jim Hayton:** I tend to agree with Ken Gibb on that. I agree, too, that it is helpful that in Scotland the scheme is focused on the new-build sector, which means that it should give our construction sector the boost that I think we all agree it really needs.

It is worth trying the scheme and seeing how it does, what the take-up is and what its impact is. All the while, we must keep an eye on the outcomes and on house prices. However, it is not likely to have a huge impact on house prices or create a housing bubble in the way that it might do in an overheated market such as the south-east of England.

**Susan Torrance:** There is a monitoring board. The Council of Mortgage Lenders and Homes for Scotland are overseeing and reporting on issues such as whether the scheme is increasing supply or increasing prices. The concern is that the effect of the scheme might be to increase prices rather than necessarily to give a huge boost to house building.

There are a number of private sector sites where our members have a section 75 interest in delivering housing. If the scheme enables the private sector to have the confidence to build, affordable housing follows as a result and infrastructure is put in place, that is a good thing and it is to be welcomed.

**Gordon MacDonald:** The budget document states that efficiency savings of 3 per cent per annum are expected across the board from 2013-14 to 2015-16. In your opinion, how feasible is it for Scottish Government agencies, local authorities and other public bodies in housing to continue to achieve on-going and cumulative savings of 3 per cent per annum?

**Jim Hayton:** The short answer is that it is very difficult indeed.

I have been out of local government for only a couple of years and I remember that, five or six years ago, even though the housing budget was ring fenced—in the sense that the money came in from rents—the council took the view that the same financial discipline should be applied to housing. It was reasonable to make the case that housing should put its house in order with efficiencies just like other departments in the council, but even three or four years ago it became increasingly difficult to do that.

At a time when income to local authorities has not been rising, it must be getting more difficult, so I would say that delivering the cumulative 3 per cent saving will be very challenging indeed.

**Susan Torrance:** We have talked about how housing association resources are being diverted towards the welfare reform agenda, with

increasing support to tenants and, potentially, increasing rent arrears and more cost. Remaining neutral would therefore be a good outcome in the current climate.

It is not the case that associations are not looking at procurement initiatives or ways of collaborating in order to reduce costs, but the diversity of the sector sometimes means that it is not as easy for housing associations as it is for local authorities to collaborate under the procurement reform agenda. That is something that we are working on with our members.

**Gordon MacDonald:** What do you think the long-term effect will be if the 3 per cent saving is maintained?

**Jim Hayton:** From a local authority perspective, it depends on whether that 3 per cent is communicated to housing departments. The way local authorities are structured, funding tends to be in two big pots—the general fund for education and social work, and the housing revenue account. Not all local authorities will have to impose that 3 per cent saving, and it is more likely to affect the general fund, but the general fund also does some important things relating to housing, such as paying for aids and adaptations and making a contribution to tackling homelessness.

At the risk of stating the obvious, the outcome might have to be cuts at some point. Councils will just have to say, “We have to cut our cloth accordingly and there are certain things that we can no longer do.” Councils are already doing that, of course, but there will be more of the same and they will have to cut services. Some people might argue that anything that could be cut has already been cut, so we might be getting to the stage of having to consider cutting statutory services and other things that we would hitherto have regarded as sacrosanct.

I apologise if that is a wee bit woolly, but the answer to your question is that things will be very tough.

**Gordon MacDonald:** I will move on to the budget process itself. The delivery of the national indicators specifically linked to housing and the contribution of housing to the purpose targets are happening through a mix of national and local government and private and third sector organisations. How involved do you feel in the strategy setting, the budget allocations, and the planning and delivery of the budget?

**Susan Torrance:** That is an interesting question.

**Jim Hayton:** We are not hugely involved. It might happen in other areas and it might be much more a function of directors of finance via COSLA,

but speaking as someone who works in housing, and from what I recall in my previous role as a director of housing at one of Scotland's larger councils, I can say that we are not involved to a great extent.

**Adam Ingram:** Earlier we discussed preventative spend. There has been an increase in the budget from £4 million to £10 million for adaptations, which is an example of potential preventative spending that will result in possible lower health and social care expenditure. Do you have views on the analysis of preventative spend in the housing sector and on the amount allocated in the budget?

**Susan Torrance:** The £10 million budget is welcome, but I look forward to the work of the adaptations group that has been set up to implement the report that came out last December about making more sense of the adaptation system. We have different procedures for housing associations and local authorities, and there is also the issue of the private sector, its access to adaptations funding and what differences that might make in terms of preventative spend.

It is a good holding position, but the outcome of the work of the group and the implementation of the report are the important side of this issue. We have to get a proper system in place so that we are able to demonstrate how national performance targets are being met through this measure.

**Adam Ingram:** My understanding is that preventative spending is specifically identified in the Scottish Government budget only in respect of the change funds. Do you have views on whether and how other types of spend with preventative outcomes might be labelled, and how any resulting savings in revenue expenditure might be identified and assigned?

**David Bookbinder:** There was a time when there were certain strands of funding for which, because they were separately identified and ring fenced, there was a chance of tracking expenditure. The former supporting people funding was one example of that, although it was by no means the whole picture because the strand of care funding was layered on top for people with greater care needs.

Most of those previously separate budgets are now part of the local government block, and my sense is that it is much harder to track preventative spend unless it has a label, such as the change fund that you mentioned. Within that block of revenue and the—to some degree hidden—world of revenue funding within local authorities, it is much harder to track preventative spend, let alone its impact, certainly in the housing support context. Just to track the spend at all feels

a lot more difficult when the ring-fenced budgets have been lost.

**Jim Hayton:** It is a complex area and it is very difficult to establish cause and effect, such that, if you invest £1 in housing, it might save you a multiple of that in some other area by reducing acute hospital costs or emergency admissions. We need to get better at it.

I did some work a wee while ago looking at aids and adaptations throughout Scotland. Whereas the budgets used to be ring fenced, that was removed after the concordat was negotiated with COSLA. That has meant that there is an inconsistent pattern of provision of aids and adaptations now throughout Scotland, and no particular correlation between the size of a budget and, for example, the size of an elderly population in an area. That is something that we need to consider in the adaptations group that the Scottish Government has just reconvened, which Susan Torrance mentioned. It needs to look at that provision.

We could benefit from the housing options approach that we have used to bring homelessness applications down. Local authorities or others act as advisers and signposting agencies, and it does not matter which area you live in or—even more important—which form of tenure you have. By and large, if you are a council or housing association tenant, you will probably get an adaptation provided pretty quickly, whereas if you own your own home, are elderly and need something or, at the bottom of the scale, if you are a private rental tenant, it is much more difficult to access advice and information.

We can say with some degree of certainty that we can invest in that approach and future proof older people's homes against the need for bigger investments in future. Some councils, as part of their improvements under the housing quality standard, have fitted appropriate showers and grab rails for people when they fitted kitchens and bathrooms. If that can prevent an older person from falling and having a long-term stay in hospital, that is great, but we probably have a bit more work to do in establishing absolute cause and effect.

It is hard for me to think of a bit of housing investment that is not in some way preventative—for instance, if we fix a tile on a roof, we prevent the need for a new roof—so we need to make much more of that. The question of how we demonstrate to the Government that it should take money from, let us say, the health budget and give it to housing to invest at the front end is much more difficult, knowing as we do the political and other sensitivities that surround health expenditure. We in the housing sector need to work harder at that.

12:45

**Professor Gibb:** In promoting the useful things that housing expenditure does, we need to label them proactively. In the context of the private rented strategy that was recently developed, a large number of local authority officers and others are working hard on how to police and regulate dispute resolution and other things at the bottom end of the private rented sector. If it is done effectively, that will save a lot of money further down the line. How does one capture that? It is quite tricky to do.

**The Convener:** I will come back to something that David Bookbinder said. You said that climate change measures and insulation help to increase the value of a house. In fact, they do not, because, as we know from the Royal Institution of Chartered Surveyors and lawyers, behaviour change is not far enough along the road for that to happen.

On the national indicator on increasing the number of new homes, there is a specific target for new completions by 31 March 2015. Will that be achieved?

A further quick question is: should the information on the Scotland performs website be more specific in its use of strategies, budgets and subordinate indicators, or is it better to keep it fairly simple?

**David Bookbinder:** There has been a lag on the 2015 target. The problems that colleagues have mentioned about the period before the grant rate increase and when there was uncertainty about the overall funding pot have certainly led to a delay in getting the programme moving. There is a possibility that there will be a dip and completions in 2014-15 might fall below target.

One would hope that that would be made up for in 2015-16 and beyond, which, of course, goes beyond the five-year period for which the 30,000 completions target was set. Some catching up is needed and we all hope that it can be done.

**Jim Hayton:** You are making me nervous, convener, because you are asking whether the target will be achieved and the clerk advised us beforehand that everything is recorded verbatim.

I think that you mean the target of 30,000 new affordable homes in this session of Parliament. I use the phrase that I used earlier—which is to say that I am cautiously optimistic—on the basis that, if we get it wrong, you promise not to bring us back and hold us to account.

**The Convener:** The Minister for Housing and Welfare is determined that it will be achieved.

**Jim Hayton:** As are we.

**The Convener:** As is everybody, I think.

**Susan Torrance:** I have certainly had evidence of approvals for projects that were stuck before but are now proceeding because of the new grant rates. It is good to capture that.

**The Convener:** That is a good, optimistic note on which to end.

I thank all the witnesses very much for their evidence. It has been most helpful to our deliberations. We are going into private, so I conclude the public part of the meeting.

12:49

*Meeting continued in private until 12:56.*





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