



OFFICIAL REPORT
AITHISG OIFIGEIL

Local Government and Communities Committee

Wednesday 13 March 2019

Session 5



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LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

8th Meeting 2019, Session 5

CONVENER

*James Dornan (Glasgow Cathcart) (SNP)

DEPUTY CONVENER

*Alex Rowley (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

*Annabelle Ewing (Cowdenbeath) (SNP)

*Kenneth Gibson (Cunninghame North) (SNP)

*Graham Simpson (Central Scotland) (Con)

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

*Andy Wightman (Lothian) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Carol Beattie (Stirling Council)

Nikki Bridle (Clackmannanshire Council)

Ailie Clarkson (Scottish Government)

Councillor Shona Haslam (Edinburgh and South-east Scotland City Region Deal)

Andy Nichol (Edinburgh and South-east Scotland City Region Deal)

Kevin Stewart (Minister for Local Government, Housing and Planning)

Jim Valentine (Tay Cities Deal)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Local Government and Communities Committee

Wednesday 13 March 2019

[The Convener opened the meeting at 09:46]

Decision on Taking Business in Private

The Convener (James Dornan): Good morning, and welcome to the eighth meeting of the Local Government and Communities Committee in 2019. I remind everyone to turn off their mobile phones.

Item 1 is consideration of whether to take items 4 and 5 in private. Do we agree to take those items in private?

Members indicated agreement.

City Region Deals

09:46

The Convener: Item 2 is evidence on city region deals. The committee published its report “City Regions—Deal or No Deal?” in January 2018 and agreed to keep a watching brief on the development of deals. At our most recent meeting, we heard from representatives of the most developed deal, the Glasgow city region city deal, and SQW, which is the consultancy that is evaluating that deal.

Today, we will hear from representatives of more recent deals. I welcome our witnesses: Nikki Bridle, the chief executive, and Garry Dallas, the strategic director of place, from Clackmannanshire Council; Carol Beattie, the chief executive of Stirling Council; Councillor Shona Haslam, the leader of Scottish Borders Council and representing the Edinburgh and south-east Scotland city region deal; Andy Nichol, the head of the programme management office for the Edinburgh and south-east Scotland city region deal; and Jim Valentine, a member of the management group for the Tay cities deal.

Karen Yeomans, the executive director for economy and communities at North Ayrshire Council, sends her apologies.

Given the size of the panel, we will move straight to questions. Will the witnesses update the committee on the status of their deals? I appreciate that some deals have only just been signed, but you might be able to talk about your approach to the governance structure.

Does no one want to begin? Thank you, Councillor Haslam—I thought that it was going to be a short meeting.

Councillor Shona Haslam (Edinburgh and South-east Scotland City Region Deal): Thank you for having us along to give evidence.

The Edinburgh city region deal is at a positive stage of development. To date, we have had three meetings of the joint committee, and more than £652 million of the £1.3 billion that has been assigned to the city region deal—half of it—has been assigned to projects by the joint committee.

Our governance arrangements are in place. We have the joint committee, the executive board and the regional enterprise council. Underneath those, thematic boards do the work around the projects and drive them forward.

Key projects have been instigated and are starting to be delivered, including the Bayes centre in Edinburgh, which members might be aware of, and the robotarium—which I think should get the

prize for the best city deal project name. We are moving on to look at transport projects such as the Sheriffhall roundabout, which is a key infrastructure project.

The Edinburgh city region deal is in good health. We are moving forward quickly and assigning the money, and the work is progressing.

The Convener: That is the standard of response that we are looking for: the deal is in good health and things are moving forward quickly.

Nikki Bridle (Clackmannanshire Council): Thank you for inviting us.

You will appreciate that the Stirling and Clackmannanshire city region deal is at a slightly earlier stage. We have been focusing on putting in place the governance arrangements. We have established a joint committee, which has met on a few occasions, and we have been looking at establishing the framework for the decision making of the two councils and how we involve all our partners in that.

We have agreed our standing orders through the joint committee process. We established two individual commissions—the Stirling commission and the Clackmannanshire commission. However, an interesting recent development is that, because we are working so closely together, we thought it made sense to disestablish the individual commissions and create one joint commission. That has been agreed by both councils and will be implemented in the coming months.

We have a number of bid funds within our deal, and we are looking at the governance arrangements around that through our joint committee. At yesterday's joint committee meeting, we explored the criteria that we might use to help us to work in partnership to identify specific projects.

I will stop there because I suspect that the questions will pull out more of the detail.

Carol Beattie (Stirling Council): That is exactly what I would have said—it is a fantastic partnership.

We are slightly behind some of the other city region deals in some respects—in particular, the governance arrangements are new, although the joint committee has met three times—but we are further ahead in outlining strategic business cases. I am confident that, once the deal is signed, we will be ready to deliver.

Jim Valentine (Tay Cities Deal): The Tay cities deal was set up under the initial leadership of the four councils. We started work in March 2015 against the background of a long history of

working collaboratively across the four councils on various things.

All four councils agreed to work together. We started work on the bid in 2016, and, as part of that bid process, we developed a regional economic strategy to underpin all the programmes and projects. We set up the new joint committee in 2017 and it has continued to meet. There is representation from the private sector and from local higher education and further education on the joint committee.

The deal was signed off on 22 November 2018, and, along with our partners, we are now working towards outline business cases.

Graham Simpson (Central Scotland) (Con): I have a question for Councillor Haslam. I read this week that the Borderlands inclusive growth deal is coming our way, which I presume takes in at least part of your council area. Maybe “risk” is the wrong word to use, but could the Borderlands inclusive growth deal cut across the Edinburgh and south-east Scotland city region deal?

Councillor Haslam: We are working hard to ensure that that does not happen. We have the Edinburgh and south-east Scotland city region deal, the Borderlands inclusive growth deal and the establishment of the south of Scotland enterprise agency, so we have an embarrassment of riches at the moment. We are working hard to ensure that each of those deals focuses on a specific area.

The money that we are receiving for the Edinburgh city region deal is specifically for development around Tweedbank in relation to economic enterprise, skills and housing. The Borderlands inclusive growth deal focuses on other areas, and the south of Scotland enterprise agency is much more about economic opportunities.

We are aware of the fact that we have three horses running in this race, and we are making sure that they are complementary rather than in conflict with each other.

Graham Simpson: Is there a guarantee that such conflict will not happen? You say that you are working hard to avoid it.

Councillor Haslam: There is a guarantee that that will not happen and that the deals will complement each other.

Graham Simpson: I have another question, convener—is that okay? It will probably lead on to what Andy Wightman wants to ask about.

The Convener: Annabelle Ewing wants to come in, first. Do you want to come back in later?

Graham Simpson: That is fine.

Annabelle Ewing (Cowdenbeath) (SNP): Broadly, I understand that there is a mismatch in the funding for Stirling and Clacks. The Scottish Government has put in £50.1 million and the United Kingdom Government has pledged £45 million. Do you have any intelligence that the UK Government will step up to the plate and come up with the other £5 million? Is there an on-going discussion with it about that?

Carol Beattie: The additional £5 million from the Scottish Government was specifically for two particular Stirling projects that are being handled outwith the deal itself. There is a business case for that money to be spent next year. That is already in train. I have not heard that there is any intention for the UK Government to match that £5 million.

Annabelle Ewing: Are there any discussions going on with the UK Government to seek to extract that money from it?

Carol Beattie: Not at this point.

Annabelle Ewing: With regard to the Tay cities deal, I understand that the mismatch is about £50 million, as the Scottish Government has committed £200 million and the UK Government has committed £150 million. Is any work going on to seek to extract that extra £50 million from the UK Government?

Jim Valentine: I think that the terms of the deal involved £150 million coming from each Government. The additional £50 million is being governed through the deal but is aligned to the deal rather than forming part of it. That is the formal wording that was in the letter of offer from the Scottish Government.

Annabelle Ewing: Okay, but I presume that another £50 million from the UK Government would be welcome. Is anyone who is involved in the Tay cities deal involved in discussions with the UK Government in that regard?

Jim Valentine: There are no Tay cities deal discussions with the UK Government around additional funding.

Annabelle Ewing: How are the relationships between you and the respective Governments working? Is there effective communication? Is there a clear line with regard to who should be in control of spending decisions? Can you get access to officials in the UK Government and the Scottish Government when you want to?

Carol Beattie: We have regular four-weekly meetings with officials from the UK Government and the Scottish Government, all of which are in place for the period up to the signing of the deal at the end of May or the beginning of June. At that point, we hope to have absolutely clarified the pathway to accessing the money and the spread

over the 10 to 15 years of the deal. That is our immediate focus at this stage.

Annabelle Ewing: So, you feel that everything is fine, that there are no communication issues and that there is no attempted incursion on decisions that you might feel slightly uncomfortable with.

Nikki Bridle: We might have had a slightly different experience in relation to the Westminster fund for Clackmannanshire. A little bit of confusion has arisen because the Clackmannanshire commission that I mentioned in my opening statement went through a bid process to identify the projects that would go forward under the fund. The expectation was that the commission would be able to give its feedback alongside the UK Government's feedback. Unfortunately, so far, we have not been able to get that feedback from the UK Government. That is partly a function of the incredibly tight timescales. We went through a big process with the Clackmannanshire commission in January, and we anticipated receiving feedback from the UK Government by mid-February. We do not want to give the wrong steer to the bidders—we do not want to suggest that a project might be successful if the project is not going to be taken forward, as we do not want them to incur unnecessary expense and so on. That has been an issue for us, and it continues to be an issue as we sit here today. We are still in dialogue, trying to work out the next steps to align the role of the Clackmannanshire commission with UK Government feedback.

Annabelle Ewing: Has the UK Government given you any indication of the date by which it will give you that important feedback?

Nikki Bridle: That date has passed—it was 18 February.

Annabelle Ewing: It has not given you another date.

Nikki Bridle: No. Our local MP has been seeking to follow that up. He was in touch with me last week, asking whether I had received that feedback yet. I understand that he is going to put pressure on the UK Government in that regard, as are our council leader and council officials.

Annabelle Ewing: Okay. Councillor Haslam, how is it going with your deal, on the important issues of communication and so forth?

Councillor Haslam: We have not had any issues at all in communicating with the UK Government or the Scottish Government. It has been a relatively smooth process. We had both the Prime Minister and the First Minister in attendance when our heads of terms were signed, which I think shows the importance of the deal to

both Governments. They have been united in supporting it.

It is important to point out that, when we develop a city region deal, we are given a clear steer on what funding we can ask the UK Government for and what we can ask the Scottish Government for. Councils and the joint committees have become really good at asking the right Government for the various types of funding. Some deals will get more from the Westminster Government and some will get more from the Scottish Government, depending on the focus of what they are asking for. We need to consider that in tandem with the necessity to have match funding while realising that there is a bit of pragmatism in how projects are funded.

The Edinburgh city region deal has not experienced any of that tension. The Governments have worked together very well at the highest levels.

10:00

Annabelle Ewing: That is encouraging. You mentioned that the matching of funds is not always symmetrical. Can you give any examples of the UK Government having provided more money than the Scottish Government?

Councillor Haslam: I can speak from the Borderlands perspective, but I ask Andy Nichol to say something from the Edinburgh city region deal perspective.

Andy Nichol (Edinburgh and South-east Scotland City Region Deal): The various projects on the data-driven innovation side of the Edinburgh city region deal are where the majority of the UK Government money has gone, together with the IMPACT concert hall. The grade separation of the Sheriffhall roundabout is a devolved matter, so the Scottish Government is putting money towards that.

Annabelle Ewing: I guess we can check with the Scottish Parliament information centre whether there are any examples in Scotland of deals to which the UK Government has given more money. I am conscious that other members want to come in, so it might be best if we pursue that with SPICe, unless you have any other thoughts on the matter.

Andy Nichol: Overall, the same money is going into the entirety of the deal; it is just within the individual projects that some of the money is apportioned differently.

The Convener: I am going to bring in Kenny Gibson and others, but Graham Simpson says that he has some information on the point that Annabelle Ewing has just raised.

Graham Simpson: We covered the area that Annabelle Ewing has asked about, which is what each Government is allowed to spend, and we produced a report on it. The committee was concerned that the funding structure was too rigid for both Governments and thought that, really, there should just be a pot of money that could be spent on useful projects. Annabelle Ewing should speak to us afterwards and look back at the report that we published. We certainly covered the issue, because it was a concern on both sides.

Annabelle Ewing: Okay. I just wanted to see whether there has been any movement. It has been interesting to hear this morning from those on the front line about what the current position is, as that is what I was seeking to establish.

Kenneth Gibson (Cunninghame North) (SNP): We received evidence from Glasgow on its city region deal. Basically, it gets money from the UK and Scottish Governments and is allowed to spend it in ways that it believes will optimise the benefits for its deal area. Since that deal was agreed, however, there has been a separation of funding into reserved and devolved areas. How that is done in my area seems artificial. Could the resources be spent more optimally if that barrier were removed and you all had the same flexibility in spending the resources that Glasgow has in its deal?

Carol Beattie: When we started to look at a deal—in 2016, I think—it was only for Stirling, rather than for Stirling and Clackmannanshire, and the emphasis was on transformational economic change. That was the challenge that was put to us, and that is what we started to come up with. As we started to negotiate the deal over the subsequent months and years, it became much more about what the ultimate deal would look like in terms of parity between the Scottish and UK Governments and making sure that Stirling and Clackmannanshire did not get more from the deal per head of population than Glasgow, Aberdeen and other places got from their city region deals.

That has given us a challenge because the focus has not been on what is going to give the public the best bang for their buck in terms of economic transformation. It is really about reducing the politics, in my opinion.

Kenneth Gibson: That is my point. Does anybody else want to comment on that? Apart from Carol Beattie, you all seem to be taking the fifth on that.

Councillor Haslam: We are where we are on that. There are reserved and devolved matters, which is how the Governments are looking at it. On the front line, we will play the hand that we are given. It is probably more a question for those who are at high levels of Government than for we who

are delivering the deals and projects on the ground.

Kenneth Gibson: Carol Beattie just talked about ensuring that each area gets the same per capita, but each area does not have the same problems. For example, gross value added in Edinburgh is £44,000 a year, but in North Ayrshire, which I represent, it is £13,000 a year, so the needs there are greater.

Investment of £85 million in the Borders was announced by the Scottish Government this morning, which surprised me, because usually it waits until the UK Government announces investment. That seemed to be the reason for the Scottish Government not announcing resources for Ayrshire prior to this. I will be interested to see whether that money has been announced. If that is £85 million on top of the money that the Borders is getting from Edinburgh, does that not mean that the Borders is getting significantly more than other parts of Scotland? You said earlier that you have “an embarrassment of riches”.

Councillor Haslam: As I understand it, the UK Government announcement on the Borderlands growth deal will be made later today. The deal covers five local authorities and many of the projects are cross-border. The £85 million investment that was announced by the Scottish Government is not just for the Borders but for Dumfries and Galloway.

We are looking at how to avoid the economic displacement that has been of concern with other deals and how to ensure that our borders are porous in terms of how we benefit neighbouring areas. The £85 million is not just for the Borders but is to be spread throughout the Borderlands deal areas in Scotland.

The Borders share of the Edinburgh city region deal money is £15 million, so we are not receiving a huge amount from that.

Kenneth Gibson: I appreciate that the Borderlands deal also includes Carlisle City Council, Cumbria County Council and Northumberland County Council. If the UK Government matches what the Scottish Government has put in, that will surely mean that a disproportionate amount of money from the Scottish Government will go north of the border, because we are only talking about Dumfries and Galloway and the Borders.

How come the Borders ended up with only £15 million out of the £1 billion-plus deal for Edinburgh and south-east Scotland? That seems pretty dire.

Councillor Haslam: The £15 million is for a specific project; it is what we asked for. We are involved in the Edinburgh city region deal because

of the Borders railway coming down to Tweedbank.

We need to wait for the UK Government announcement on the Borderlands growth deal before we can comment on exactly what its impact will be.

Kenneth Gibson: I am intrigued about why you asked for such a small amount of money relative to the size of the deal, given the geographic area of the Borders. That seems to be a poor ask. Are there no infrastructure issues in the Borders that need to be tackled through investment?

The Convener: That is a decision for the council to make. It got 100 per cent of what it asked for, which is not too bad.

Alexander Stewart (Mid Scotland and Fife) (Con): I have a supplementary question on what we discussed following Annabelle Ewing’s comments, especially with regard to Stirling and Clacks.

I am concerned that there still seems to be tension between the UK Government and the Stirling and Clacks deal. When the deal started, there was a perception that Stirling Council was more advanced in some parts of the process—that might not have been the reality, but it was the perception. Clackmannanshire and Stirling councils now have a joint committee for the deal, which is useful, as they can learn from the experience together. Is the perception correct that Clackmannanshire Council is slightly behind on or adrift from some parts of the deal process? That is how it was perceived, although it might not be the reality.

Nikki Bridle: I would suggest not. We are working extremely well in partnership with Stirling. As I said in my opening statement, the fact that we have decided to have a single commission bears testament to that, because it has taken political and managerial will by the councils to do that.

Carol Beattie spoke about our engagement with Scottish Government and UK Government officials and that is working very smoothly. A point of on-going consideration—I would not describe it as a tension—is how we look at the UK fund. For Clackmannanshire, the UK fund was a unique proposition at that point in our deal. We have had to work closely with UK officials to look at the governance and protocols around that. There is an element of learning from other deals as we go and ensuring that we hit the target in terms of the ask for the projects that come forward.

Alexander Stewart: Are you very confident that everything will be achieved? You have set out your terms and conditions and the path that you want to go down, but it is important that you get the result. Having everything in place in theory is

great, but it is the practical achievements on the ground that will benefit the communities and are what we all want to see.

Nikki Bridle: That is a view that is widely held across the whole region by all the political groups and the businesses in Stirling and Clackmannanshire. There is no issue with that at all.

Another thing that has the potential to take us into more difficult territory is that we have several bid funds as a function of our deal. We are putting great efforts into ensuring that that does not become an issue. We are working closely to agree how we approach that. Tomorrow morning, we are having conversations with several partners from both Stirling and Clackmannanshire on how we approach and develop a shared narrative for one of the shared funds, the culture, heritage and tourism fund.

I was speaking to other members of the panel before the meeting and saying that it is interesting that, because we came to the table late—we cannot dispute the fact—we are seeing a lot of opportunities to join things up, because many more things have been established. When we look at potential projects from a Clacks perspective, we can see the connections really quickly. Coming late to the table might be perceived as a negative, but it is becoming more of a positive.

Andy Wightman (Lothian) (Green): You have talked a bit about reserved and devolved funding, particularly in relation to Stirling and Clackmannanshire, and Edinburgh and the south-east. That was a topic that was drawn to our attention when we made our initial inquiries. Are there any other issues with such funding, perhaps from the Tay cities deal perspective, or can we assume that that is all relatively smooth?

Jim Valentine: It is relatively smooth in terms of the outcomes that we have. If the economic strategy had not been developed and the two Governments and the local authorities were not signed up to the same outcomes, there could have been an issue. Everyone had an awareness of the space that they were working in right from the beginning.

I agree with Nikki Bridle about the issue with the programmes because we are in a similar position. We have projects that have been lumped together into programmes by the two Governments. The debate over the next while will be how those programmes can service the projects that people had been expecting and that they might not get in their entirety.

Andy Wightman: Thank you, that is very helpful.

Councillor Haslam, in your opening remarks you mentioned the Bayes centre project in Edinburgh. I understand that that was officially opened on 26 October 2018. However, the city region was signed just three months before that. How did that project become part of the city region deal?

Councillor Haslam: I will ask Andy Nichol to answer that question.

Andy Nichol: There are certain projects in the city region deal that partners would have been minded to take forward anyway. The city region deal has given us the ability to scale up and accelerate some of those projects. The Bayes centre is going to be the hub for, or focal point of, the world-class data infrastructure side of things, given that data-driven innovation is such an important part of the city region deal.

On your question about reserved and devolved funding, things have moved on and we have had to ensure that the deal aligns with emerging policies such as the UK industrial strategy and the Scottish Government's enterprise and skills review. However, everything in the Edinburgh and south-east Scotland city region deal largely came about when the universities came to the table to become potential partners and it was fuelled by a science and innovation audit that ultimately informed the selection of projects.

10:15

Andy Wightman: I still do not understand. The city region deal was signed in August 2018 and the centre was opened three months later, so how can it have been part of the deal? A building is not designed and commissioned within three months.

Andy Nichol: That is true. However, the centre was referenced in the heads of terms back in November 2017 and was in the deal document that was signed in August 2018. That was progressed in discussion, but there was long discussion about it prior to the heads of terms with the UK and Scottish Governments, which were comfortable with the component parts of the deal.

Andy Wightman: Thanks.

Graham Simpson: I am completely baffled by that answer, to be honest. If something is built and up and running three months after the deal is signed, it is not part of the deal and no amount of waffle can get round that. Are there any other projects in the Edinburgh deal that have started and are up and running?

Andy Nichol: No. However, a lot of work is being done to progress the skills programme as one of the elements. Progress is also being made on the IMPACT concert hall, which will be before the City of Edinburgh Council's planning committee on—I think—26 April. Obviously, other

projects are beginning to move as well. For example, orders will be laid at the end of this year for the grade separation at the Sheriffhall roundabout. There is on-going work, therefore, but the Bayes centre is certainly the most advanced.

Graham Simpson: What is the timescale for the Sheriffhall roundabout work?

Andy Nichol: As I said, the orders will be laid at the end of this year and progress will then depend on the level of public comments and potential objections. Transport Scotland is leading on that element, but we will clearer about progress after that.

Graham Simpson: Following that general question, my next question for everyone on the panel leads on from our evidence session last week on the Glasgow city region deal. One of the criticisms of the Glasgow deal is that there has been a very poor level of transparency around its projects. It is very hard to find out anything about them and the website is pretty dire. How are you all consulting the public, telling people what you are planning and involving members of the public and businesses in your deals? How are you letting people know—in a way that is better than in Glasgow—what is going on?

Carol Beattie: The Stirling and Clackmannanshire city region deal started with the people. It did not start with a group of projects that we wanted to bring forward and consult on; it started with businesses and communities looking at the Stirling and Clackmannanshire region and asking what things in the next 15 years could bring economic success to the region and what could make the region's economy fall off a cliff—that was the big, open question. We had lots of feedback on culture and heritage and the fact that the region does not have particularly strong industry sectors, unlike our neighbours in Falkirk, Edinburgh and Glasgow. The question was what we could do that was authentic and real for our region that would make a difference. That was the start.

All the way along, there has been the city commission and public engagement, and a public booklet and website were created. For me, therefore, it has been a participative process from the outset, as opposed to one that starts with a group of projects to consult on.

Graham Simpson: That is interesting. Some projects were ideas from people in your area.

Carol Beattie: Yes.

Nikki Bridle: I will supplement what Carol Beattie offered by saying what we have been doing in Clackmannanshire with a specific fund. We invited bids to that fund and had a lot of publicity to give a steer about the requirements

and what sort of projects might be looked on favourably; there was a lot of support for that process. It was a fantastic opportunity for local people to showcase their ideas. The commission members were unanimous that they would take presentations from all the bidders; they had quite a discussion about whether they would take presentations from everyone and they settled on doing so. They were very pleased that they did, because it brought forward those ideas in a much better way and allowed them to see the potential between projects and where they could help bidders to join up ideas and make a better and stronger strategic case that they could support. Carol Beattie outlined the more strategic level, but there is also a lot of opportunity for people to get involved at the operational level, where we look at individual projects and bids.

Jim Valentine: In the Tay cities area, we have had engagement events since 2016. We had stakeholder events across the area that dealt with the themes that were likely to be included in the city deal, all of which came through. The chief executive of D C Thomson is on the Tayside joint committee, so we have been quite good at publicising the project and the programmes as they have been developed. We have continued that dialogue with business through further education and so on. We have also had a selection of community events. We have gone out to the various city development boards and other stakeholder groups as the deal has progressed.

Picking up on what was said earlier on projects in the city deal that had started on the ground, I note that at least one of the councils in the Tay cities area agreed a city deal project back in 2016 and assumed a level of funding. In many cases, such projects have been developing at risk to the authority, with the authority knowing that it would have to revisit its capital programmes if required.

The Convener: Is that the kind of thinking that was going on with the Bayes centre project?

Andy Nichol: Yes. The University of Edinburgh was doing that and—similar to what Jim Valentine said—it would have—

The Convener: If anything had happened, you would have taken the hit.

Andy Nichol: Yes.

The Convener: I just want to put on record that Graham Simpson's description of Glasgow's communication strategy was his opinion of it. Susan Aitken, the council leader, spent a lot of time last week clarifying that work has been done to make it better. I do not want it to look like nothing has been said or done about it.

Graham Simpson: It is my personal view.

Alex Rowley (Mid Scotland and Fife) (Lab): I will follow on from that. The Stirling and Clackmannanshire deal and the Tayside deal talk about the level of involvement of local communities and businesses. What level of consultation was there around the Edinburgh and south-east Scotland city region deal?

Councillor Haslam: I will start and Andy Nichol can pitch in with anything that I forget. The local partners put forward a list of projects that came out of the local development plans that were built up from the councils involved. Those projects already have an element of community participation, as councils consult the public a lot on local development plans. We also have a wide variety of partners on the accountability boards of the Edinburgh city region deal, including a lot of community groups that can get involved in the operation and management of the projects.

On transparency, we do regular reporting, which is all available online. We also have a dedicated website for the Edinburgh city region deal, and all the meetings of the joint committee are webcast, should anyone want to watch how it functions.

Andy Nichol: Two series of thematic workshops were held back in 2016, which was before my time. When our council leader, Councillor McVey, and our chief executive gave evidence, they confirmed that those workshops involved the local communities and the chambers of commerce.

Alex Rowley: Convener, can we ask each partnership to submit some detail about the consultations that have taken place with both communities and businesses? I see the witnesses nodding to that. That would be good.

In Fife, there was an outcry when the city deal was announced because the Levenmouth rail link was not included in it. Initially, Fife Council was attacked for not including it, but the chief executive responded that Scottish Government civil servants had advised the council not to propose its inclusion because it would not get through. That raises the question of who decides what is approved, or not approved, at the end of the day. What is your view on that?

Andy Nichol: The co-leader of Fife Council was before the committee when the Edinburgh and south-east Scotland city region deal gave evidence previously, and he covered the Levenmouth issue. On who takes the decisions, each of the component parts—the six local authorities, the further education sector and the higher education sector through the university courts—had to sign off the deal document, which was then signed off by the UK and Scottish Governments.

Alex Rowley: Who decides what is in the document that each of the partners signs off?

Andy Nichol: Before our joint committee was established, the six chief executives and a representative of the HE and FE sectors met; our political leaders also met. They continued to meet monthly to discuss the deal and distil things down, and there were negotiations with the UK and Scottish Governments. Decision making happens at the organisations' most senior level.

Alex Rowley: Let us take the Sheriffhall roundabout as an example. Anybody who drives through that regularly, as I do, knows that it is a real problem. There is a concern that that type of project—in the case of Sheriffhall, Transport Scotland already had funding for it, so it would have happened anyway—is being put in to make the city region deal look bigger. What is your view on that?

Andy Nichol: That is undoubtedly true. At the end of the day, we worked out what a deal could look like and it was then for the individual members to decide whether they wanted to take that deal. As I say, the document went round each of the six local councils, who considered it and signed it off. They were happy with it and so were the UK and Scottish Governments. I dare say that if we had said to each of the partners that we were going to put £1.3 billion into their area and asked whether everything included in the deal was at the top of their wish list, they would have said that that was not the case because each would have had different priorities. However, overall, it came back to finding a deal that the UK and Scottish Governments and all the regional partners were happy to accept, and each of those component parts approved it.

Alex Rowley: Before we move on, I want to raise an interesting point, given that we have a housing crisis in Scotland. Can you say a bit more about housing infrastructure funding? Our briefing paper says that a new housing company will be established. Can you explain that company's role? There is £65 million from the Government and £248 million in partner contributions. Is the £248 million coming out of councils' existing budgets for housing, or is it new money?

10:30

Andy Nichol: I need to caveat this by saying that I do not know everything about the housing funding side of things.

The important point for the regional partners is that the commitment to the seven strategic sites, which was explicitly referenced in the document, will deliver 41,000 new, much-needed homes in the area. The precise funding for the seven strategic sites may well go beyond the sums that

we have been speaking about in relation to the city region deal. The express commitment in our signed deal document is to deliver on all seven strategic sites.

Alex Rowley: Can you send us some more detail on the housing aspect? The question is whether the additional £248 million is money that was already sitting there for housing. Is it new money or not? I assume that the £65 million that is coming in is new money. Would the houses that are going to be built have been built anyway?

The Convener: Andy Nichol can send us that information if he does not have the figures to hand.

Alex Rowley: It would be useful if we could get that information.

Nikki Bridle: I would like to draw a contrast with the Stirling and Clackmannanshire deal. Our submission contains a summary of the projects that are included in our deal, and members can see that there is significant additionality in the nature of those projects.

I also want to reflect on the theme of how projects come forward. When we were inviting bids, we found that quite a lot involved revenue-type projects. Of course, the vast bulk of the investment is capital. That means that quite a lot of work needs to be done with local groups to help them to realise their capital investment ambitions rather than things that involve lower, more operational matters that require revenue funding. There needs to be a balance when you look at the projects that are selected because they need to meet the criteria for funding.

Alex Rowley: I understand that, but is there an emphasis on gross value added, as there is in the Glasgow deal? I was going to come on to this question later, but once we know what consultations have taken place, we also need to know whether the work would have happened anyway. I am supportive of what is being done in relation to housing, but I do not understand why a housing company is needed, and I do not know how much of that housing was going to be built anyway. My point is that if we are to scrutinise the deals properly, it is right and proper that we get the information that will enable us to do so.

What work has been done on maximising inclusive growth in the deals?

Carol Beattie: We produced an inclusive growth framework to ensure that, across the whole programme for Stirling and Clackmannanshire, we could identify what the impacts would be from an inclusive growth perspective. There is a skills programme that is matched to each of the new industry sectors, and there are linkages with Forth Valley College and the University of Stirling.

Where we have significant areas of deprivation, there are particular projects that reach out to them. We were probably the first city region deal that was asked to provide an inclusive growth framework that had measurables within it and which could be signed off at this stage of the deal as opposed to retrospectively—that was seen as a necessity.

Councillor Haslam: We also had to put together an inclusive growth framework. As well as doing that, we have introduced consistent community benefit clauses into all our business cases, and the project management office has drafted a paper showing how all the projects will be scored against the region's community benefits model. Once it is agreed, that strand of work will be incorporated into the integrated employer engagement proposition within our skills programme. That will come before the joint committee in 2019.

The vice-chair of our regional enterprise executive committee is Claire Pattullo, who has a strong interest in social enterprise and community engagement. Community benefit is of key concern to all our projects, and we have to measure what that community benefit is.

Jim Valentine: For the Tay cities deal, all our initial projects were scored on GVA uplift, but when we looked at matters in a bit more detail, we started to consider factors such as rurality and how we upskill and lift wage levels. We do not have a really low unemployment rate, except in some pockets of the Tay cities, so there are programmes linked to all the projects to do with employability and so on.

Connectivity—how we get people to work—is a big issue. We have looked at that from the point of view of inclusiveness. We have thought about how we can put in place a programme that involves people paying a bit less or enables them to get to centres of employment a bit more quickly.

Alex Rowley: Are the objectives and outcomes measurable? Have progress monitoring systems been put in place from the outset of the projects?

Councillor Haslam: Yes.

Alex Rowley: That is a yes for the other witnesses, too—they are all nodding.

I will move on to the review process for each deal. At our previous meeting, we heard that SQW is involved in the on-going review process for the Glasgow city region deal. Are similar processes in place for the other deals?

Carol Beattie: We have not reached that point, as we have not yet signed the deal. We anticipate that we will discuss that when we finalise the deal.

Jim Valentine: We are early in the process, but we have already realised that the economic strategy that we agreed back in 2016-17 needs to be refreshed. Once we have refreshed that, we will look at the outcomes against the new regional economic strategy.

The Convener: But you will put something in place.

Jim Valentine: Yes.

Andy Nichol: The grant offer letter that we got from the Scottish Government on behalf of both Governments set out a series of requirements in relation to the monitoring, reporting and evaluation that we would have to do. Annual conversations will take place, the first of which will be held in the autumn.

Alex Rowley: The financial crisis that Clackmannanshire Council has been going through is well documented. I want to ask about councils' capacity in planning and economic development, given the financial constraints. Politically, those are among the areas in which it has been easier to make cuts. Does the fact that many of those services have been cut back create any difficulty for the delivery of the city deal projects?

Nikki Bridle: We are having to reinvest. Where we have reduced capacity, we have put various steps in place to augment the project management office in Clacks to support the city region deal. In the intervening period, we are working with our partners, and we have agreed to share the tasks between us. I am not talking only about the councils; we also have a very good relationship with the University of Stirling. The project management office has worked very well between the three of us. We know that our project management office should be there about the turn of the new financial year, and we have managed to get through all the processes to date.

You are right—there was a need to refocus and reprioritise to make sure that we had the capacity to progress the city region deal.

Councillor Haslam: I agree. Councils are under huge pressure. We are always looking at how we can make savings while protecting front-line services. Having the project management office in place has been a massive benefit, and having the support of that group has been very helpful. We face a challenge, but it is one that councils will rise to in delivering on the deal commitments.

Andy Nichol: I will supplement that. Our governance structure is such that, underneath our executive board, we have a directors group that tends to be made up of the strategic directors who have responsibility for housing, transport, economic development and land use planning. Not

all the local authorities have the same divisions and departments. We have been meeting those strategic directors. The collective discipline of meeting on a monthly basis, which is supplemented in the intermediate fortnight by the chief executives meeting, makes sure that we are closely on track and that we monitor whether there will be any resourcing issues.

The PMO has taken things to the directors group and the executive board when we have thought that there were resourcing considerations. We have recruited a dedicated accountant to oversee the financial aspects, in our capacity as accountable body for the deal.

We are closely monitoring the situation. Alex Rowley's point is perfectly valid and we are alive to the issues.

Jim Valentine: In the Tay cities, part of our formal offer to Government was that we would work collaboratively, and we hoped that that would be reciprocated, with Government bringing some resource to the table. That is working in some areas, with some Government agencies; we have been well supported by Scottish Enterprise and Skills Development Scotland. Alongside that, between the colleges and universities and ourselves we are managing to resource projects. We have a project management office in place.

We see such collaborative working as the future. We need to build on the approach, and other Government agencies need to step forward and get involved.

Alexander Stewart: Communication is vital, and all the witnesses have talked about communication at political, council and business level, but at the end of the day, communities are the crux of the process. The idea behind many deals was to promote innovation, research, and skilled jobs, so this is about ensuring that that becomes the reality.

For some communities, who have seen their environment as one that does not offer prospects for young people, the deal is a lifeline such as has not been on offer for decades, which will bring opportunities to unlock the potential to acquire skills and jobs in the community. What risks do you face as you try to achieve those goals and communicate them across your council areas? What challenges do you face in making the dream a reality?

The Convener: Who wants to respond to that? Are there no challenges left?

Carol Beattie: I do not think that communicating with the community is the challenge. As I said, a lot of our work started with the community.

I will talk about the River Forth, which connects Clackmannanshire and Stirling, so it is a

reasonably good example to give. Over decades, both areas had turned their backs on the river. That is unusual in Europe, and the community felt that: people felt that no one noticed the river and it was not used for anything.

Our bid therefore involved bringing the river back into play for the economic and social benefit of people across the region. The community has been part of a process of considering what it wants to see, in the context of a skills development programme. It wants boat building, heritage conservation, tourism and all manner of different things.

Students from Forth Valley College and the University of Stirling, the councils and the community have all been involved in that. It is not just about putting a nice shiny thing on the banks of the River Forth, it is about what that means in terms of jobs for local people.

Nikki Bridle: The locations of a lot of the projects on the river bank that have been approved in the Stirling and Clacks deal are really important, because in Clackmannanshire they coincide with our greatest areas of deprivation and the communities that we want to benefit as much as possible from the investment that comes with the city deal.

For example, south and east Alloa is the location for the Scottish international environment centre, and associated other projects might crystallise on the same site. That is a once-in-a-generation opportunity in our area—we really view it in those terms. The location is as important as the project that is taken forward.

Councillor Haslam: When we were preparing our inclusive growth framework, we found that 22 per cent of children are born into poverty in the region and that there are 0.55 jobs per working-age resident in East Lothian, compared with 1.02 in Edinburgh. Some 22 per cent of working-age residents of Midlothian have a degree, whereas the proportion is 49 per cent in Edinburgh. How do we square the circle and meet the challenge of creating well-paid high-skilled jobs that are accessible to the working-age population of not just today but tomorrow?

A really innovative project in the Edinburgh city region deal, which is close to my heart, is the investing in families project, which has been at the forefront for Fife Council and is being rolled out across the city region deal area. The project engages with families that have problems with long-term unemployment, and with those in which the children have low aspiration, self-esteem and self-confidence. It looks at how we engage with such families, so that we raise the aspiration and attainment of children who are used to worklessness.

The investing in families project is not what we might consider a normal city deal project—it does not involve building something big and shiny or investing in an interesting cultural development, for example. However, the project gets to the crux of the matter, which is how we build a good, skilled workforce that is equipped to take on the highly paid well-skilled jobs of the future. The project, which is run through the Edinburgh and south-east Scotland city region deal, is very interesting and deals with the core problem that we face.

10:45

Jim Valentine: With regard to the Tay cities deal, there has been a problem across the piece with the message, particularly in rural areas. The deal has been presented in some areas as a solution for the cities and bigger settlements, which is why we have focused on broadband, connectivity and bringing in people from rural areas to work in the centres where—if we are being honest—the large number of jobs, such as those in decommissioning, will be in the future.

We have been talking to a lot of people—whether they are from up the Angus glens or elsewhere—about how they can access opportunities in relation to the proposed developments at Montrose port, and about the training opportunities that we will need to provide for people who are outwith the normal catchment area and are up the east coast. We need to think about how we connect those communities to such developments. There is a challenge, but we are working our way through it.

Alexander Stewart: You have all outlined what you are trying to do. There are similarities across the deals, but you have individual, tailor-made aspirations that you will want to achieve. Has there been decent dialogue between you about the learning experiences that could be shared? Have you learned from each others' processes? We have heard about the difficulties that the Glasgow city region deal has had in the past. Have you all learned from such difficulties? Do you continue to learn from them?

Councillor Haslam: Absolutely. The recently established project management offices now have a network and meet regularly to discuss how we can learn from one another and how best-practice models can be rolled out.

Andy Nichol: I need to give Jim Valentine's colleague Mo Saunders in the Tay cities PMO the credit for initiating that work, which came on the back of the committee's suggestion and Audit Scotland's work. Most PMOs are on the panel that supports the review that Audit Scotland is doing.

On inclusive growth, it might be relevant to say that, at our previous joint committee meeting, we

invited the Equality and Human Rights Commission to present to us. It has looked at all our business cases, so equalities considerations will be up front in the projects that we take forward. We have also arranged for the Equality and Human Rights Commission to address the PMOs more generally at their next meeting, so that work can be done on a consistent basis across all city region deals.

Andy Wightman: Is the Equality and Human Rights Commission's analysis of your business cases published?

Andy Nichol: No.

Andy Wightman: Would you publish the analysis?

Andy Nichol: We would, with the EHRC's permission. It has been more about having meetings with the commission and getting feedback than about it providing us with reports—not all the advice has been in written form. The commission presented to our joint committee, and the meeting was webcast, so it is there for repeated viewing. I am comfortable with what you are proposing, but I am not sure whether we have something that is ready made to publish. I am happy to liaise with the commission to see whether it would be happy to publish something on an on-going basis, but equalities considerations are in our published committee reports, too.

Andy Wightman: Sorry—I might have misunderstood what you said. I thought that you said that the Equality and Human Rights Commission had looked at each of the projects.

Andy Nichol: It has, but it has not provided a formal document to the joint committee.

Andy Wightman: What was the point of the commission looking at the projects, if it did not provide anything to the committee?

Andy Nichol: The commission provided the information to the PMO, and we fed that back to those who were progressing the business cases, so that the feedback could be incorporated. If the commission had produced a published report to go alongside the committee papers, I would have been happy to publish that. I am happy with the spirit and the intent of what you are saying, but I am not sure whether we have something neatly to hand that we can give you.

Andy Wightman: Given the committee's interest in inclusive growth, we would be interested in that analysis. It would be helpful if you could provide it. I am particularly interested in the commission's assessment of the Sheriffhall roundabout.

Andy Nichol: Yes.

Andy Wightman: Thanks.

Kenneth Gibson: Over the 10 to 20-year course of a city deal, the resources provided by the Scottish and UK Government are flat profiled, but local authorities have to front-load capital spend to get some of the projects up and running. Some authorities are relatively small. How does that impact on other capital projects, such as building a school?

Nikki Bridle: That has been a subject of much consideration in Clackmannanshire recently. The leader and I have had a large number of discussions, looking at financial profiling as we move towards signing off the full deal. In that conversation, it comes down to choices. A smaller council with a smaller capital programme has to consider the city deal project funding versus the other ambitions that it has for the area.

We have also been discussing the extent to which that situation can be mitigated by looking for other investment in the projects. If we can secure business investment or other types of funding to support the city deal, the council might not have to front load all the city deal funding. Similarly, is there an opportunity across some of the other partners? However, we are at the early stages of that. Having identified the situation relatively recently, as we have started to look at the financial profiling, we have begun to get a better feel for the size and shape of the issue.

Kenneth Gibson: I talked earlier about the lack of flexibility in UK and Scottish Government funding in the more recent deals, compared with the Glasgow deal. This is clearly another inflexibility. Would you like the Scottish and UK Governments to be much more flexible in terms of the profile of funding? Although the deal projects that are going ahead are important for all areas, you do not want to have to delay the construction of school, for example, for three or five years because you have to put all your eggs into the one basket of the deal projects. Is that a fair assessment?

Nikki Bridle: That is a very fair assessment. As we look at our financial profile, we can see wee peaks and troughs. The profile that emerges certainly is not flat, and we are having conversations about particular pinch points in some of the early years, and about how we might want to take that conversation back to the UK and Scottish Governments.

Kenneth Gibson: Are other areas in the same situation as Clackmannanshire?

Jim Valentine: We think that flat-profile spend is a major issue. The local authorities can deal with it, and ours have included it in their capital programme, but it is an issue for the private sector, which just does not understand; there is an expectation that private sector project funding will

come along early in the process, and if that does not happen a lot of people will be disappointed.

Kenneth Gibson: Other members will want to come in on that. Does that mean that it is more difficult to attract and lever in the level of private sector funding that you want, and at the time that you need it?

Jim Valentine: I am really talking about the projects that are being led by the private sector. The expectation is that the sector will get the money early in the process. A lot of those companies have their investment plans in place.

Kenneth Gibson: So, the local authorities have to step up to the plate on those projects, whether or not the capital funding is available from the Scottish or UK Government.

Councillor Haslam: We are not flat funded; our funding comes in streams. However, I share the other councils' views: if our deal were flat funded, it would cause significant challenges. Greater flexibility around that would therefore be welcome.

Kenneth Gibson: I wonder why you are not flat funded, when Stirling is.

Carol Beattie: That is the suggestion, but we are still in negotiation, so we are trying not to say too much on that at the moment. Our expectation is that we would face similar challenges to those that the Edinburgh city region deal would face, so why should we not expect a similar level of flexibility for the Stirling and Clackmannanshire deal?

Kenneth Gibson: Yes, indeed. The same applies in my area, Ayrshire, which is not represented here today.

Graham Simpson: This is an interesting line of questioning to follow. Do you think that flat funding can jeopardise some projects?

Councillor Haslam: It would not jeopardise them. Councils are good at working around these things in order to ensure that projects are delivered. It would be more of a factor in our thinking before we put projects forward for consideration—rather than once we had the business cases. We put forward only projects that we are confident that we can deliver, and if the funding model were flat funding, that would form part of the consideration.

Graham Simpson: What about in Stirling and Clackmannanshire?

Nikki Bridle: From our perspective now, it would come down to the hard choices that we were asked about earlier, about local investment—school estate strategy, leisure facilities and so on—versus city region deal projects, because that is how tight our capital programmes are.

Graham Simpson: That is not really the idea behind city region deals.

I have one short question, which follows on from Alex Rowley's question about where the decisions are made. Within each council, do the projects go through committees, so that councillors can assess and vote on them?

Councillor Haslam: It depends on the model that operates in the council. In Scottish Borders, we do not have a committee system, so a report comes to the full council, where it is discussed, and a decision is taken.

Graham Simpson: Okay.

Jim Valentine: Our deal went to committee, and the individual projects have also gone up in the capital programme.

Graham Simpson: Are they looked at individually by councillors?

Jim Valentine: Yes.

Graham Simpson: Okay.

The Convener: I thank the panel for attending today's meeting. Further evidence sessions on the city region deals will be arranged in due course with the Cabinet Secretary for Transport, Infrastructure and Connectivity and the Secretary of State for Scotland. I will suspend briefly to allow for a change of witnesses.

10:56

Meeting suspended.

11:02

On resuming—

Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill: Stage 2

The Convener: Under item 3, the committee will take evidence from the Minister for Local Government, Housing and Planning in relation to the Fuel Poverty (Target, Definition and Strategy) (Scotland) Bill. We will discuss options for the development of a separate minimum income standard for islands and remote areas.

I welcome to the committee, once again, Kevin Stewart, the Minister for Local Government, Housing and Planning. He is accompanied by the Scottish Government officials Anne Cornelius, bill team leader, and Ailie Clarkson, stacionian—sorry, I mean statistician. I invite the minister to make an opening statement.

The Minister for Local Government, Housing and Planning (Kevin Stewart): Good morning, convener—I have to say that “statistician” is a word that I have a problem with, too.

At stage 1, I welcomed the committee’s support for our proposed use of the United Kingdom minimum income standard in the measurement of fuel poverty and I recognised concerns that had been raised about the higher costs that are faced by people who live in remote rural areas, remote small towns and island communities.

I committed to bringing forward an amendment at stage 2 to introduce an MIS uplift for those areas. I provided the committee with the details of the three options that I considered, which were informed by expert advice from Professor Donald Hirsch. I will provide some background on the options that I examined.

All the options are based on the extensive research that already goes into the UK MIS. They align with scheduled updates to the UK MIS and focus on identifying where there are additional costs in such areas. Expert advice suggests that, for this purpose, extensive primary research should be carried out periodically—an eight-year period from 2020 is proposed.

The amount by which costs are higher varies more greatly by household type than by geography. The research will be conducted across various remote rural areas, remote small towns and island locations, so that the MIS uplift is representative of all those areas. That will lead to an average uplift varying by three main household types: working age, pensioner and families. Those points are reflected in the options that I considered.

Option 1 accounts for specific goods and services and higher prices in those areas, and applies a flat threshold of 110 per cent of UK MIS, to be reviewed on the proposed eight-year cycle. The figure of 110 per cent is in line with advice from Professor Hirsch. Option 2 allows only for higher prices and not specific goods and services to be taken into account, and it determines new uplift thresholds for the three main household types annually. Option 3 is the most comprehensive option: new uplift thresholds for the three main household types are determined annually, based on an assessment of the goods and services that are required, as well as their price. New primary research that underpins that would take place every eight years and, in intervening years, account will be taken of inflation and the biennial collection of local price data and analysis of the impact of any changes to the UK MIS. Therefore, my preference is option 3, as it provides the most balanced and comprehensive approach.

I am happy to hear the committee’s views and willing to answer any questions, although I may refer to Ms Clarkson when it comes to some of the technical points.

The Convener: Thank you. Ms Clarkson does the job that I struggle with the title of, doesn’t she?

Kevin Stewart: Indeed. I will not say it either.

Graham Simpson: Thank you, minister, for the positive way in which you have engaged with the committee. To follow up on what you said about Professor Hirsch, to what extent was he involved in devising the three options?

Kevin Stewart: Professor Hirsch has been very helpful. Ms Clarkson and her colleagues have been in touch with him on a number of occasions on the issue, so he has been fairly heavily involved in devising the options. Our analysts have considered the evidence that Professor Hirsch provided on the bill and had a number of conversations with him in developing the options. We have taken on board his advice in that regard, which it is vital to do, due to his knowledge of the UK MIS.

Options 1 and 3 are based directly on some of Professor Hirsch’s suggestions. Option 2 presents an alternative, but I acknowledge that, without doubt, Professor Hirsch would not be supportive of it, as it does not require the specific basket of goods and services to be developed in respect of remote, rural and island communities. That is part of the reason why, as I have indicated, my preference is option 3, which I think offers a good, balanced, comprehensive and, most important, evidence-based approach.

Graham Simpson: If we rule out option 2 on the basis that you and Professor Hirsch do not like it, who came up with options 1 and 3?

Kevin Stewart: They were the result of a combination of work that was carried out between Professor Hirsch and Ms Clarkson and her colleagues. I will let Ms Clarkson give more detail of how the work was seen through.

Ailie Clarkson (Scottish Government): We had a number of conversations with Professor Hirsch about the ways in which the committee's recommendation could be achieved. Professor Hirsch indicated that around 110 per cent of the UK MIS in the areas that have been set out would be a suitable approach for measuring fuel poverty. We also discussed option 3. We feel that it goes further and does exactly what the committee is looking for, but it does so in a way that builds on research that is available—primary research every eight years, but also work in between—to ensure that the uplifts that are being applied are as up to date and relevant as possible.

Kevin Stewart: As you can imagine, there has been some to-ing and fro-ing, but one of the notes from Professor Hirsch says:

“Finally, I would end by noting that if a simplified percentage such as 110% of MIS were adopted, it would be important to review this from time to time, as our update in 2016 showed that these costs can be quite sensitive to change”.

That is one reason why my preference is for option 3, rather than one of the more simplistic alternatives.

Graham Simpson: This week, MSPs were emailed by Energy Action Scotland offering a basket of potential amendments. One of those proposes MIS uplifts for people with additional costs. The submission says:

“The UK MIS specifically does not take account of those individuals or groups who have additional costs, such as those who have a disability or long-term illness.”

Energy Action Scotland is calling for an uplift to take that into account. You will have seen that proposal, minister, as we have all been sent it. Do you have any comments on it?

Kevin Stewart: If it would be helpful to the committee, I am more than happy to respond in writing on the proposed amendments. On the fourth amendment in the list, the bill already includes an enhanced heating regime for households that may be most affected by the adverse outcomes of living in a colder home. As we have already discussed, we will define those households in regulations. Obviously, such households have higher temperatures and longer hours of heating than other households, which result in higher fuel costs. I have asked my officials to analyse all those proposed

amendments and the impacts. I am more than willing to provide further detail on that specific amendment and the other proposals that have been shared with the committee and MSPs.

The Convener: That would be helpful.

Graham Simpson: It is entirely up to you, but you will be aware that timescales are pretty tight.

Kevin Stewart: I will do my level best to get the information to the committee as soon as possible. Some of the proposed amendments are out of the scope of the bill. One of the amendments proposes a parliamentary committee, but it is not for me to tie the hands of Parliament—it is up to Parliament to decide which committees it should establish. Further, some aspects of the proposed amendments would be unachievable and might cause some grief. For example, if we moved too quickly in replacing technology to deal with something, not far down the road, we might have to rip that out and put in other technologies.

I would rather go into more depth on all that in writing. I will provide the committee with the evidence that we have on that. I am sure that we all want to work from an evidence base and we will do our best to provide the committee with that.

Alexander Stewart: I want to ask about the assessment of prices in remote towns and island communities. How will that be conducted, what primary research will be done and who will do it?

Kevin Stewart: That is quite a complex question. It is expected that the organisation that is responsible for the remote rural uplift will organise research panels of local households across several of the locations covered—which we have already agreed—and split them into the three main household types that I spoke about: working age, pensioner and family households.

11:15

Previously, that has been done through in-depth discussions about which additional goods and services are required by the households to maintain an acceptable standard of living, using the UK MIS basket of goods and services as a starting point. They then explored with the households other things, such as price information; where they buy goods, such as local stores; internet purchases, which is a biggie, and we are all aware of the work of Richard Lochhead and others on delivery, which will be taken into account; and local transport providers—the list goes on. Price information on those things will be collected every two years and any consequential changes from the updating of the UK MIS will be taken into account. The approach is pretty comprehensive.

Alexander Stewart: Having those criteria and going into those locations—and understanding that, by the nature of where people are, they may have to endure financial pressures that others do not, or they may not have the chance or amenities to deal with those pressures—will give you a view of the situation. You will also be able to compare and contrast what is happening in communities in different locations and whether there are similarities or whether some areas are in greater need.

Kevin Stewart: There will be similarities across the board with the elements that are used to formulate the UK MIS, but the approach that we propose is much more comprehensive. We will find the differentials in certain things, and we may also find that certain goods and services may be cheaper in some communities compared with the UK MIS. Many folk will say that that is highly unlikely, but it is possible. We will have a comprehensive overview, using the experiences of households to see exactly what they face, and from that we can work out exactly what is required. Ms Clarkson and her fellow professionals—in the profession that we will not mention—and Professor Hirsch or whoever else is involved, will be able to look at it comprehensively.

Annabelle Ewing: Good morning, minister. This question is probably related to the discussion that we have just had. I am not sure whether you have seen an email that we received—it was from Di Alexander, who is the chair of the Highlands and Islands housing associations affordable warmth group, or HIHAAW, to get that on the record. *[Laughter.]* Its key ask is that there be two rural MIS figures:

“one for the islands (115%) and one for all remote rural mainland areas (110%)”.

I am sure that you will reflect on that and have officials looking at it, but do you have any comments on it?

Kevin Stewart: I have seen Mr Alexander’s email and my officials have spoken to him regularly. I have not seen Mr Alexander for a while, but he is always very forthcoming with his views on many of these issues. I recognise some of the arguments that he has made, and we will continue to discuss those with him. However, there are difficulties with what he proposes. I refer to the point that I made earlier when I quoted the communication from Professor Hirsch. To repeat, he said:

“I would end by noting that if a simplified percentage such as 110% of MIS were adopted”—

or whatever percentage it may be—

“it would be important to review this from time to time, as our update in 2016 showed that these costs can be quite sensitive to change”.

Our proposal for a comprehensive approach across the board will, I think, cover all the changes much better than just having a fixed percentage at any point in time.

I hand over to Ms Clarkson, because she and others have talked to Mr Alexander recently. Before I do so, I should say that other officials are continuing to gather views as we progress—at the moment, they are probably in the air between Orkney and Shetland.

Ailie Clarkson: From our discussion with Mr Alexander, I understand that he is generally supportive of option 3, particularly the idea that the uplifts would be updated annually and that they would be based on the extensive research that we have proposed. However, he feels that some account should be taken of differences between the islands and other areas. We have had discussion about the figures that he included in his communication, and I have pointed out that 115 per cent is probably too high and that in the island areas the figure would probably also be closer to 110 per cent.

The discussion with Professor Hirsch and others has always suggested that, in terms of differences in uplift, the biggest variations are by household type, and that is what we propose to take account of in option 3—the biggest differences. That will result in more than just a single uplift of 110 per cent. Therefore, we are going further than we had to go to meet the recommendation.

The Convener: To clarify, if you are doing the overall survey and taking everything into account—the basket of goods, as you call it—will that not pick up on where the uplift is most needed, whether that is an island or the rural mainland?

Kevin Stewart: I hope that that will be the case, but I ask Ms Clarkson to comment again.

Ailie Clarkson: Obviously, the research would take account of the differences in different areas. We would have research groups with people from the different geographies to look at those aspects. Professor Hirsch has already looked at that in the work on the Highlands and Islands from 2013 and 2016. As I pointed out, his information suggested that the variation in uplift by geography was not really so great as the variation by household type. He has already considered that based on the research that was undertaken in those areas.

Annabelle Ewing: I have listened carefully to what you have said. As a statistician—there is somebody on the committee who can pronounce that word, which is always useful—can you confirm that, basically, you are saying that option 3 is more sophisticated and as a result would pick up what it would need to pick up? If on any given island there were material differences that were

not differences in the type of household, option 3 would be sophisticated enough to pick that up. It would pick up what would need to be picked up to ensure that it reflected reality on the ground, wherever that happened to be. That seems to be what has been said.

Kevin Stewart: We think that that is the case, but again I ask Ailie Clarkson to comment.

Ailie Clarkson: What we propose to do is suitable for the purposes of fuel poverty measurement. It looks at providing that uplift for those different household types, using an average across those different areas. It takes account of the research in those different areas, but it provides that as an average uplift.

Kevin Stewart: The proposal is in line with some of the recommendations that came out of discussions with the panels previously.

Kenneth Gibson: On the issue of averages, the approach cannot be overelaborate. There must be a commonsense approach whereby we have a position that looks at the islands as a whole. However, within that, there is a huge differential in terms of the type of houses, the cost of fuel provision and the cost of living. Even in the Clyde islands, for example, there is a difference between Bute, Cumbrae and Arran. I imagine that there will be a bigger difference between some of the islands and the mainland than there might be even between the islands.

How do you work out an average if you are looking at different populations? For example, how can you average out Colonsay, which has perhaps 150 people, with Shetland, which has more than 20,000? Clearly, you cannot be absolutely specific for every island, but what allowances have been made for communities that have specific issues regarding the cost of living on those islands and, therefore, the relative cost of fuel and everything else?

Kevin Stewart: Mr Gibson is exactly right about the differences that exist across the board on this issue. We do not want there to be too much complexity in reaching a point that might not be that different. I think that what we have before us is the right balance in getting the approach right for everyone in remote, rural and island areas, whether they live in Arran or Rousay. There are folk who would like to add to the complexity so much that we would probably be as well trying to take things down to the individual house level, which would be absolutely unachievable and a complete and utter bureaucratic nightmare. We have to strike the right balance. I think that what we have proposed, after discussions with Professor Hirsch, strikes the right balance.

Ailie Clarkson has considered the technicalities in much more depth and she can talk about that.

Ailie Clarkson: The MIS research is intended to be representative. It builds on the methodology of the UK MIS, which involves a consideration of panels of households by household type and tries to determine the goods and services that are needed for those different types of households and which would be representative more widely. We propose to take that approach in specific geographic areas.

You mentioned fuel and housing specifically, and they are taken account of in other aspects of the definition. At the point of comparison to the minimum income standard, they are not necessarily to be considered in that regard, because they are taken account of in the earlier part of the definition, and variations in housing type are built into the modelling that we undertake, to ensure that that is taken account of across the different types.

Kenneth Gibson: I understand that the Scottish Government, the Convention of Scottish Local Authorities and others are less than supportive of the position, which I have advocated myself, that each local authority should have a 5 per cent target so that we could ensure that there would be no areas in which, for example, a disproportionate number of households would be left in fuel poverty by 2040. If that is not going to happen, would the Scottish Government consider having a 5 per cent target for remote rural and remote island communities when the rest of Scotland has a 5 per cent target?

Originally, we were talking about a target for the 32 local authorities, but given that the Scottish Government clearly understands that there is an issue with regard to island and remote rural communities, might there be a separate target for them to ensure that, regardless of all this MIS information, we can reduce fuel poverty on the islands to the same extent as we can in mainland communities?

11:30

Kevin Stewart: You have to watch how you say "MIS information".

I have talked previously about some of the difficulties in having targets for each local authority. Having specific targets for areas may cause real difficulties. I do not want to go into too much depth on that today, because we are talking about the MIS aspect.

I would prefer to talk about targeting those folks who are in extreme fuel poverty, whether they live on islands, in remote rural areas or in urban areas. As I said, we will lodge amendments on that at stage 2. It is vital that we all try to deal first with those folks who are in greatest hardship, no matter whether they are on an island, in a remote area or

in a city. We should target them first and we will lodge amendments to do that.

Kenneth Gibson: In short, you are not keen on a separate target.

Kevin Stewart: That would be extremely difficult and would throw up a number of other difficulties. Ms Clarkson has done some work on local authority targeting and there are some anomalies around that. I do not know how much work has been done on the idea of a specific island target.

Ailie Clarkson: We have not looked specifically at that yet, but the general view would be that such proposals should be evidence led and subject to consultation, which has not happened so far in this process.

Kevin Stewart: If we look at some of the work that has been done in various spheres, there is evidence that unintended consequences or anomalies sometimes come into play when specific targeting, for example, is tried.

The Convener: It would be interesting to see your amendments, minister.

Kevin Stewart: I am sure that you will see them soon enough.

Andy Wightman: I echo Graham Simpson's point—this is a helpful way of approaching the issues in the bill.

There is now agreement on having a separate MIS for rural and remote areas and islands. As the minister pointed out, that is just a definition, which will lead to a national statistic. To follow on from Kenny Gibson's point—putting aside separate targets—is there any reason why reporting on fuel poverty cannot be disaggregated to local authorities, looking at rural and remote areas and islands using urban rural classifications 4 and 6 and other classifications?

Kevin Stewart: No, not at all. We use a number of tools to ensure that we have information from various places, including the Scottish household survey, so that we can look at what is happening across Scotland as a whole and break that down to local authority level. That information could be broken down into remote and rural areas and island areas. There is no difficulty in reporting that.

Andy Wightman: We have identified that rural and remote areas and islands throw up specific challenges. It would therefore be helpful to be able to report on the incidence of fuel poverty in those areas in particular. Are you saying that there would not be a problem in doing that, statistically speaking?

Kevin Stewart: Ms Clarkson has all of this at her fingertips and knows about the current ways of

gathering information and what information we disseminate fairly regularly.

Ailie Clarkson: Under the Scottish house condition survey, which we use to report on fuel poverty, we can break that down by the sixfold urban rural classification and separate out categories 4 and 6 in reporting on fuel poverty rates. That is what we did in the December publication on the current definition and we can continue to do that when the new definition comes into force.

Kevin Stewart: We can send the committee the links to the most recent set of reporting, if that would be useful.

Andy Wightman: We have seen that. I just wanted to probe whether it is statistically valid to do that.

Ailie Clarkson: Yes. The sample that we have for the Scottish house condition survey allows us to break it down to those areas of the urban rural classification. By combining three years' worth of data, we can also report on, for example, the island authorities—Shetland, Orkney and the Western Isles. We do that annually, but we do so by combining the three-year sample.

Andy Wightman: Finally, regarding the amendment that the minister proposes to lodge on the MIS, the bill already makes provision that if, for example, Loughborough University ceases to exist or Professor Hirsch gets a job in Australia doing something else, the Scottish Government will put appropriate arrangements in place. Is it your intention that the amendment will be prescriptive on the methodology, or will you seek to have some general statutory obligations that would be detailed in regulations?

Kevin Stewart: I probably need to get back to you on that. I have been careful during the meeting not to speak about one organisation in particular. However, we will have to get back to you on the depth of the response that is required there.

Andy Wightman: That is fine. My concern is about, on the one hand, not having something too prescriptive—as you said, these things can throw up changes over the next 20 years—and, on the other hand, not having something that is so flexible that it allows people to forget the important issues that have been raised during scrutiny of the bill.

Kevin Stewart: I understand completely where Mr Wightman is coming from. If we can do something to provide some comfort on that, we will do so. As I said, I have tried not to talk about one particular organisation. At the same time, I entirely take your point that we do not want to have something in primary legislation that is very

difficult to change. We should ensure that we outline exactly in that primary legislation the very basics. We will provide you with some comfort on that, and we will respond to the committee on it.

Andy Wightman: Good.

The Convener: There are no further questions. I thank Mr Stewart and his officials for attending the meeting.

Kevin Stewart: I would be more than happy to speak to committee members individually or to provide the committee with additional information, as required. We will provide the committee with what we have already agreed today to provide.

The Convener: As always, minister, you will ensure that the information that we have requested comes to the committee. Thank you.

11:38

Meeting continued in private until 11:49.

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