



OFFICIAL REPORT
AITHISG OIFIGEIL

Net Zero, Energy and Transport Committee

Tuesday 23 May 2023

Session 6



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NET ZERO, ENERGY AND TRANSPORT COMMITTEE

18th Meeting 2023, Session 6

CONVENER

*Edward Mountain (Highlands and Islands) (Con)

DEPUTY CONVENER

*Fiona Hyslop (Linlithgow) (SNP)

COMMITTEE MEMBERS

*Jackie Dunbar (Aberdeen Donside) (SNP)

*Liam Kerr (North East Scotland) (Con)

*Monica Lennon (Central Scotland) (Lab)

*Ash Regan (Edinburgh Eastern) (SNP)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

David Hammond (Society of Local Authority Chief Executives and Senior Managers)

Silke Isbrand (Convention of Scottish Local Authorities)

Councillor Gail Macgregor (Convention of Scottish Local Authorities)

George Tarvit (Sustainable Scotland Network)

CLERK TO THE COMMITTEE

Peter McGrath

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Net Zero, Energy and Transport Committee

Tuesday 23 May 2023

[The Convener opened the meeting at 09:30]

Decision on Taking Business in Private

The Convener (Edward Mountain): Good morning, everyone, and welcome to the 18th meeting in 2023 of the Net Zero, Energy and Transport Committee.

Agenda item 1 is to decide whether to take agenda items 4 and 5 in private. Under agenda item 4, the committee will consider the evidence that we will hear under agenda item 2, and under agenda item 5, the committee will consider a draft annual report. Do members agree to take agenda items 4 and 5 in private?

Members *indicated agreement.*

Role of Local Government in Delivering Net Zero

The Convener: Agenda item 2 is an evidence session following our inquiry into the role of local government and its cross-sectoral partners in financing and delivering a net zero Scotland.

The committee reported to the Parliament in January after a major inquiry that lasted over a year and which ranged over a variety of issues relevant to local government. On 14 March, we held a debate in Parliament to highlight the conclusions of the inquiry. We received a response from the Scottish Government on 20 April and agreed to invite back the Convention of Scottish Local Authorities and its partners in sustainable local governance to share their views on the response and the way forward.

I am pleased to welcome Councillor Gail Macgregor, environment and economy spokesperson, COSLA, and leader, Dumfries and Galloway Council; David Hammond, representative of the Society of Local Authority Chief Executives and Senior Managers and head of sustainability, corporate property and transport, North Ayrshire Council; George Tarvit, director, Sustainable Scotland Network; and Silke Isbrand, policy manager, environment and economy team, COSLA. Unfortunately, due to an accident at the weekend, Silke Isbrand is joining us remotely. I hope that you are fully recovered and fit—I would not say fighting fit—for this session.

I thank you all for accepting our invitations. We are delighted to have you here.

I think that Councillor Macgregor wishes to make a short opening statement.

Councillor Gail Macgregor (Convention of Scottish Local Authorities): Thank you, convener, and thank you very much for the invitation to the meeting. It is lovely to see again those of you who I have seen before, which is most of you.

I was going to make an opening statement, but I am keen to hear from members, so I will keep it very short.

I am delighted to have with me David Hammond, George Tarvit and Silke Isbrand, as they will bring the expertise and detailed knowledge that members will need to hear. I can give you the political element, but I will very much rely on them to give you the information that you require.

For us, the issues are how we can collectively capitalise on the report and how local government and the Scottish Government will work together to achieve our goals.

The environment and economy board at COSLA is absolutely behind the agenda. We have a very enthusiastic cohort of 32 representatives from all councils. It is fair to say that I have never seen such an enthusiastic bunch, who contribute brilliantly. We will be able to bring some of their views and thoughts to the committee in the future.

The key thing today is to reinforce our commitment to our just transition to net zero. We need to have a very frank conversation today about what we as local government can do and what we expect the Scottish Government, all parties across the chamber and all partners across Scotland to do. The agenda is massive, and we have less than seven years until 2030. There is an enormous hill for us all to climb.

I am really happy to be here today. Be kind to me. I will defer to my brilliant experts when that is needed.

The Convener: Thank you very much.

Before we go any further, I will check whether there are any declarations of interests.

Jackie Dunbar (Aberdeen Donside) (SNP): I refer members to my entry in the register of members' interests. I was a local councillor until May last year.

The Convener: Okay. Thank you very much for that.

I will ask the first questions. Gail Macgregor said:

"This report by the Committee on the just transition to a net zero economy is potentially a watershed moment for Scotland in tackling climate change.

The report is clear that Scotland will not meet its ambitious climate targets without a more empowered Local Government."

Will you start off by fleshing out those two sentences for us, Gail?

Councillor Macgregor: Yes. I think that we all understand the challenge that is ahead of us. Up to now, we have been tinkering around the edges.

I am going to be very unsubtle. We have a lot of good initiatives. Cabinet secretaries and ministers sit within an enormous portfolio. However, at the moment, I do not see at all times the intertwining between individual areas that will get us to that just transition to net zero.

For example, I deal with six or seven ministers or cabinet secretaries. All of them have elements of the portfolio. How do we get them to link together and how do we then link with them? We have a massive challenge, in which we need more co-ordination. Active travel needs to work in conjunction with transport, which needs to work in conjunction with infrastructure. Until we get that

much greater strategic overview in the minds of the Scottish Government and of the Parliament, we do not really know what we need to do to help you deliver.

We can do things locally and we can bring in initiatives. For example, there have been a lot of funds into which individual councils can bid for individual projects, but that does not involve looking at the problem in its totality. We have said very clearly from day 1 that we need a fully costed road map that is co-produced by us, the Scottish Government and partners across Scotland, which needs to be very clear, with timelines and direction. Until we get that absolute certainty around what we are all doing, we will continue to tinker around the edges, which is not going to achieve the goals that we need to achieve.

The Convener: Okay. That is well put. How are you getting on with the Scottish Government on the new deal for local authorities? You can tell us all.

Councillor Macgregor: I think that we are making really good progress. As you know, I have good relationships—I hope—with ministers and cabinet secretaries. Obviously, we have had a change. To be honest, the new minister, Màiri McAllan, has brought a bit of invigoration and a bit more direction. She has brought a real glow to the portfolio and a clear understanding of what is required.

Now, however, we all have to walk the walk. The relationships are good, but it is clear that what we do has to be done in co-production. It cannot be a case of the Scottish Government dictating to us what we need to do, because, in that case, we simply will not achieve our outcomes.

The Convener: The report came up with a lot of recommendations. Have you worked out how much all that is going to cost? If it is going to cost more money than you get at the moment, do you have an idea of the percentage increase that you will need in the budget in order to start delivering on the things that you have been asked to do?

Councillor Macgregor: I will defer to David Hammond or Silke Isbrand on that. Clearly, it has to be fully costed and fully funded. The only thing that will prevent the fulfilment of the ambition is insufficient funding.

David Hammond (Society of Local Authority Chief Executives and Senior Managers): I am happy to come in on that, Councillor Macgregor. Thank you for the question, convener. I recall that a similar question about cost came up at a previous meeting of the committee. It is—forgive the pun—the million-dollar question.

In so far as the public sector goes, across the local government family, local authorities are

starting to grasp that nettle and to articulate what is involved. My authority has now clarified and quantified the costs that are involved in decarbonising our fleet. We have a figure for that. We are also actively undertaking the same piece of work across our property estate and will have an answer to that question over the summer. Other local authorities are at varying stages of quantifying the gap as it exists at the moment.

As that information crystallises, it will be important to link back to the road map and co-production that Councillor Macgregor talked about, so that we can feed that information into the road map, share with Scottish Government colleagues the scale of the task and the nature of the investment that is required, and get into a conversation about how to fund that, including leveraging in private investment and working with other partners, such as the Scottish National Investment Bank and the Scottish Futures Trust, to broker innovative solutions.

The Convener: I did some figures across Highland—60 per cent of the houses do not meet energy performance certificate C standard. If you do a back-of-a-fag-packet calculation—which I am not in favour of—it comes out at about £350 million to get the houses that are below EPC C up to that standard, which is a huge cost. If you put that out across the whole of Scotland, across all the local authorities, the costs will be eye-watering. From the committee's point of view, it is about keeping a handle on that.

Gail, do you think that COSLA will be able to give us an indication of the costs? We know the size of the problem, but surely we cannot fix it until we know the size of the costs.

Councillor Macgregor: I am not sure that it is entirely down to local government to establish the costs of a just transition to net zero. Lots of other partners are involved, as is the private sector. We also have councils that no longer have housing stock, so that will be a problem for some councils and not for others—the problem will pass to social landlords in those local authority areas.

In local government, we can establish the cost around our own fleet, estate, schools and buildings—all the things that we have control over or can help to facilitate in communities, such as electric vehicle charging points. We can probably do a fairly reasonable assessment of the totality of the cost. However, when we start to look at transport and infrastructure and active travel and all the other areas that need to be covered to achieve net zero, some of that will sit outwith our remit. I think that our role is to give you the reality of what it will cost local government. The Scottish Government can work with us to deliver at our end, but we will all have to work together with other partners to achieve it.

George Tarvit may want to say a bit more.

George Tarvit (Sustainable Scotland Network): It is fair to say that more work definitely needs to be done in that space, part of which relates to clarity around the route maps. In COSLA's comment on the NZET Committee report and the Scottish Government's response there is still a call for clarity in relation to the delivery route maps in different areas. Then there is the cost structure.

The other point that the SSN is aware of is the question how we make better use of existing resources. Political and corporate leadership such that we take the existing resources in the public sector and align them to the outcomes that we are trying to achieve will take us some distance on that journey. However, it is fair to say that further work needs to be done. We are doing a little bit of research through the SSN membership at the moment to pull information about what studies are being done by colleagues such as David Hammond across the 32. I am happy to share that in due course.

The Convener: I think that the deputy convener wants to come in.

Fiona Hyslop (Linlithgow) (SNP): Thank you very much for joining us today.

Clearly respecting the independence of local authorities, the committee's role was to bring together suggestions that would be helpful for both the Scottish Government and councils. One of the clear points that came out is that it is not going to be all about public sector funding and that we are also going to have to leverage in private sector funding. However, the scale of that is enormous.

For smaller local authorities such as Dumfries and Galloway Council, even your offer for the big infrastructure issues and housing and transport might not collectively be big enough to be attractive for financial investment. The Scottish National Investment Bank will not be able to work directly with you until it has approvals from a number of the market authorities.

What steps have taken place recently to mobilise that? How plugged in are you with the green finance task force in order to make sure that you will be well placed to access the private sector funding that will need to be invested—which we know will be billions—but through a sensible and place-based approach?

Councillor Macgregor: The challenge with the private sector is that it will follow the money—we know that. As Fiona Hyslop said, there will be parts of Scotland that are very lucrative for it. One of the biggest challenges that we have in smaller and rural areas—such as Dumfries and Galloway, Moray or Argyll and Bute—is having the skills and

the capacity within local authorities to work with partners.

We are very lucky in the south of Scotland to have South of Scotland Enterprise. It now has an expert in its workforce who is very focused on net zero and who is looking at businesses that can come into the region, and we will work closely with them. However, until we can improve the skills and capacity within some councils, we will see a wee bit of a lag. There will be other authorities that have plenty of skills and plenty capacity, but bringing in that private sector investment will not only be about the conversations that we have; that will also have to come from Government and other areas.

09:45

Fiona Hyslop: David Hammond, from an officer's point of view, are skills and capacity in financial investment being built up within local authorities?

David Hammond: That is in the early stages. As Councillor Macgregor has outlined, there is definitely a skills shortage across local government when it comes to the climate change sector. It is building, but it is building slowly, and we will certainly want to reach out and work with education partners about how we build that talent pipeline across all areas—not just in finance but in technology, for example.

The other part of your question raised an important point about the varying sizes of local authority and the role of public sector emissions. For me, it is about scale and scaling up, and how we work in partnership across authorities to build up a package that is attractive for investment—whether that be across council housing stock or through working in partnership with registered social landlords, as Councillor Macgregor outlined, on decarbonising heat. It also involves working with other partners to leverage in private sector funding. When I addressed the committee previously, I drew on the example of an EV charging infrastructure partnership project across the Ayrshire authorities, in which—exactly as you said, deputy convener—we have worked together to package up an investment proposition for the private sector. That is progressing at the moment. That is the kind of learning that we want to scale up and replicate across the country.

Fiona Hyslop: On the wider parameters of our report and of COSLA's response, what was the response from your 31 colleagues about the suggestion that councils were not just responsible for their own properties or their own fleet but were well placed to co-ordinate and facilitate a place-based response to climate change, through co-

ordinating sectors that were not part of their direct responsibility?

David Hammond: That is a fair assessment, in the sense that, as we previously outlined, local government is more than happy to play a role locally. We understand that we are the delivery arm for decarbonisation and that we provide leadership locally across a number of sectors—including local business, for example.

However, again, there is a challenge in resourcing our ability to do that. Our resources are limited. Reaching out, working in partnership, forging new relationships and identifying new projects for cross-sector work with—for example—private industry to undertake a decarbonisation project will take additional resources and expertise. That is another dimension to the challenge that faces us, for which we are not funded.

The Convener: Before we move on, Silke Isbrand wants to add to that.

Silke Isbrand (Convention of Scottish Local Authorities): Thank you very much, convener and deputy convener, for your questions. I absolutely support 100 per cent of what has been said. On the question about the extent to which COSLA can cost the size of the challenge, I add that it is fair to say that a lot of work is going on right now, and your report has shifted significant ground in that.

A lot of work is going on in starting to cost individual pieces or envelopes of work. However, to go back to what Councillor Macgregor said, what is absolutely required is for that to be pulled together so that we get—then the committee gets—clarity on what the overall price tag might be. In addition, unless we pull everything together, we cannot fully establish the potential co-benefits or the potential conflicts.

To give an overall view, a lot of work is going on, but we need that single road map—that overview—of the whole picture of how such a major economic transformation will happen.

David Hammond is completely right about area-based activity.

A number of councils have absolutely formulated that ambition, because they are realising that possibly one of the biggest impacts that they can have is by taking on that steering role at local level and having that political drive. However, it is absolutely correct that that requires yet more resources, because it steps into a very new area.

Liam Kerr (North East Scotland) (Con): Good morning, panel. The committee felt that it would help to bolster co-ordination and the provision of skills if we had what is being called a climate intelligence service. We have heard from the

Government that it is in active discussions with COSLA and the Improvement Service around establishing the CIS and that it plans to establish the service later this year. When is it likely to be operational, where will it be located and how will local authorities draw on the facilities available?

Councillor Macgregor: The climate intelligence service is an exciting piece of work. We have a report going to the leaders on Friday to get their agreement to progress with it—obviously, there is a funding implication. The Scottish Government has confirmed that, over the next few years, it will fund 50 per cent of the cost of setting up the service. The exciting thing is that the service will be provided in conjunction with the University of Edinburgh and academics and will allow us to gather data from all 32 authorities in a single space. We will then be able to analyse it and look at good, shared practice and benchmarking. We will have a one-stop shop for what needs to be done across Scotland—it will be a really good piece of work.

To roll it out, we need the agreement of the leaders on Friday. I hope that they will agree, particularly given that the Scottish Government has agreed to its end of the deal. At the moment, we need rich data. We have a wee bit of a scattergun approach, with different data coming from different authorities and feeding into different areas. If we end up with that one-stop shop, we will have clearer assistance with a road map and, more importantly, with delivery.

Silke Isbrand might want to add to that.

Silke Isbrand: I am happy to come in. I support 100 per cent of what Councillor Macgregor says. We would be delighted to get the service up and running this year.

Liam Kerr: Gail Macgregor correctly predicted my follow-up question, which is on cost. You said that the Scottish Government will fund 50 per cent of the cost of setting up the service. Do we know how much it will cost to set up and what the on-going running costs will be? You said that the Scottish Government will fund 50 per cent of the set-up costs, but who will fund the other 50 per cent and who will fund the on-going costs?

Councillor Macgregor: Silke Isbrand will have accurate costings. I do not have them in front of me but, from memory, the amount is the same every year. This year would be a part year, so it would not be the full cost. I think that the figure is about £1.6 million per year.

George Tarvit: For the first year, we are looking at around the £1 million mark. Obviously, that will take into account the setting up of the service. One key thing that we are trying to do is to align the resources that exist in this space. It is very much a co-production between stakeholders who

are represented here and my colleagues at the University of Edinburgh, building on the place-based climate action network, which was a research project that had resource behind it.

The other thing that plays into this space is the longevity and stability of the funding. We are talking about a £1 million set-up scenario, but the question is how we build and improve the value of the service moving forward. The SSN steering group has received presentations on the CIS, and colleagues here will very much be involved in steering the project and moving it forward. It is critical that the beneficiaries of the service—that is, the SSN members who are working at the sharp end, such as David Hammond—have a process to feed in, co-design and co-develop the service.

Liam Kerr: I want to be clear about who will do this operationally. To go back to my earlier question, will the service be based in Edinburgh and who will staff it? Will there be new posts that you will recruit for, or will people be transferred from other council areas?

George Tarvit: I am looking at Silke Isbrand, because she has been closer to the discussions on how the proposal will be put into operation. At the moment, one of the key stakeholders is the Improvement Service. That was established as an improvement service for local government, so it is one of the obvious routes to take. The other key stakeholder is the University of Edinburgh—I suppose that we were the sort of brains behind the notion of having a collective service.

In a sense, it is a scaling up of what the SSN has done over the years, but with a very distinct focus on the area-wide agenda. I am aware that the committee will be interested in how we translate from the data to the plans, to the investment, and how we get to the point of shifting the dial on delivery on the ground.

The project has to get up and running and we will go through the process of establishing it and recruiting staff—security of employment and so on will all play into that. At the moment, it looks as though the CIS, with those key stakeholders, will be Edinburgh based.

Liam Kerr: I have a final question, which arises from the deputy convener's earlier question. The remit of the CIS will be, as the Government says, to help councils reach

“net zero and to embed climate impact”

in decision making. We have just heard about the importance of private capital to enable that. Do you anticipate that the CIS remit will also be about helping to leverage private capital?

George Tarvit: I think so. We need to get up and running and look at the data and planning so

that we are clearer about what we want for delivery across Scotland, but the ambition of stakeholders—including us—is to take a systems approach to the challenge and not to assume that we can have data just for the public sector and that things will radically change; it has to play into how we shift the systems in this space.

We need to open up that conversation to the private sector, but also to the community sector. We heard from the minister that there is investment at the community level. The SSN members in local government are looking at how we can get good value from the £4.3 million that is going into community hubs.

The last thing that I will say about the CIS is that there is a regional component to it, so in answer to the question whether all the staff will be based in Edinburgh, that is not the intention. There is a notion that there would be a regional component.

Liam Kerr: Very good. I am very grateful, thank you.

Mark Ruskell (Mid Scotland and Fife) (Green): I have a thought on the back of that. Has there been any discussion about how the CIS works with the Scottish Government's national public energy agency? The energy agency is being set up right now, and there is an opportunity to align on that.

Councillor Macgregor: Silke Isbrand might be able to pick up on that.

George Tarvit: We would all probably say that alignment is critical. For scale and pace, we need alignment to happen. That might come about with the national public energy agency and also with local heat and energy efficiency strategies. We have people in local government and the wider public sector looking at heat decarbonisation—that needs a place-based systems approach. The CIS has to play into that. The last thing that we need is a CIS that sits in a bubble and does not interact. It is a rapidly moving landscape. We are all challenged by keeping up to speed with the policy agenda and the various funding streams that exist, but the CIS and the stakeholders behind it have to play into that ecosystem and ensure that it is better aligned.

Ash Regan (Edinburgh Eastern) (SNP): Good morning. We have spoken already about the new deal, and my questions are primarily around funding, particularly ring fencing. What effect do you think the new deal will have on the levels of ring fencing?

Councillor Macgregor: As some of you will know, for the previous five years, my role at COSLA was in the financial area, so I will take that question.

As you can imagine, the key thing is that we are working very hard to try and get multiyear settlements through the new deal. If local government can get that stability, it will enable us to do better longer-term planning. Short-termism and the inability to invest over a longer period have been problems for a number of years.

The other aspect of funding is that we have had a drip feed of a lot of bid funds, which makes it easier for larger authorities that have the skills and capacity within them to apply to the bid funds, but it puts the smaller authorities, which do not have that capacity, at a disadvantage.

Therefore, our other ask through the new partnership and the new deal would be that we have fewer bid funds and more totality pots that are designed for specific things, and that the funding is then given to local authorities through an agreed distribution model. We have a tried-and-tested model for that.

10:00

The key thing for us is stability and longevity of funding—including an assurance that years 4 and 5 will be funded and that we will not be left. My hope is that there will be less ring fencing. That is absolutely essential to achieving our goals on this. I do not know whether David Hammond has a view from an officer's perspective.

David Hammond: I agree with that, Councillor Macgregor. It comes back to my colleague George Tarvit's point that having the data through the climate intelligence service does not mean that action will happen; similarly, ring fencing does not necessarily automatically mean that investment will happen, because there is an impact on the funding of other local government services.

There is also a question of chicken and egg in all the threads that are emerging across the landscape as we speak. That landscape is changing rapidly. A key thing that we need to understand first is the scale of the financial gap in what is required; we can then enter into discussions about the best means of funding that.

Ash Regan: Thank you. If I have picked that up correctly, I summarise that COSLA's view is that ring fencing—in particular, when it comes to areas such as net zero goals—may not be entirely appropriate, and that you would like there to be less of it. You can correct me if I have summarised that incorrectly.

However, if that is the case, and if ring fencing is not so desirable in those areas, how do you suggest that the Scottish Government and local government work together to achieve those shared national priorities—on net zero in

particular—without ring fencing? What would your suggestions be?

Councillor Macgregor: We need to differentiate between ring fencing and targeted spend for particular things. We all know that education has a large budget, as does social care as well as other things.

Through the climate intelligence service in particular, as well as all the work that is going on elsewhere, we hope to assist in developing the road map that I have talked about. We need to have that and to know where we are going on the journey and what needs doing. For example, active travel has a £1.7 billion fund, I think, over this parliamentary session, and we do not yet know how the totality of that will be spent.

For us, the crucial thing is not to ring fence funding for specific things but to know the journey that we are going on and how much that will cost. That would be a better way of doing it. As you know, specific pots of money have been allocated to Government initiatives but, once we have done all the leg work at local authority level, they have not been enough to deliver, and the Government has had to reel back slightly. The challenge is not in ring fencing but in establishing the cost of delivery in partnership.

George Tarvit: Very briefly, the flip side of taking away ring-fenced funding is making sure that there is corporate and political commitment to outcomes. A lot of the conversation in the SSN and in the steering group, which involves local government and the wider public sector, is about how we align around outcomes and become less ring fenced through particular challenge funds for projects.

That comes with an issue about political and corporate leadership, as I have said, and a clear plan that can be audited and scrutinised. The audit regime in the public sector has stepped up on climate change. We welcome that. We collaborate with Audit Scotland, and Environmental Standards Scotland is speaking at the SSN conference tomorrow. We are very keen to make sure that the funding becomes aligned to the outcomes that we are trying to achieve.

The Convener: Sorry but, before we go back to Ash Regan, my problem is that that is chicken and egg. You do not want funding to be ring fenced, and you will give an assurance that it will be paid in the right direction provided that it is for the long term; however, surely the Government will just come back and say that it wants it to be ring fenced and that it will be for the long term. Is that an oversimplification?

George Tarvit: I do not know. On one level, I might defer to colleagues who are a little closer to that on the ground, but certainly within the SSN,

there is a desire to be far more focused on outcomes. There is a lot of reference to the Christie commission principles and preventative spending—looking at climate change as not just a cost but an opportunity. At the conference tomorrow, there will be a lot of conversation about public health benefits.

Therefore, there is more of a systems approach and a more sophisticated way to look at the costs and benefits around climate action. However, at the end of the day, we need to see the public sector saying that it is clear about the outcomes—some of those are very measurable around emissions reductions—and that it has a clear plan for delivery. Then we need to have a conversation about how that is going to be paid for.

That definitely goes beyond public sector spend. We cannot spend our way out of this problem purely through public sector expenditure.

The Convener: I am sorry, Ash. I jumped in—I apologise—so back to you.

Ash Regan: No, not at all, convener. That has covered my area of questioning, so thank you.

The Convener: Thank you very much. In that case, the next questions will come from Mark Ruskell.

Mark Ruskell: I will turn to fiscal levers and the discussion within COSLA about potentially adopting new fiscal levers to bring in finance. I am interested in which areas are being discussed. In transport, demand management is an obvious issue, but other potential issues include waste and land management. It would be interesting to know where COSLA is at on those issues.

Councillor Macgregor: I might defer to David Hammond and Silke Isbrand to provide some specific details. Obviously, COSLA is working through its fiscal framework and the resources spokesperson will be dealing with that. It is certainly looking at other ways to bring in finance—some are more contentious than others, as you can imagine—but I do not know about transport specifically. David, do you want to come in?

David Hammond: I am happy to make some comments, Councillor Macgregor, and I am sure that Silke Isbrand will also want to come in on fiscal levers.

Mr Ruskell gave a couple of good examples—public transport and waste. The local authority view would be that fiscal levers need to go hand in hand with investment and ensuring that, when we are trying to encourage people to adopt certain behaviours, the alternatives are in place. For example, if we are introducing fiscal levers around the demand management of transport, are the alternatives there? Is the infrastructure in place to

ensure that there is a reasonable and affordable alternative, whether that is public transport, electric vehicles or active travel?

The situation is similar with regard to waste. Silke and I have previously had conversations, in different roles, around the infrastructure being in place, so that people have access to recycling facilities that are clear and so that there are robust arrangements for the collection of waste, so that they can make the right behavioural decisions, which is what we are seeking for them to do in response to those levers. Silke, do you want to add anything?

Silke Isbrand: Yes, thank you. The situation has been well outlined. Again, it is fair to say that there is a huge amount of work going on in the local government family around what the concrete instruments will be—what financial and legislative levers there will be. Those could be anything from workplace parking levies to other instruments. There is a growing focus on the part of the local government family on the tools that will be required to help with that change.

However, that also goes back to the need to keep the overall view of the whole-system transformation, and that is where we come back to what you referred to very early on, convener, as local government empowerment, so that local authorities have the ability to draw on those levers as and when they are needed. Therefore, I would say that there is a very active discussion developing, and those levers will be crucial. The extent to which individual financial levers will be needed is something that we will probably have more clarity on over the next 12 months or so.

Mark Ruskell: It would be interesting to know whether there will come a point when there will be an ambitious conclusion to that. I reflect on the first inquiry that the Scottish Parliament ever did into climate change, in 2005. That inquiry recommended that ministers should bring forward a workable system of road user charging by 2015, which was 10 years on from the inquiry. Nothing happened, and we are now years on from 2015.

Are you saying that, within the next year, there will be a clear view from COSLA about new fiscal levers that can be used, and there will be a clear ask of Government about where those could be extended?

Councillor Macgregor: It is very much work in progress, as you can imagine. I co-chair the national transport strategy. There is now a new minister, so that will be a different dynamic.

We have certainly been looking at things such as vehicle charging in cities and rural areas and the various ways of doing that. The crucial thing for me as a local councillor and for you as elected members is that we have to take our communities

with us. We sometimes find at the community level that when EV charging points are rolled out in a community, they go down like a lead balloon. Only 13 per cent of the population have electric vehicles, so a huge percentage do not have them or do not have cars at all.

We as elected members need to take our communities with us, and when we look at things such as vehicle charging, we need to make sure that it is done in a way that is more carrot than stick. That is our priority at COSLA. That behavioural change will be really important if we are going to be a bit more punitive with people to make them change their lifestyles.

That is another piece of work that we are doing at a community level in place planning. It is not just about what we are doing at a higher level; it is about whether we are taking our communities with us. We have found that projects that are developed from the community up are brilliant; they are really well received, but projects that are imposed on communities do not go down so well. We are all on a bit of a journey at the moment.

Mark Ruskell: That is useful.

I will move on to city region deals. A number of those deals were worked out seven or eight years ago, but the world is quite different now. The climate emergency is getting more severe, and the targets that are in place for 2030 are very stretching—you alluded to that in your opening remarks, Councillor Macgregor. Are those regional deals still fit for purpose? Do they and individual projects need to be looked at again? For example, Sheriffhall might not meet a carbon test now, or maybe it would. Who is looking at that? Who is doing that analysis and assessment?

Councillor Macgregor: COSLA has not been directly involved in any of the city deal creations, the Borderlands deal or the rural growth deals, but local authorities obviously have been.

I have just recently taken over as leader of Dumfries and Galloway Council. We are doing a scan of our capital investment strategy, because we know that quite a lot of the infrastructure projects that have been on the list for five or 10 years are probably obsolete and really need a refocus. I expect that the same is being done to the Borderlands and city deals.

We had local elections last year. The 32 councils are probably developing their five-year council plans—we have already agreed ours—and those will look very different from the plans that covered the previous five years. In our plan, the economy and the environment are much more embedded as priorities than they were in the previous five years. I hope that individual councils—I cannot speak on behalf of COSLA—

will do exactly that, because I know that I certainly am.

Mark Ruskell: That is good to hear.

Finally, I want to ask you about community and third sector partnerships. I suppose that the third sector would say that the deal that you are striking with the Scottish Government needs to be replicated with councils in developing new partnerships. In response to the inquiry, the Government has announced additional funding for climate hubs in order to scale up the ambition of what our third sector can achieve in communities and make a huge difference. What is your approach? Is there a commitment from local authorities to work with those climate hubs? Where do you see the third sector in that?

Councillor Macgregor: Does George Tarvit want to pick up that point?

George Tarvit: Yes. There is definitely the appetite and interest in the SSN. We are very keen to align, but there can be bumps along the road. There is often a gap between the local authority or public sector approach to climate change and communities. A lot of our work is about trying to build those bridges and create the space for our members to have conversations about how we can align community investment and energy with the scaling up.

A lot of community projects are fantastic, but they face the challenges of sustainability and the scale of impact. Members will know from a range of examples across Scotland that they can be fantastic at the very local level, but the challenge is how we can scale them up to the regional level and link into national agendas. All of us face that scale and pace issue.

Speaking on behalf of the SSN and its members, we have a conversation coming up in June to create the space to ask our members how things are playing out across Scotland, what their experience is so far, and how we can help with alignment and co-ordination.

10:15

David Hammond: I will add to what George Tarvit has shared.

Again, it comes back to resources—I am sorry to mention that word again—and to local authorities' ability to work with communities. However, on a positive note, local authorities are increasingly working together with organisations such as Keep Scotland Beautiful. They have initiatives such as climate action towns, which involve a number of pilot settlements across Scotland, to develop a community-based approach to tackling climate change. They also

provide support to local authorities on developing community climate action plans with communities.

Those are the kinds of models that we across the local government family will need to look at increasingly over the next 12 to 24 months to really embed action within communities and work with communities to understand what their particular priorities are in terms of climate change. Councillor Macgregor referred to that earlier. We need to understand what the particular challenges are within those communities and how we as local authorities can work as enablers to help them to deliver on their priorities and enable behaviour change.

There are frameworks and models out there that I think local authorities will increasingly draw upon to come up with proposals on how we will work with communities and the third sector.

Mark Ruskell: There is a lot of good practice. We heard about quite a lot of that during the inquiry.

Monica Lennon (Central Scotland) (Lab): Good morning to the panel. I want to pick up on transport. You will know that, in its inquiry report, the committee supported stronger regional transport partnership models to get a more joined-up and strategic approach to public transport and active travel at the regional level. The panel has talked a lot about alignment. That has been good to hear. What additional powers or resources do regional transport partnerships need to plan and deliver effective regional, public and active transport systems?

Councillor Macgregor: Gosh. That is a really good question. George Tarvit is desperate—

George Tarvit: No, I—

Monica Lennon: Do not all speak at once.

The Convener: There seems to be a fight to answer the question. Who wants to do that?

David Hammond: I am happy to provide some comments in response to Ms Lennon's question.

The issue goes back to the systems approach. That has never been more apparent than in people gradually making the transition to electric vehicles, for example. I think that the regional transport partnership approaches will look very different across the country. In Edinburgh, for example, we can really encourage people to move away from private car use, and we have increasingly put infrastructure in place to enable people to do that, whereas, in our more rural and island geographies, the landscape is clearly very different and people will rely on private cars.

Again, it is about how we help to co-produce solutions that suit different environments, how we do that through regional transport partnerships,

and how joined-up our transport systems are. The challenges are increasing now with people moving to EVs, for example. In general, EVs have a lower range, so people have to plan journeys more clearly, or they may use different modes—they will drive to a certain point and pick up a public transport node. In addition, post-Covid, things such as agile working have completely shifted the dynamics of how we travel not just in this country but elsewhere.

To go back to your question, regional transport partnerships will absolutely be key partners, and there will be different focuses and priorities in different parts of the country in how we respond to that.

Monica Lennon: Electric vehicles have been mentioned a couple of times. We know that the Government's target is to reduce car kilometres by 20 per cent by the end of this decade. Last week, we had a debate in Parliament about buses and the role of bus services. We have seen a big reduction in passenger journeys and the number of bus services over quite a long period of time. How confident are you that bus partnerships and the bus partnership fund will increase bus patronage across Scotland's regions? How might those arrangements be improved?

Councillor Macgregor: Transport has been highlighted locally and nationally as one of the biggest levers for us in achieving our goals. One of our challenges is that, obviously, some of the routes are driven by profit and, if the routes are not viable, it falls to the local authority to pick up the slack on that.

I will give an example. It would take 14 hours to get from Eyemouth to Stranraer by public transport. Across the south of Scotland, public transport is a massive challenge. When we are retendering bus contracts locally and looking at the routes that are required, we need to look at whether they are fit for a transport transition to a cleaner way of working. Things are really challenging in rural areas in particular but are much more straightforward in urban areas.

George Tarvit might have something to add to that.

George Tarvit: Through the SSN, we have helped to support the establishment of a new climate leadership group in which leaders in the public sector come together regularly. At the most recent meeting, they focused on transport and looked at the broad-scale reduction in car kilometres and what public sector bodies can do to sustain the travel benefits of the impact of the pandemic by making sure that we do not go back to the old ways of working. The climate leadership group is certainly looking at transport.

The other reference point for the SSN is the work that the Scottish Government has promoted over the years around behaviour change using the individual, social and material model. We find that very useful not just for behaviour change but in thinking systematically about the work that could be done in this place. Even on the related issue of bus transport, there is a social dimension to the just transition element.

There have also been campaigns such as the #lovemybus campaign, which was active recently. There is a role for the public sector in picking up on some of that communication and public engagement role. We would be looking at promoting some of those issues.

Monica Lennon: You have just reminded me that this is #lovemybus week. I believe that Mark Ruskell is promoting an event in Parliament this week. That is a reminder to colleagues.

I know that the deputy convener has questions on this topic, too. Carrots and sticks and behaviour change have been mentioned a couple of times. We have a big opportunity in that more people can access the national concessionary travel scheme—the free bus pass—including 22-year-olds and under, but we are also hearing about emerging bus deserts in some areas in Scotland where there are no or very few bus services.

To what extent is there a renewed appetite among people to use buses? Is there an appetite in our councils to get stuck in and run or operate municipal bus companies? We know about the powers in the Transport (Scotland) Act 2019 and the levers, but local government sometimes says to us that it does not have the funds or the capacity. Is there a willingness to do that, or is that just going to be too difficult?

Councillor Macgregor: There is absolutely a willingness. I am not going to repeat what has been said about funding and all the other challenges. The reality is that, if we want people to come out of their cars and reduce car miles by 20 per cent, we—Scotland, Government, local authorities and everyone else—have to offer an exemplary public transport service. We need to look to other countries and cities that have that in place. Amsterdam is a prime example. People can get around Amsterdam in a multitude of ways.

Currently, travelling a car mile is half the price of travelling a bus mile. Therefore, what incentive is there for people to get out of their cars, even if they have a service?

We also need to look at the links between bus services and roads that connect to rail services and other areas of transport. We have a slightly disjointed system in which, for example, the bus from Dumfries to Lockerbie arrives 10 minutes after the train leaves for Edinburgh. There is a real

willingness to improve such simple things at the local level, but it will ultimately come down to service need and funding.

Monica Lennon: Thank you.

The Convener: I have a quick question about that. I have noticed that it has been said a couple of times during the meeting that the bus services in urban areas can be as good as you like, but if people who live in rural areas cannot get into the urban areas, urban services are pretty much useless to them. How are we going to take the rural areas along with the ambition if they lack the services?

Councillor Macgregor: You are absolutely right. I had to drive up this morning because the 10 past 7 train from Lockerbie was not running. Therefore, I have had to do a two-hour drive, which is not a good thing.

We need to look at the totality of transport across Scotland and how it interlinks. We have challenges with services north and south of the border—with ScotRail and English services—but if we do not sort out the connectivity from rural to urban, we are solving only half of the problem.

The Convener: I would love to come in by train on a Tuesday morning. As long as I am happy to arrive after this committee has started, that is possible. There were some cheers of excitement there. We will move on to the deputy convener.

Fiona Hyslop: I will stay with the issue of connectivity and the point about who organises that, and who should organise it. There seems to be a bit of pass the parcel among individual local authorities, regional transport partnerships and possibly Transport Scotland, although I am not even sure whether it has a role in that—you can tell me otherwise.

My constituency in West Lothian is semi-rural, but a lot of cars could be taken off the road there if there was better connectivity in relation to towns and park and ride. For example, we can see what is happening with Fife into Edinburgh. There is so much focus on the cities, but in this region, we also have East Lothian, Midlothian and West Lothian.

There seems to be a bit of a disconnect, and that really needs co-ordination. What is happening to try to change that? Is there something that can be done with regional transport partnerships to give them real targets for what they need to do? Who are they accountable to, and how can we get the co-ordination that Councillor Macgregor talked about?

David Hammond: I am happy to take that question.

That is a real challenge, and what you have outlined is a really accurate assessment of the landscape across transport. It also touched on Ms Lennon's points about roles and responsibilities among regional transport partnerships, Strathclyde Partnership for Transport, Transport Scotland, local authorities and commercial providers. It is quite a mixed landscape.

We have had legislative changes to provide additional opportunities to local authorities and, as Councillor Macgregor has said, we are very much a willing partner in that. Again, however, it comes back to resources. We do not have resources to run services that are not viable commercially. They are not viable commercially for a reason—they are not profitable. Then there is the subsidy issue and where that funding comes from, let alone the issue of the skills and expertise that are required in order to operate services.

That absolutely is a challenge, but there has been a willingness. Even in my own authority, a municipal bus service is an option that I have been personally involved in, but it is not without its challenges.

To go back to Ms Hyslop's question and the points that we have made about systems thinking, part of it is about the reset of relationships across stakeholders, the Scottish Government, local government and other partners, including transport stakeholders. It is about what we are actually envisioning, what we want the country to look at, what our baseline position is, and how we get from here to there. Part of that will involve a refresh and reset of roles and responsibilities, more alignment and more clarity.

We also need to be realistic. There will be some public transport services that are not viable in rural areas. We cannot make the country completely connected by public transport. That is not a realistic vision—there would not be the patronage to do that. Earlier, I mentioned bespoke solutions in different areas and having a toolkit or a menu of transport options.

We have not touched on community transport, which is emerging as communities again take action into their own hands in order to provide some essential services that they require.

Fiona Hyslop: That leads on to my next question, which is about local franchises—which I assume could include community transport—and the issue of how to support them, and the bus partnership fund. What is your understanding of the interrelationship between those in making the step change that we need? Five hundred million pounds is a lot of money to go into supporting local authority bus services—either local franchises or community-owned buses—but how do we lever it in? It seems that, at the moment,

most councils are just doing their scoping exercises on that.

What do you think will happen, or what do you want to happen, to ensure that local franchises can not only exist, but are funded? Can the bus partnership fund do that?

10:30

David Hammond: I am happy to come back in on that question. One of the challenges is around regulation. It is really daunting to provide services in a different way, because the regulation around the system is—rightly—so robust and complex. There are various regulatory requirements from the Office of the Traffic Commissioner in Scotland and various permits that communities need to seek if they want to provide community transport in accordance with the legislation, and the legalities involved in finding innovative solutions can sometimes be intimidating and daunting. Another issue is how franchise or community transport solutions sit in juxtaposition with commercial provision, because they are all about filling a gap instead of providing competition with viable commercial alternatives.

Again, this comes back to the learning journey that we are collectively on to find innovative transport solutions. I think that one of the barriers or challenges that we need to get to grips with is regulation, and it might be an area to look at if we are trying to stimulate more franchise and community transport provision.

Fiona Hyslop: Where would the bus partnership fund sit in discussions about the new deal for local government, if it is to help local councils?

Councillor Macgregor: I am not entirely sure.

David Hammond: I think that we would need to take that question away with us.

Fiona Hyslop: If you could do that—

Councillor Macgregor: We will. Absolutely.

The Convener: I call Monica Lennon. Please be very brief, Monica.

Monica Lennon: Sticking with funding, I know that there is also the community bus fund, which the Scottish Government has funded to the tune of £1 million. However, that is for 32 local authorities. What is being achieved with that sum of money, and if more than £1 million is available, what can be done with it? It just does not seem like a lot.

David Hammond: Again, things are emerging in that respect. There is real appetite in local authorities to work with communities. I know from personal involvement in some community engagement sessions earlier this year that the

feedback coming from communities is that transport is absolutely a challenge. Communities want to be able to get from A to B, so we have a toolkit and some options with regard to funds that can be accessed. I have already mentioned some of the challenges around regulation, but we in local government are looking to work with communities in order to take advantage of these funds and get schemes and creative options for transport provision up and running. We are still in the early stages, though.

Perhaps I can draw on the example of my own local authority. We are, literally as we speak, looking at a community transport option with an existing community transport provider and at how we widen things out so that we can respond to some of the challenges that have been fed back to us about gaps in provision in my authority area. There is real appetite in community transport providers, local authorities and communities, and there is funding available to help with this, so I think that we will see progress in that respect.

Monica Lennon: For clarification, is the £1 million community bus fund shared equally among the 32 local authorities, or do you all get a different share?

David Hammond: I am not entirely sure whether the fund is allocated on a pro rata or distribution basis.

Monica Lennon: Thank you.

The Convener: Jackie Dunbar has some questions.

Jackie Dunbar: My questions are on the heat programmes. In response to the committee's report, the Scottish Government has stated that it is

“working to embed Local Heat and Energy Efficiency Strategies ... and area based approaches across its heat decarbonisation programme.”

What, in practice, does that mean, and what is the Scottish Government doing to ensure that they are embedded?

Councillor Macgregor: It is a portfolio with a lot of acronyms, is it not? I will defer to George Tarvit on this.

George Tarvit: Silke Isbrand and David Hammond are perhaps closer to this issue, but SSN members are involved both through SSN and the energy officers network in, for example, establishing LHEES officers, doing the planning and zoning and so on. A lot of this is about scaling things up and getting to grips with the data, the demand and the plan that needs to be put in place; indeed, I think that the specific target is for the LHEES plans to be in place by the end of this calendar year.

There are challenges there, but I come back to the issue of systems thinking, tackling things that we have never really had to tackle before and very much working with a place-based approach instead of simply looking at the corporate estate. A lot of things are taking place across the country in order to meet the challenge of getting the right people in place to do the job. What I would say, though, is that SSN, the Improvement Service, COSLA and the energy officers are having very active conversations to ensure that we are not duplicating effort.

The other challenge relates to contracting this work. Given that some of it will be done by consultants, the number of consultants that will need to be available will play into the challenge of meeting the targets, too.

Jackie Dunbar: You mentioned the LHEES being in place by the end of this year. Are all 32 local authorities on track to have the strategies in place?

Councillor Macgregor: I defer to David Hammond on that.

David Hammond: I think that it would be fair to say that, Ms Dunbar. On the whole, local government has welcomed LHEES and the specific resources that have come to deliver those. A variety of approaches are being taken in local government, whether that is outsourcing for external support to a consultant or insourcing by hiring an LHEES officer to help with preparation of the strategies and delivery plans. For me, at their heart, the LHEES are about systems thinking. They are about looking at the geography across a local authority area to understand the areas of heat demand and starting to outline, through the delivery plan, opportunities for decarbonisation. As George Tarvit has said, they are also about providing the data and intelligence in one place and working across sectors and partners—the approach is not just local authority based; it is geography based across a local authority area.

What we expect to emerge from that process is outline projects. For example, that might be a new heat network or district heating system in an area that has sufficient density and sufficient heat load and demand. Alternatively, for example, it could involve archetypes—a term that is increasingly common currency. That goes back to the convener's point about council housing, for example. We see archetypes of council housing in different parts of the country that all require similar investment solutions for decarbonisation of heat. Similarly, across our school estate, there are archetypes of school construction from certain periods so that schools in East Lothian and in Argyll and Bute will have a similar construction type and floor plan.

The idea behind LHEES is about aggregating those archetypes across a local authority area but also looking more broadly across LHEES regionally, to scale up the approach that we talked about earlier of identifying propositions for investment, including through decarbonisation of heat.

Councillor Macgregor: Convener, can I just say very briefly—

The Convener: Yes, but you might upset Silke Isbrand if you do not bring her in. She is waiting very patiently.

Councillor Macgregor: Oh, sorry—that is fine.

I just want to say that LHEES have been a really good example of co-production. The issue was one of the first things that came on my desk last June. The work that has gone on behind the scenes will clearly deliver something on target and on time, which is great—and that was before the new deal.

The Convener: Silke, now is your moment, if Gail lets you in.

Silke Isbrand: I am not upset, convener.

I just want to confirm to the committee that all 32 local authorities are running with the LHEES. There has been a long process of working with the Scottish Government to make them a useful instrument. I just want to confirm that, by the end of the year, the 32 local authorities will have their strategies in place, or more or less in place.

It might be of interest to the committee that the level of collaboration between local government and the Scottish Government in the heat and energy sector is much improved. As members will be aware from looking at the climate change plan, the heat and energy portfolio is one of the key things and is a massive challenge. If we want to meet the hugely ambitious targets, we have to step up even more the collaboration, co-production and resourcing in all these areas.

Jackie Dunbar: Will the budget of £2.4 million that is in place be adequate to deliver the strategies?

Councillor Macgregor: Is it enough money, David?

David Hammond: In terms of my understanding—

Jackie Dunbar: I know that that is a difficult one.

David Hammond: Yes—it is a really specific question. My understanding is that local government has welcomed the additional resource that has been aligned to the LHEES, and

colleagues are working within that envelope to deliver the strategies and delivery plans.

Jackie Dunbar: The Scottish Government's response to the report says that it is

"working with wider stakeholders to align current and future delivery and funding programmes with LHEES to support a strategic approach to the decarbonisation of heat reflecting local contexts and tailoring support to specific needs of communities."

With that in mind, what work is being done to ensure that the current and future programmes are aligned? Does the work reflect the place-based approach that the Government wants to happen?

George Tarvit: I can comment briefly on that, but my colleagues might have views, too. I certainly get the sense that a place-based approach is being taken and that one model will not fit everywhere.

We are trying to do the work in a way that is not completely myopic, so we are bringing in expertise from outwith Scotland. At tomorrow's conference, there will be a dedicated session on place-based approaches to heat and energy efficiency, which will draw on expertise in the wider United Kingdom. Our Energy Systems Catapult colleagues are playing into that conversation, so we are ensuring that our thinking is not purely in a Scottish context.

On the alignment of effort, I am aware of the role of network distribution companies such as Scottish and Southern Electricity Networks and SP Energy Networks. Colleagues in the public sector are very conscious that we can deliver heat and energy efficiency measures only if the grid responds. Recent conversations have indicated that, partly through regulation and partly through desire, there is more appetite for engagement with communities and the public sector on how we make the transitions. That involves taking a systems approach and thinking about the material and systems elements of heat and energy efficiency delivery.

Jackie Dunbar: I have a final question. What impact will the pausing of the warmer homes Scotland scheme have on you and new applicants?

Councillor Macgregor: David Hammond or Silke Isbrand might be able to pick up on that.

Silke Isbrand: I do not want to go into the details of the warmer homes Scotland scheme; such elements are all part of a bigger picture. However, there is growing integration between different funds and initiatives, and the central message that we are keen to relay is that, if we genuinely want to meet the 2030 target, we need to move much more quickly. We cannot go on with business as usual by trying to find more synergies

and a little more alignment; we need a complete step change in the empowerment and resourcing of local government in relation to big-ticket issues so that it is able to be a lot more flexible in creating things that will have a much greater impact.

I will pass the specific question on the warmer homes Scotland scheme to whoever wishes to answer it.

The Convener: Everyone is ducking.

Councillor Macgregor: I am not familiar with the scheme, but I can get the information to you.

Jackie Dunbar: I believe that the scheme has been paused to allow expanded help to be provided and, perhaps, different rules to be introduced. I am keen to find out about that so, if you could get back to me, that would be great.

Councillor Macgregor: Absolutely.

The Convener: I just want to get to the bottom of that. Are you undertaking to write to the committee with an answer to the specific question on the effect of the pausing of the scheme?

Councillor Macgregor: Yes.

The Convener: Thank you. I will bring in Mark Ruskell, briefly.

Mark Ruskell: I am interested in the work on local heat and energy efficiency strategies. Are councils actively considering becoming energy generators, with municipally owned energy companies, or are the strategies all about co-ordinating local opportunities?

David Hammond: A number of local authorities, including North Ayrshire Council, have an appetite for becoming municipal energy generators. A number of authorities have renewable energy generation projects and district heating schemes at various stages of development. I will set out some of the challenges in that regard. Previously, the committee has focused on aspects of the planning process. The issues relate not so much to public sector generation as to George Tarvit's point about grid capacity and to the timescales and complexity of application processes. I would like to think that LHEES will provide another incentive or encouragement to unlock some of those barriers, because local authorities and other public sector partners have a clear role to play in the energy transition and the emerging draft energy strategy and just transition plan in relation to providing municipal energy generation.

10:45

The Convener: The deputy convener has some questions, I think.

Fiona Hyslop: Yes. I will move us on to natural capital. We took evidence on that and I recall

Highland Council being quite strong in relation to some of its concerns in that area. What work is being done by local authorities to attract private investment into tackling natural capital and its contribution to our net zero targets? Are there any specific examples where local authorities are working with the Scottish Government or other agencies to realise that?

Councillor Macgregor: Do you know of examples, David?

David Hammond: Yes. I can give a couple and then perhaps George Tarvit can come in.

That is a particularly emerging area in how we work with other partners around natural resources. Off the top of my head, there are some examples around the country of working with golf course operators and doing joint projects around investment in the quality of the habitats around golf courses, so that improving biodiversity and the operation of the golf course are happening side by side.

Other examples are emerging around working with commercial forestry providers to leverage in private investment for afforestation to help with carbon sequestration and so on. That flipside to the reduction of our carbon emissions is a real developing area. However, on Ms Hyslop's point about what we do with the residual emissions, that has to be part of the solution. It is part of the challenge that we are looking at across the system.

George Tarvit: With the SSN working beyond the public sector, I flag up that we have colleagues in Scottish Water and NatureScot who could flesh out some further information, which I could bring back to the committee. There is also a natural capital on public sector land working group that is looking at what the public sector actually owns and how we leverage in whatever resource is required to do natural capital projects.

The public sector is far more aware of that balancing off in relation to the whole carbon accounting agenda. Now that we have the net zero narrative in Scotland, people are looking at emissions reduction but also the importance of sequestration and the impact on the biodiversity crisis. I am aware that COSLA's agenda in that regard is very much about the net zero and biodiversity challenges. I am more than happy to come back to the committee with further information.

Fiona Hyslop: If you could, we would also be interested in what you see as the advantages and disadvantages and whether you think that there is an adequate system of carbon accounting as part of it. There are advantages and disadvantages, but we need a system that works for the private companies that are doing the investment as well

as the geographic space, and one that means that we do not end up with everybody double counting the carbon sequestration. That would be misleading for everybody.

George Tarvit: I am happy to come back on that. Again, colleagues in Scottish Water are really pushing the agenda here. We are very keen to share that experience through the SSN. We are aware that not everything has worked out in that space, and they have invested in studies to put more flesh on the bones and make sure that the other bits of the public sector are not spending resource to replicate that study.

Fiona Hyslop: Our inquiry was about local government and its partners. As you identified—which is very much also how we see it—a number of partners have to be in this space to make sure that you can lead in your co-ordinator facility, or whatever role you may take in different areas.

In relation to the report itself, you have already indicated that the route map is essential. That was one of our key recommendations, which you probably welcomed. Are any of the other recommendations particularly strong and helpful to your agenda? Also, if you could be quite frank with us, are any of the recommendations that we put forward more challenging, such that you might want to push back on them or, indeed, question them?

Councillor Macgregor: For us, the route map is the crucial thing. It will pull together all the strands of what we need to be doing across all sectors. However, that need, in and of itself, should not prevent us from doing other things.

As the convener and I have discussed, we cannot wait for the route map before we start doing things. However, as we said at the start, the route map will put us all on the same path and help us to understand the scale of the challenge, who needs to be doing what and how much it will cost.

One of our biggest challenges is taking our communities with us. David Hammond mentioned Keep Scotland Beautiful and we have just had the spring clean Scotland campaign. It is amazing how much energy there is in communities if we engage with them, in the first instance, and take them with us.

For us, the route map is incredibly important, as is taking communities with us. I will defer to the other guys on the technical stuff.

Fiona Hyslop: Does anyone else want to contribute on the recommendations in our report that you welcome but think might be more challenging for you?

George Tarvit: From my perspective, the overall tenor of the report and its crunchy content

are excellent. You very much bang the drum in relation to aligning the existing resources. We certainly welcome the references to the SSN, working in partnership and the focus on local government and its partners.

The SSN started as a local government network; it is now pan-public sector. We run the mandatory reporting, and we would like to see reporting being used more actively to track progress and to link it up with the likes of the climate intelligence service. That effort is being made through the SSN at the steering group level. Practitioner leaders are really stepping up, and David Hammond is an example of that.

We have already covered a lot of the challenges during our discussion—the finance, the skills and the delivery on the ground are what is keeping us awake at night. We very much welcome the challenging issues that are in the report, and the SSN agenda reflects a lot of those key issues. The SSN conference is taking place tomorrow. If you look at the programme, you will see all those big challenges there including the strategic issues around skills, finance and governance at a local level. Those are the things that the SSN is spending its time on.

The Convener: Before we finish, I have a final question. Sorry about that, Councillor Macgregor.

My interest is in bringing in private money to finance some of the things that need to be achieved. In previous years, we have had a relatively low interest rate. Now, it is 4.5 per cent and it might increase further. Investors will be looking for a return on their money, too, and there will be a significant cost either to the people who benefit from or use the service or to councils. Levering in is fine—the difficult part is paying for it. Does that make you lose sleep at night as well?

David Hammond: We have talked about a number of challenges this morning, and even some of the solutions are not without their challenges and trade-offs, as you have just outlined. However, ultimately, we must find a route to delivery. In my view, that will not come without leveraging in private sector investment. Such investment must be a part of this.

As a local government representative, I see our role as being the custodians who will undertake such an assessment, ensure that there is really good value for the public pound and ensure that the transition working with our partners is just. That will look different across different projects.

I will draw on the example of EV charging that I mentioned earlier. We are looking at a blend of private sector funding, in which a concession contractor will come in, and some public sector funding through an application to Transport Scotland. Through the procurement of that device,

we as the public sector partner will have our eye on the tariffs that the concession contractor is looking to apply. Are they reasonable? Are they affordable for people? That needs to be balanced against the contractor's need to make a commercial return from the project, because that is their prerogative and why they have come to the table.

The issue is about the role that the public sector plays in balancing those different challenges on a project-by-project basis.

The Convener: That will be the issue of interest and the challenge. We have not always got that right. I know that Highland Council was subsidising all its EV charging points so that people got very cheap charging across the council area. Some people felt that that was wrong. Similarly, we have seen that in other services that we provide, including hospital television, where people have been charged through the nose because we have attracted private finance for that provision.

My concern is how we balance that and how we let people who are benefiting from a service know that it might cost them something in return. Unless we do that, we will not take the communities with us.

I see that you are nodding, Councillor Macgregor, so we are not disagreeing.

Councillor Macgregor: That is the entire principle of a just transition to net zero. “Just” is the crucial word—the transition must be just.

The Convener: Okay. It has been a really interesting session. It is also interesting, from the committee's point of view, how well our report has gone down, as well as the fact that you have welcomed it and that you are working on it. I say on behalf of the committee that that is good news.

Also on the committee's behalf, I wish Silke Isbrand good luck with her healing. I hope that you are back to full fitness shortly.

I suspend the meeting to allow our witnesses to leave.

10:55

Meeting suspended.

10:56

On resuming—

Subordinate legislation

The Heat Networks (Heat Network Zones and Building Assessment Reports) (Scotland) Regulations 2023 (SSI 2023/123)

The Convener: Welcome back. Our next item is consideration of a Scottish statutory instrument. The instrument is laid under the negative procedure, which means that its provisions will come into force unless the Parliament agrees to a motion to annul them. No motions to annul have been laid.

As no member has any comment on the instrument, I invite the committee to agree that it does not wish to make any recommendations in relation to the instrument. Are we agreed?

Members *indicated agreement.*

The Convener: That concludes the public part of our meeting.

10:56

Meeting continued in private until 11:30.

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