



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Local Government and Communities Committee

**Wednesday 15 November 2017**

**Session 5**



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**LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE**

**27<sup>th</sup> Meeting 2017, Session 5**

**CONVENER**

\*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

**DEPUTY CONVENER**

\*Elaine Smith (Central Scotland) (Lab)

**COMMITTEE MEMBERS**

- \*Kenneth Gibson (Cunninghame North) (SNP)
- \*Jenny Gilruth (Mid Fife and Glenrothes) (SNP)
- \*Graham Simpson (Central Scotland) (Con)
- \*Alexander Stewart (Mid Scotland and Fife) (Con)
- \*Andy Wightman (Lothian) (Green)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Michael Cameron (Scottish Housing Regulator)  
Douglas Duff (Falkirk Council)  
Phil Ford (Skills Development Scotland)  
George Walker (Scottish Housing Regulator)  
Patrick Wiggins (Ayrshire Growth Deal)  
Paul Zealey (Skills Development Scotland)

**CLERK TO THE COMMITTEE**

Jane Williams

**LOCATION**

The James Clerk Maxwell Room (CR4)



# Scottish Parliament

## Local Government and Communities Committee

Wednesday 15 November 2017

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

### City Region Deals

**The Convener (Bob Doris):** Good morning, and welcome to the 27th meeting in 2017 of the Local Government and Communities Committee. I remind everyone to turn off their mobile phones. As meeting papers are provided in a digital format, tablets might be used by members during the meeting. I am delighted that we have a full house today, as there are no apologies from MSPs.

Agenda item 1 is on city region deals. I welcome Patrick Wiggins, who is the director of the Ayrshire growth deal, Douglas Duff, who is head of economic development and environmental services at Falkirk Council, and Phil Ford and Paul Zealey, who are both regional skills planning leads at Skills Development Scotland.

It has been indicated that the witnesses want to make some brief opening remarks before we move to questions. We are in your hands, gentlemen.

**Patrick Wiggins (Ayrshire Growth Deal):** Thank you for inviting us today. It might be helpful for the committee if I set out a bit of context for the Ayrshire growth deal. The deal has not been formally agreed yet. There is commitment from the Scottish Government, but we are still pursuing formal commitment from the United Kingdom Government. The growth deal is, in all but name, a city deal. We view it as the same type of mechanism and we expect it to have funding from the Scottish Government, the UK Government and local partners. In that sense, it is exactly the same as a city deal and our ambition is to have the same period of time as a city deal.

As I said, we are making good progress with the Scottish Government and have had quite a lot of engagement with UK Government officials, but we really need a green light from the Treasury, which we hope to get in the upcoming budget on 22 November. That will allow us to go into formal discussions with the UK Government. In Scotland, we have cross-party support and we are grateful to all the political parties for their work on our behalf and for pressing hard to secure the UK Government commitment.

There is a compelling case for the Ayrshire growth deal in terms of need, due to the

underperformance of the Ayrshire economy, and in terms of the opportunity, as some of our key sectors are important for not just Ayrshire but Scotland and the UK as a whole. We are placing inclusive growth at the heart of what we are trying to achieve. We think that there is a case in terms of equity—that might not be the right word—as most of Scotland is now covered one way or another by city deals. Ayrshire is an important part of the Scottish economy, so we should be doing all that we can to secure the investment to realise its potential.

**Douglas Duff (Falkirk Council):** I represent Falkirk Council and I will give an update on the written evidence that we submitted at the time of the consultation.

Things have been moving forward in Falkirk. We have proposed an investment zone, which is one of the propositions in the national planning framework 3 document. We have been making progress on that proposal with the Scottish Government, the UK Government and a number of stakeholders. At the time of the consultation, we were reaching an agreement with the Scottish Government to proceed with a business case, and that work has been taking place over summer and autumn this year. A number of workshops have taken place to take that forward, involving business and various stakeholders in the area. We had a business conference last week, which conveyed the stage that that work has reached. We believe that we are now in a good place to help carry that forward.

The Grangemouth investment zone builds on our work on tax increment financing and acknowledges our need for infrastructure improvements and improvements to deal with the concerns of the community and the prospects for the development of the chemical sector in Grangemouth in particular.

Grangemouth is at a tipping point. There is major investment in prospect there, and we view that as a vital step not solely for the local economy but for the national economy. Our work on that started in 2013, at the time of a crisis that arose from the prospect of losing the Ineos operations. We are now moving the situation forward, and we see the investment zone as key to that work. That has moved things forward considerably, and we are looking forward to further discussions with the Scottish and UK Governments to enable the measures to take place.

**Phil Ford (Skills Development Scotland):** I will give a brief overview, for the sake of context, of SDS's approach to skills planning and support for the city region deals. At the heart of everything that we do at SDS, we have a skills planning model to support the needs of employers, providing individuals with information to help them

make informed, sustained and good career choices.

Over recent years, we have been heavily involved in the development of robust labour market information and regional skills assessments. That is done on a local authority basis, a college outcome agreement basis and a city region basis, where city regions exist. That information is used to support city region deal partners in developing their propositions. We have also used the assessments to develop sectoral skills investment plans across 11 key sectors of the economy and to develop regional skills investment plans in a number of regions, again with the support of city region deal partners.

In the past couple of weeks, we have produced our “Jobs and Skills in Scotland” report, which provides labour market intelligence across Scotland regarding supply and demand and some of the key challenges facing the labour market. It is well worth a read.

More specifically on how we support and have supported the city region deals, growth deals and so on, the labour market information that we provide gives strategic insight to help partners to make decisions about where they might wish to go with projects and to stress-test some of the assumptions behind the projects that are being developed.

We support the framing of inclusive growth and skills within the regional skills investment plans and the sectoral skills investment plans. The information that we provide will help with decisions on where to prioritise effort and support as we expand our work-based learning offer. That involves foundation apprenticeships, graduate-level apprenticeships and the modern apprenticeship programme, targeting SDS products and services to address areas of labour market underperformance.

I am happy to take questions.

**The Convener:** Thank you for your opening statements. We will pick off different themes that have been raised in those opening remarks as we go through. We have roughly an hour for this evidence session. We will now move to questions.

**Andy Wightman (Lothian) (Green):** Thank you for coming in today, and thanks for your written evidence, which you sent to us some time ago I think—so things may have changed a wee bit since then.

Ayrshire and Falkirk do not have city region deals as such but, in the case of Falkirk, you have spoken about an investment zone and aligning it with the national planning framework. Is the policy environment a bit messy? City deals were introduced with some haste in 2014, focusing on

cities as growth areas for regions, and there is a national planning framework, but there is no regional policy. There are agendas around community empowerment. Are you just following the trend, in a sense? Do you want some of the action? Does there need to be a more coherent approach to how we do regional policy outwith the big cities?

**Douglas Duff:** Our submission makes that point. When we were preparing the submission, the enterprise and skills review was taking place. It addressed the co-ordination of the various targeted initiatives taking place across the country. We think that there is a need for more consistency and clarity on the models that should be adopted. The Scottish Parliament information centre briefing makes it plain that we are the hole in the middle as far as the coverage of city deals and the pattern of activities that are taking place are concerned.

Grangemouth is critical to the nation’s economy, as we saw in 2013. It is going through a major change, and it is important that we are clear about how that will be taken forward. The approach that we have taken in initiatives has been to align ourselves with the national policy picture, and I think that we have strong alignment in that regard. After the Ineos situation in 2013, our economic partnership came together. It defined a new economic strategy for the area, which I think is well aligned with the national economic strategy—the priorities are similar—and it points towards the tools that are necessary to deliver on the changes that that strategy looks to achieve.

We recognise that we do not quite fit the picture with city regions, but we are always open to engaging with partners around us. We engage with our neighbouring authorities on a variety of measures, and we participate actively in national forums to advance the prospects of the economy.

A range of tools are available to us to progress economic development, but there needs to be more clarity on the structure in which those tools are applied. That can be provided partly by the enterprise review—the emergence of regional partnerships might enable that to take place. There needs to be more in-depth structuring of the approaches that are taken that recognises the contribution that each community can make towards national economic growth. That is the important factor to consider.

**Patrick Wiggins:** From our point of view, the enterprise and skills review has set out a path for economic growth and economic development across Scotland. Ayrshire was identified as a pathfinder region in that. We see the pathfinder work sitting alongside our work on the growth deal, which would deliver only certain aspects of what we think is necessary to make Ayrshire a successful economy. It is critical that we think

about how we can deliver economic development services in a joined-up way with our partners.

Alongside the work on the growth deal, we are working to develop a governance model that will bring in our partners and, crucially, the private sector so that we can set an overview of and a strategy for the Ayrshire economy in the future. We also want to be clear about the types of service that we need to put in place to deliver that economic growth—by “economic growth”, I mean inclusive growth. We are clear that that must be at the core of what we are doing.

We have tried to marry up our economic ambitions with something called the inclusive growth diagnostic, which was developed by the Scottish Government and had a pilot in North Ayrshire. That has been rolled out across all the Ayrshires, and we are using the evidence from that diagnostic to inform how we should take forward the new shared delivery vehicle for economic growth in Ayrshire.

**Andy Wightman:** Thank you—that was useful.

Mr Wiggins, in your submission you say:

“City region/growth deals should be matched by comprehensive monitoring and evaluation frameworks. Deals involve an element of risk for local authorities—many comprise of payment by results mechanisms”.

That comment applies to conventional city region deals. Is that critique overcome by some of the thinking that is being done in Ayrshire at the moment?

**Patrick Wiggins:** I think that it is too early to say in Ayrshire, because we have not got to that point of negotiating with the Government.

**Andy Wightman:** Would it be fair to say that you do not want the payment-by-results model?

**Patrick Wiggins:** No. I think that we are open to those discussions; the question is how we can secure the funding that we think is necessary to improve the infrastructure in the area. If grant funding were fully available, that would, of course, be our preferred option but, equally, we recognise that public finances are tight, that there will be an element of risk and that that risk has to be shared across all parties. Therefore, when we are in discussions with the Scottish Government or, indeed, the UK Government, we are open to all forms of investment.

Douglas Duff mentioned TIF. That is a similar payment-by-results-type process, as are growth accelerator models, which have been used elsewhere in Scotland. All that we are saying is that we are open to discussions to try to secure the best possible result for Ayrshire.

10:15

**Andy Wightman:** I have a question about the governance framework. I am focusing on the city region deals rather than skills in this line of questioning.

How do you ensure good governance and, in particular, the participation and engagement of communities? There is a big community empowerment agenda, but a deal-making process between executive authorities—local authorities and two Governments—is implicit in city deals or growth deals, and there is a risk that the conventional democratic engagement that takes place on a day-to-day basis in local authorities on planning, for example, will be missed. How engaged are your communities and your residents in the deals?

**Patrick Wiggins:** That will come through the new governance framework that we want to put in place for the pathfinder. Currently, we have interim governance arrangements that are seeing us through the deal negotiation phase. They involve three local authorities and senior members from each of those authorities. We are in the process of designing the new governance model, but we are quite clear that it needs to include a whole range of our partners, including the third sector and community representation, so that we have an overview of everyone who can play a part and participate in Ayrshire’s growth and prosperity.

The growth deal will be part of that. It is a set of projects, but all the local authorities and partners have a much broader set of initiatives, which include skills and employability initiatives and could include planning and regulatory services. We can pull a range of levers to try to improve the working of the local economy.

We want the pathfinder to embrace all that and to articulate the relationship between growth deal projects and the range of services that we need to deliver economic growth and inclusive growth. That will include how we work with our communities.

**Douglas Duff:** Our governance structure is probably simpler, because we are not engaging other authorities in our process. The investment zone proposition that we are working on focuses on our council area and embeds itself with the range of other activities that take place through our community planning partnership.

The community planning partnership brings together all the public sector and third sector bodies in the area to advance the overall ambitions for the community, which is quite extensively involved in that structure. Our input into that is through an economic partnership, which is the lead body for advancing the economic activities of the community plan. That partnership

engages business in its work, which brings the business component to the process, and acknowledges the breadth of various activities that take place in relation to the development of the economy and carrying forward the economic strategy.

The economic strategy has three pillars: growth, investment and inclusion. Quite extensive activities and networks are in place to move inclusion forward, in relation to employability in particular but also supported business and employment, and community engagement in regeneration activities. We have quite a clear governance structure that allows us to take that work forward, and there is scope for community involvement at each stage.

On the input into the investment zone proposition, as Patrick Wiggins said, that will encompass a range of projects. It is important that communities have sight of the prospect of this being carried forward, and that they are engaged and involved at a point when there is something clear to discuss. At this stage, when there is a bit of uncertainty around what will come forward, engagement could introduce confusion, and it is important to avoid that. We are currently trying to flesh out the package, which will, when it is ready, provide a basis for further engagement with the community.

**The Convener:** In a moment, I will bring in Kenneth Gibson specifically on the Ayrshire stuff, because he has a strong constituency interest and a line of questioning that he wants to explore.

First, however, I would like some clarification on community engagement. Last week, Jenny Gilruth pursued a line of questioning about which projects may or may not be considered as part of a city region deal or other deals that have been proposed. She asked at which point those who are crafting a deal and thinking about what it might look like go to a community, or to community organisations, and say, "There are various options. We are talking about inclusive growth, and there is only so much money on the table. What are the community's priorities?"

She asked about how we engage with communities at a co-production stage instead of presenting them with a fait accompli by simply saying, "Here is what we're doing for inclusive growth. You can tweak some of that at the fringes." She may want to explore those issues again today, which relate to how we get community buy-in at the very earliest stages of planning. Are there any examples of co-production?

**Patrick Wiggins:** We have perhaps not gone as far as co-production, but we have held a number of standard community events across the Ayrshire

council areas, including community conferences, to discuss the deal and listen to community groups and representatives talk about their concerns and the issues that they face. We have looked at that in the context of developing some of our programmes.

I should point out that the deal is only part of the picture. We must ensure that the deal projects fit within the broader network of services that are delivered by all partners in a local area. What you describe relates to part of the issue, but it is not the entire solution.

**The Convener:** That is helpful. I should point out to Mr Wiggins that no one else seems to have approached planning the other way round, as we are suggesting. We are not singling out the witnesses, so he should not worry about that. Mr Duff, can you give any examples of co-production?

**Douglas Duff:** I will mention our work on community planning, which is the principal model through which communities are engaged in defining their ambitions and discussing how those should be delivered. Through that model, we have consulted on the plan itself. We have a clear commitment to inclusion, and one of the priorities in the plan is the need to reduce youth unemployment. That involves a range of existing activities, and that is the point at which we can look towards the prospect of new money being introduced.

As Patrick Wiggins said, it is not just about the growth deal; we operate a range of inclusion programmes. We recently bid successfully to deliver the fair start programme in Forth valley, and there will be an opportunity for the third sector and others to shape how the service will be delivered. We will use the mechanisms that have been described today; our discussion will be more about what the community priorities are and how the service can be shaped to meet them.

**The Convener:** That is helpful for the committee. Community planning partnerships help to focus attention on where community priorities sit.

Kenneth Gibson wants to discuss some other matters. I promise the Skills Development Scotland witnesses that I will get to them shortly.

**Kenneth Gibson:** One of my questions is for SDS and is based on what Phil Ford said in a previous answer. First, however, I have a question on the back of the questions that Andy Wightman asked. Patrick Wiggins, on page 2 of his submission, states:

"Given the need to ensure inclusive growth, all city region/growth deals should illustrate how they achieve this aim."



He also refers to the “Inclusive Growth Diagnostic”. Mr Wiggins, can you tell us a wee bit more about what that is and how it will impact positively on delivering for the most economically challenged parts of Ayrshire, such as the Garnock valley?

**Patrick Wiggins:** The inclusive growth diagnostic is a tool that has been developed by the Scottish Government. It provides an intensive analysis of the statistics and involves speaking to a number of individuals and stakeholders in our local area. It identifies the key barriers to economic activity, which can range from economic and social barriers to infrastructure barriers, and it covers everything from skills, health and childcare provision to local transport issues and jobs. It ranks a series of barriers based on the evidence of a local area to establish what is hindering people in accessing employment opportunities.

A total of 18 barriers have been identified in Ayrshire, and we are examining them as well as the strategic priorities for Ayrshire as a whole. As Douglas Duff said, they cover economic opportunities as well as skills issues and how to achieve inclusion. We match the two together to form the structure that we want to develop to deliver the pathfinder.

The types of service that inform that will become the basis of the pathfinder and the services that it will deliver to local communities. We hope that, in reshaping our services and bringing in new infrastructure funding, we will be able to tackle the areas that have deep-seated, long-term deprivation problems by taking a fresh look and by adopting a fresh focus and prioritisation of service activities to address the key problems that those communities have.

**Kenneth Gibson:** What are the service activities? You mentioned that you will look at the types of service that you need to put in place. What services would be provided in Kilbirnie, for example?

**Patrick Wiggins:** One would expect the normal business development services and a much closer alignment with skills needs through the work that we are doing with Skills Development Scotland to develop the pathfinder and the growth deal. We want to link more closely with our community development colleagues to make sure that they are focusing on the key barriers to the economy that have been identified through the diagnostic. They are heavily involved in the work. We also need to look at the infrastructure issues, including local access to transport to help people to get to local employment opportunities, and the digital constraints that people in those communities face in accessing infrastructure and skills. A range of services are currently dotted around, but this is

about pulling them together and giving them a strategic impetus.

**Kenneth Gibson:** Last year, I tried to move my constituency office in the Garnock valley, which employs three or four people. The valley has a population of 20,000 but no office was available. That was not because of a lack of vacant premises or lots but because there are no facilities or physical structures to enable a business to move. If I decided to move from Renfrewshire or Glasgow to the Garnock valley to set up a business, there would be nowhere to move to, regardless of any services that I might wish to provide to improve skills and so on. Those basic structures are not even on the ground. How do growth deals address that? Can Mr Ford also comment on that? He mentioned market failures. Are physical structures such as that a key to unlocking them?

**The Convener:** Can you give an example of the type of infrastructure that is missing, which prevented you from relocating? The committee would be interested in identifying such issues within the deals.

**Kenneth Gibson:** Mr Wiggins referred to digital connectivity, which is important, but you need an office from which to work. We have a simple parliamentary office, and we needed to move because the rent was too high. In the end, we negotiated a 40 per cent reduction in the rent because we had nowhere to move to. We physically could not move anywhere else in the Garnock valley because there were no office facilities available. If someone wants to set up a business employing two or three people, they cannot do that. There is nowhere to go, regardless of whether people have the skills. The growth deals should not only be about upskilling people. If the private sector is to be brought in, which is part of the deal's ambition, there must be somewhere where people can physically locate to in these towns to operate a business from.

**The Convener:** There should be an opportunity for that with low commercial property prices, but there is no ready-made office space for companies to move into. Has that issue been identified?

10:30

**Patrick Wiggins:** Yes, absolutely—I could not agree more. There is a chronic market failure in commercial property in Ayrshire. The values of commercial property just do not stack up against the build cost. The work that we did previously with Irvine Bay showed that the value of some properties that are created is only about one third of the cost of developing them. There is a huge market failure.

A key component of our growth deal proposals is speculative build of new business premises, because we recognise that there is a chronic market failure. We need to get the skills and the infrastructure in place, but we also need physical places where people can work, and they need to be modern and of good quality if they are going to attract the type of business that we need to attract in order to create the value in the economy that is going to raise living standards.

**The Convener:** Mr Gibson, I am cautiously going to let you back in for one more question. The inquiry is not into Ayrshire; it is more general.

**Kenneth Gibson:** This is an Ayrshire question, but it can also be more general. The Glasgow city deal has been running since 2014. As we have heard, the Ayrshire growth deal still needs some buy-in from the UK Government, and no dates have been given on when it is likely to even commence, much less successfully conclude. What impact is any delay likely to have on Ayrshire if other deals are getting up and running?

We visited Glasgow airport last week, because we have about three projects in that neck of the woods, where there will be an investment of about £275 million. The hint last week, which came in response to a question from me, was that those projects might create a ripple effect that benefits Ayrshire. My concern is that they will, in fact, suck skilled workers out of Ayrshire and cause considerable displacement of activity.

I wonder what the view of the panel is. Falkirk is in a similar position, given Edinburgh's growth deal. Are you concerned that delays in Ayrshire's growth deal will adversely impact its ability to compete relative to areas that already have growth deals?

**Patrick Wiggins:** Yes. In Glasgow's case, it is too early to say; there is no concrete evidence of that because those projects are still in the early stages of development. However, there must be a concern.

Ayrshire is a secondary or tertiary market in commercial terms. The more investment that happens in or close to the centre of Glasgow, the more likely it is to suck up demand in the Scottish economy. That will make it even harder for areas such as Ayrshire to achieve their potential, and that is one of our concerns.

We believe that, with the right investment, we can achieve that potential, but there is a concern. It is a timing issue, and we do not want Ayrshire to be left behind. There is an expression that, whenever there is a recession, places such as Ayrshire tend to be the first in and the last out, which means that we are constantly behind the curve. We want to get to the point at which we are competing on an equal footing.

**The Convener:** Mr Duff, are there similar concerns about Falkirk—that, if you do not get on the gig quickly to progress some of this, you may see a displacement effect in your region?

**Douglas Duff:** I think that there is a concern. We have a concern in relation to our current commitments with the TIF. As Patrick Wiggins said, the TIF model is risk based: it is about the council borrowing from the Public Works Loan Board to provide infrastructure, which stimulates development in property provision. The non-domestic rates uplift from that property comes back to the council and repays the borrowing. If the development does not come, we do not get the money to repay the debt.

There are the different gateways and so on. There is also a review mechanism that allows us to make sure that the process is on track, and it currently is; however, when we entered into it, there was no prospect of all these city deals taking place around the country. We took cognisance of what was around us at the time, and we expected that we could achieve a level of growth on the basis of what we had seen. However, the position has changed and there will be an expectation of development taking place around us that we will need to have an eye to with the TIF.

We have two USPs. One is our prospect in chemicals and what can come forward with that; the other relates to tourism, as we have seen a massive expansion in tourism arising from the Kelpies—maybe that makes three USPs, because there are two horses.

In sum, the city deals, TIFs and growth accelerators are about looking at Scotland's prospect for economic growth across the board and making the most of the unique contribution that each area can offer. The prospects that we see, particularly in the chemical sector around Grangemouth, can happen only in Grangemouth because of the kit that is there and the prospect of feed stocks and so on. Ayrshire exhibits that as well—it has strengths in its chemical sector, the aeronautics sector and so on.

Part of our plea is that we should acknowledge the diversity of the profile across Scotland and play to its strengths, structuring deals around what comes forward in each locality. We made that argument when we established the TIF. However, we have concerns about the TIF being such a dedicated tool, as there is a risk of its not being applied in a sufficiently flexible way. We are looking to the investment zone to give us more flexibility and added growth, and the plea that we make in our submission is for greater clarity to enable that growth to be realised.

**The Convener:** I apologise to Mr Wiggins, but we need to move on. All the MSPs around the

table know that a USP is a unique selling point—do they not, Mr Wightman?—but I just wanted to clarify that. I will bring in Mr Simpson in a second.

The question was about the pacing of various city region deals, displacement and the potential drawing of moneys and investment from one part of the country to another. Is there a skills element to that as well? Is SDS aware of any displacement in the skills sector because of the different pacing of the deals?

**Paul Zealey (Skills Development Scotland):** It is not displacement so much. In his introductory remarks, Phil Ford mentioned the granular detail of the labour market information that is available now, and we can build on what has been said about regional priorities. For example, Edinburgh and Glasgow are both very big areas for financial and business services, but they are not necessarily in direct competition with each other because they focus on different elements of those services. The west might concentrate more on insurance while the east does more on aspects relating to life and wealth management and retail banking. We can look at where the regional strengths play to the advantage of Scotland as a whole and capitalise on where those strengths lie.

**The Convener:** Are you confident that SDS is monitoring each of the city region or growth deals to make sure that it is well placed to fill any skills gap that might emerge?

**Paul Zealey:** The introductory comments suggested the building of new products, and regional skills assessments are already well established as annual publications that we buy into, as do the enterprise agencies, the funding council and the local authorities. Those provide a picture on a local authority basis. We have also introduced annual reports on city region deal geographies, which we are able to monitor on an on-going basis.

**The Convener:** That is helpful. We will move on to our next line of questioning.

**Graham Simpson (Central Scotland) (Con):** I want to explore the inclusivity element of the proposals. Mr Wiggins's submission says that "inclusive growth runs right through our proposals".

You did not give any examples, so please can you do that?

Also, I ask all the witnesses whether any of the ideas and proposals in the deals come from the community and businesses, or whether they are all top down. The evidence that we have heard so far, certainly from a previous panel, suggests that that stage of the process is very top down. People might engage with the community some way down the line, but they are not asking people or businesses for ideas.

**Patrick Wiggins:** We have tried to tackle inclusive growth in a number of ways. I have mentioned the pathfinder and the services that it will deliver. At the core of the process, we look at the barriers to inclusive growth in order to make sure that the span of services that it offers will address those barriers. The Ayrshire growth deal has 18 projects; the question that will be asked as they develop is how they can tackle access to employment and inclusivity in order to ensure that the projects address barriers to inclusive growth.

Within those 18 projects, a set looks primarily at employability services. We will see how those projects are honed alongside employability initiatives in order to target specific harder-to-reach communities. For example, a project is working with the national health service for a healthier economy. Bespoke services are put together for people who struggle to access or maintain employment because of health issues, to help them to sustain employment or to get to the first point of entering the labour market.

We are also looking at community-based hubs—we call them co-hubs—that will have a physical representation in communities. They will open up access to services, support, employment opportunities and community development and outreach. They are a critical part of our proposals.

The matrix is made up of individual projects. We ask them how they will link to inclusive growth opportunities—the spaceport, for example,—to community projects and to the pathfinder, which is the structure for delivery. We hope that the different levels will tackle inclusive growth and barriers to economic activity head-on.

We have involved the business community in development of our projects, through workshops and briefing sessions, and the private sector is directly involved in the development of a number of the projects. As I have said, we have had some engagement with community organisations, primarily through the community development teams of the three Ayrshire local authorities. We go along to events that they hold and speak to community groups to represent the deal and what we propose to do. We take feedback from the groups and play it back into the evolving deal proposals.

**Douglas Duff:** I will return briefly to community planning. Falkirk Council's work aligns with the community plan; it has a strong community engagement component, which has shaped the plan and its priorities. In the early days of putting the community plan together, a key message was concern about jobs, particularly youth employment, which is a priority in our outcomes agreement. As a consequence, programmes have been designed to align their activity to tackle youth employment, where they can. They focus

increasingly on the people who are most disadvantaged in the labour market. We have done extensive research on how to target those people and how to build in national best practice in order to achieve that priority. The community plan has been an important component.

The other component is the latest work on the investment zone, which tries to capture the prospects for our equivalent of the city deal. The work looks at the next phase of investment and the prospects for our economy and for the community, which are vital to the work.

On the day in 2013 when the Ineos announcement was made, television crews immediately ran down to Grangemouth town centre to speak to people about the prospects for the community. Those people's key concern was jobs. The object of the exercise when we put our economic strategy together was to secure jobs and to diversify the area's economy so that we have strength within it to withstand future economic shocks, and to make sure people in the community can access the jobs. We are introducing the diagnostic tool to look at how our inclusion services work so that we can align them with our community planning partners. Skills Development Scotland is actively involved in that, and the health service and the third sector are active players in the inclusion packages, which will be a key underpinning to the work on the investment zone.

**Graham Simpson:** I will refer to the investment zone. Falkirk is not part of the city deal and it is quite a small council. You are right that Grangemouth is important to the national economy. When one thinks about Grangemouth, all that one thinks about is the chemical plant. Perhaps you can tell us more about the proposals for Grangemouth. I presume that they involve more than the chemical plant.

**Douglas Duff:** Grangemouth is, as you said, important to the national economy. It is estimated that the Ineos plant supports 10,000 jobs throughout Scotland, and that every chemical industry job supports seven jobs elsewhere. It accounts for approximately 4 per cent of the country's GDP.

Grangemouth port, however, is also significant. The port has a symbiotic relationship with the chemicals operations, but it is also Scotland's largest port, so the container traffic is significant, with about one third of the country's exports going through it. The port is an important tool for the nation's economy.

It is hoped that the investment zone work will build on that. It is about recognising the prospects for the port and the chemicals complex. Ineos is investing significant sums: it recently spent £500

million on importing new ethane feedstock to the site, which has doubled the productivity of the cracker that produces the plastics that feed other manufacturers around the country. The company has plans for further investment in the site and is looking to take those forward.

There are other important chemicals operators in Grangemouth, including CalaChem, Syngenta, and Fujifilm that are active players in the area's economy. The sector works as a cluster and we would like the good practice of the sector to be fostered in the work on the investment zone. We have called it an investment zone in order that it can be sufficiently flexible to take account of the variety of measures that could be introduced to galvanise support from the business community, the local community and the public sector. The business case that we are working on anticipates significant further investment. There will, for example, be investment in new energy kit: the current energy plant is ageing and needs to be replaced, so a number of proposals are being examined for implementation.

In the midst of that, 40 per cent of people in some communities are in fuel poverty. We are considering how we can enable the community to benefit from investment in energy. We have extensively examined district heating networks and so on as a way of carrying that forward.

Those are our plans for the investment zone. Fundamentally, it will be another significant stage in Grangemouth's development and in its prospects for contributing to the nation's economy.

**Graham Simpson:** That was really interesting.

You say in your submission that there is "an over-emphasis on the role of cities."

As I said earlier, Falkirk is a small council, but Grangemouth is so important. Would Falkirk benefit from being part of a city deal—part of something bigger? It is not at the moment; you are out on your own.

**Douglas Duff:** We play into such deals anyway. We are an open economy and there is a lot of commuting in and out of Falkirk day in and day out. Our relationship is with the whole of Scotland, especially the central belt. For us, this is about all boats rising together—it is about trying to make sure that all the benefits of whatever initiative comes up, west or east, reach the whole central belt and the nation's economy, and that we play to our strengths. The opportunity is here at this moment in time, with what is coming up at Grangemouth. If we make the most of that, it will enable Scotland's overall economy to grow.

The suggestion in our submission is about a need for a more consistent approach and for clarity about how we should proceed. We are not

bound—we do not want to be—by any particular structure, such as city deals, nor do we want to be aligned to any particular city. We see ourselves as playing a national role; it is important to make sure, at this point in time, that the opportunity is seized.

**The Convener:** Before we go to Jenny Gilruth, I want to mop up a line of questioning. I am conscious that there is an overlap with Skills Development Scotland on some of the questions. The underlying question was about how projects are identified and selected, and the role of the business community and wider local communities in that. It was also about inclusive growth. At what point would SDS get involved in those conversations? I am thinking particularly about how there can be two or three competing projects but consideration might be given to the type and nature of the work that will be created, the skills level and how long-term it is, and the readiness of the local labour market to access it. One hundred jobs being created in the Falkirk area or in Ayrshire could mean 100 skills-ready people moving to Ayrshire or Falkirk. That would be good for inward migration but it would squeeze out the local labour market that needs to be upskilled.

At what point would SDS be involved in the discussions? Would you ever get involved in discussions ahead of projects being selected in order to ensure that the local labour market is skills ready? Projects are competing out there, so would you get involved in saying what projects might be best for a local labour market?

**Phil Ford:** SDS has come in to the city region deals and growth deals at different stages. We have become involved in some when deals have been signed and, with others, further down the track. However, at that point, we can still help to shape and refine the proposals. We would bring to bear the labour market information and we would look at whether there will be opportunities in the sector for local people. We would then look at the support that we give to young people in school and we would provide information about the opportunities, as they consider their careers options.

In the Tay cities deal we were involved pretty much right from the start and had an opportunity to shape thinking and to test assumptions; the project went, in effect, through a filter. There was a wide range of suggested projects, which was narrowed down to what became the submission to the Government. We were able to bring together the information that we had about the labour market and the opportunities so that we could help to select the projects that would have the greatest impact across the region.

**The Convener:** I apologise for asking this brief follow-up question, because it is almost as though

I am putting words in Mr Ford's and Mr Zealey's mouths. Is it self-evident that the earlier SDS becomes involved in discussions, the better that is for inclusive growth and maximising the benefit to local labour markets? We are learning as this process works across the country.

**Phil Ford:** That certainly helps. The regional skills assessments have been around for a few years; we are refining and updating them all the time. The local authorities and economic development partners within the local authorities are using those assessments.

As we have started to develop and strengthen the relationships with partners, we have entered into frank discussions about what data say and what can be done about it. That has taken us to a very positive place from which to move forward together in order to agree a set of priorities that will make a real difference in a region.

**Jenny Gilruth (Mid Fife and Glenrothes) (SNP):** I want to drill down into SDS's involvement in the city deals—in particular, the Edinburgh deal. Mr Ford, I appreciate that you said that you might come in at different points, depending on the deal, but as you will know, the Edinburgh and south-east Scotland city deal includes investment of up to £25 million over eight years for an integrated regional employability and skills programme. According to the heads of terms, that

“will reduce skills shortages and gaps, and deliver incremental system-wide improvements to boost the flow of individuals from disadvantaged groups”,

such as care leavers and the unemployed. The SDS written submission highlights work in Midlothian, West Lothian and the Borders, but I cannot see a specific reference to Fife. Can you give some examples from Fife?

**Phil Ford:** We work with all the local authority partners across the city region deal. Within the suite of integrated regional employability and skills projects are projects that each local authority will have a focus on and take the lead on. Fife Council has been involved in a project on developing the young workforce, and it sits on the skills and innovation working group. As we have developed the regional skills investment plan and supported partners to progress proposals, we have been able to work closely with all the local authorities; for example, we have linked quite closely with Adam Dunkerley at Fife Council on proposals. We work closely with Fife Council and the other local authorities, and they have been fully involved in working towards the regional skills investment plan that we launched recently.

**Jenny Gilruth:** I ask because there is some debate about whether Fife has benefited from the Edinburgh and south-east Scotland city region deal. I have serious concerns about my

constituency, which is why I have asked you to point to specific projects. Is that information that you can share with me after the committee?

**Phil Ford:** There are some confidentiality issues about what is in the deal. However, I can tell you that discussions are under way about sharing information and employability services between local partners to join things up to take a more integrated employability approach across all the different agencies. That is something in which Fife Council is heavily involved. We are working through Opportunities Fife and the economy partnership around that.

**Jenny Gilruth:** There is a question about whether the city region deals are providing additionality or simply plugging gaps. Would SDS have been doing that work regardless of the city region deal, or has it come about only because of it?

**Phil Ford:** We would be working with the local authorities, anyway, to address challenges in the labour market. However, the city region deal provides a framework for local authorities to come together and tackle problems that are common to the region. They can look at how things can be better joined up and where the additional investment could lead to step changes to address employment outcomes or under-performance in our labour market.

**Jenny Gilruth:** I am sorry that I am being very specific about Fife. You will know that Fife is cut in two in terms of the city region deals, with north-east Fife being part of the Tay deal and the rest of Fife being lumped in with Edinburgh. In that context, does SDS have to develop specific programmes that reflect the make-up of the city region deal?

**Phil Ford:** SDS works with both the Tay cities deal and the Edinburgh city deal. I understand that the north-east section of Fife is part of the Tay cities deal.

**Jenny Gilruth:** Yes.

**Phil Ford:** The service that SDS provides is specific to what is required in the region. We look at the Tay region and at the needs of north-east Fife, then we target resource and offer support where it would be most appropriate, as we would with the rest of Fife, as part of the Edinburgh and south-east Scotland city region deal.

We do not draw hard boundaries. We look at what is required, then deliver the service to meet those requirements.

**Alexander Stewart (Mid Scotland and Fife) (Con):** Good morning, gentlemen. We have touched on growth, investment, inclusion and skills. All the projects that are being talked about will have identified one, if not all, of those things as

part of their project. Are the projects truly new or are they redeveloped, recycled or rehashed? What would have happened if the city deals had not come along?

**Patrick Wiggins:** I suppose the answer is that it is a bit of a mixture. City deals and growth deals are meant to be additional and to go beyond the things that we would normally expect local partners to have the capacity to deliver. It is partly about scale, but also about additional and new projects.

11:00

We have genuinely new projects in the Ayrshire growth deal. The spaceport, for example, is an exciting opportunity for the whole of the UK. We are also bidding to secure the medicines manufacturing and innovation centre, which will be a one-off facility for the UK. That, too, is an exciting project, and it plays to our strengths in the local economy.

We have deep-seated problems, which we have been struggling to address for a long time. Earlier, there was a question about the market failure of the commercial sector. We can do things to try to overcome those issues, but that would be expensive. We would have to invest significant amounts of money to begin to provide the accommodation that modern businesses need and to tie that up with some of the bigger projects, such as the spaceport and the MMIC, because they will become magnets that would attract new rounds of investment. If we are to have a chance of reducing the scale of the market failure, we need to marry some of the more significant projects with the base infrastructure, which would allow us to draw in the commercial property world and secure further rounds of investment based on the pump priming that we hope that the growth deal will provide.

**Douglas Duff:** A large part of this is about where we sit internationally. Grangemouth's competition is in Europe—in Rotterdam, Antwerp, France, Italy and Scandinavia—the far east and the US. We are competing to attract business and investment to Scotland that will strengthen the capacity of the chemicals sector to the benefit of the whole of the nation's economy.

An important signal is given to any investor about the local capacity to make their investment a success. When they come, they want to see the best prospects to access the site, to deliver the site and to deliver the workforce and the productivity that they expect. The investment zone must play into that by enabling that investment and demonstrating that there is a successful environment that is attractive to companies.

The plea in our investment zone proposition is that a number of investments are needed to upgrade the infrastructure and to create the development platforms that will enable such investment to succeed, as well as to deliver the skills, the enterprise and the promotional support that will ensure that that works. Given the uncertainties in the national economy, it is vital that we make a success of this work.

However, an important element is making sure that the package respects the needs of the community and helps it to move forward. My point about fuel poverty, for example, is that this is the point when we should be looking at the next 20 to 30 years of the locality and making the best prospect for investment that safeguards it.

Some projects have been in gestation. The deal is about galvanising that into a combined package, demonstrating what the economic gains are in jobs, investment and productivity and using that as the justification. We are already doing part of that through TIF. In the TIF area, about 600 jobs have been created and some new business space has been provided. This deal takes us beyond that to the next generation.

**The Convener:** I am not trying to exclude SDS from the discussion, but the question seemed to focus on the deals. Do you want to follow-up on any of those points, Mr Stewart?

**Alexander Stewart:** You have identified the robustness of all of that, but how robust will we be if there is political or policy change in the future? We will have the European Union situation in the next few years, and we could have a change of Government. Are you robust enough to manage a change of policy direction and ensure that your areas continue to progress and that the communities in those areas have the opportunities that you expect for them? With all of this, there is a massive expectation among communities that they will receive something that will make life better and give them opportunities in the future. However, such expectations have been dashed in the past, because these things do not always come to fruition. That is really the crux of the matter with the deals in Ayrshire and Falkirk. Although you are not part of the bigger deals, you have got an opportunity and you are attempting to move yourselves forward. At the end of the day, you need to ensure that you are successful.

**The Convener:** Long-term financial sustainability is one of the great strengths of the deals, but Governments, politicians and partners come and go. How can you guarantee that there is continuity? That is a really important point.

**Patrick Wiggins:** That goes to the heart of the deal. The deal will be a long-term relationship between Governments and local regional

partnerships or however it is constructed. That long-term commitment is the critical thing that can transcend individual policy changes or changes of Government.

Some of this goes back to Douglas Duff's point. We are trying to make Scotland as a whole, and the regions within Scotland, more competitive. At the heart of a lot of the city deal proposals, or the types of mechanisms involved, is the putting in place of infrastructure to allow those areas to compete. In Falkirk and in the developments around Grangemouth we are competing on a European and world basis for inward investment. So, too, is Ayrshire, whether that is in pharmaceuticals, aerospace or space technology.

We need to ensure that we have the best possible chance of securing that investment. It is a long-term game—these things take a long time. We need to put in place the infrastructure, develop the sites and have the premises that businesses can move into, and we need to surround that with the skills and all the other supporting services to ensure that we have the most viable, attractive and ready-to-invest-in proposition that we can possibly put forward. If we can do that—and if we know that we have got the backing of Governments over a period—we can continue to refresh that. Although policies will change, and we can adapt over time, that core infrastructure is absolutely essential to what we need to be able to offer.

**Douglas Duff:** I would not belittle the importance of that in speaking to investors. Investors want to see properly galvanised support from public bodies, the business community and the wider community in a locality. They want to hear that an area is moving forward, the infrastructure that is needed will be provided and there is an aligned package of support. We hear from investors that they see Scotland as doing relatively well on that. We probably quite often hide the joins for investors, but it is important that that is done well and that the sense of commitment is there. The investors in the far east or the US or wherever are doing the risk matrix that asks, "Is this aligned? Will this investment work?" It is vital that we make that easy for them. Signalling that there is a commitment there will help to secure a positive decision.

**The Convener:** In a moment Elaine Smith will finish off with our line of questioning about skills.

**Kenneth Gibson:** I have a question on skills.

**The Convener:** I will bring you in in a second.

A lot of our questions have been about how we can get community buy-in and benefit, and whether there is inclusive growth. Last week I was very fortunate that, unprompted, Glasgow City Council chose to focus on areas of my

constituency where there has been market failure. In the likes of Ruchill, Hamiltonhill, Possilpark, Sighthill and Cowlares, the market was not biting to develop. That was partially because of significant issues to do with drainage. In my constituency, the city deal will be used to make that land much more market ready, and I anticipate that in the years ahead a significant number of social and mid-market rent properties and owner-occupied houses will come into that area. I will be able to point to that to show how the city deal has delivered inclusive growth for my area.

I guess that all members are looking to be able to point to specific examples in our areas and across Scotland. Therefore, my question to Mr Wiggins and Mr Duff is: can you give me an example where, rolling the clock forward two or three years, identifiable communities will be able to say that the city deal has benefited them and how it has done so?

**Patrick Wiggins:** I will do my best. I will come back to the timescale in a moment, because sometimes these things take—

**The Convener:** Well, five or 10 years, then.

**Patrick Wiggins:** Whatever the timescale is.

**The Convener:** Yes.

**Patrick Wiggins:** Okay.

One example is the spaceport. The UK is committed to having a spaceport operational by 2020, and we think that Prestwick is best placed to deliver that for the UK and generate most economic benefit, because 50 per cent of Scotland's aerospace employment is in and around Prestwick. That would be an iconic development that we could point to as something that the growth deal has delivered.

At the former ICI Nobel explosives plant at Ardeer, we have probably the largest regeneration site in Scotland, and we are working closely with NPL Estates, which owns the site, to bring forward a large mixed-use scheme that would have a mixture of housing, leisure and employment opportunities as well as energy opportunities, including the opportunity to look at district heating. The site is 2,500 acres. To give you a sense of the scale, it is twice the size of the former Ravenscraig plant. Unlocking the site would have a huge impact not just on the locality but on the whole of the west of Scotland and indeed the whole of Scotland. However, it needs key bits of infrastructure to open it up, and those are the components of the deal that we want to put in place.

Once we have done that, it will of course take a long time to develop about 2,500 acres of land, but, if we can put those bits of infrastructure in place and development begins to happen, that will

be a big marker for the community. Seeing activity on the ground is a real boost to confidence, and we want to try to build on that whenever we can.

**The Convener:** That is a helpful answer.

**Douglas Duff:** It might be a challenge to have something in three or four years, because the process sometimes takes longer than that. We should not underestimate how long it takes to deliver these things. However, we expect tangible changes in Grangemouth, where we are looking at new chemicals operations. Active discussions are taking place on that, with, I hope, more to come. Arising from the investments that we see taking place, we hope that those tangible changes will be delivered and that jobs will be created as a consequence.

As part of that, we are keen to look at energy solutions for Grangemouth. The site has the largest concentration of heat in Scotland and currently emits about 4 million tonnes of carbon a year, so we have to do something about that. Discussions and activities are taking place to resolve that. I mentioned fuel poverty. As we bring forward energy solutions for the area, we should also look towards the community benefit, and we see district heating as one means of delivering that. I hope that, during the process, we can see a solution for that in the relatively short to medium term.

Another component in our work is town centres, which need to benefit. A town centre is often the litmus test of an area's economy. People walking down the high street want to see it healthy and performing well. Through our work, we want to tackle that issue in some way. We cannot overcome all the travails of the retail sector in recent years, but we want to do what we can to enhance that sector and benefit from a variety of uses in town centres, including from the night-time economy. We want to see benefits there.

We also want to bolster our performance on tourism. The Kelpies have just had their 3 millionth visitor since they opened in 2014. We have to sustain and, we hope, grow that performance, so we are thinking about next-generation tourism activities that will help to sustain and grow it. That thinking will certainly involve the community, and I hope that the community will see the benefit of that.

11:15

**The Convener:** To close this evidence session, we will focus on skills. We are overrunning by around 10 minutes, and we will have to close the session in around 10 minutes. I apologise to everyone, including those who are waiting for the next evidence session. Elaine Smith has a question.



**Elaine Smith (Central Scotland) (Lab):** I thought that Kenneth Gibson was coming in with a question.

**The Convener:** Both of you have questions about skills.

**Kenneth Gibson:** I would be happy to ask my straightforward question first, convener, if you want.

What will the deals do for workers who are aged over 50? Many people have been in the labour force for 20 or 30 years, but deindustrialisation over the past two decades has meant that they are no longer in it, although they still have commitment and want to work. A lot of them think that they are perhaps being left behind by the focus on youth unemployment, which we discussed earlier. What is Skills Development Scotland doing through the deals to get older workers reskilled and back into the workforce?

**Phil Ford:** That theme came out strongly when we developed the regional skills investment plan for the city region deal in Edinburgh and the south-east, so the issue is definitely recognised. It is also recognised that there are people who work for longer and cannot or do not wish to retire. The question is how their skills can be best used in the labour market.

Part of the solution to that is to consider job redesign and re-evaluation, and mentoring or even reverse mentoring in some cases. It is about looking at how skills can be used and encouraging businesses to think about succession planning. By putting effort and resource into that, productivity and growth in the economy will be affected, as those people still have a lot of very useful skills to contribute.

There is resource and support to help those who are not working and who wish to go back into the labour market to understand what the opportunities are and what skills they might need to acquire to move back into it, and there is support to move them along the different stages of the employability and skills pipeline towards work or a different type of work using the skills that they have. That is particularly true for people who have worked in construction, come out of that work because of the recession or through no fault or choice of their own, and wish to move back into the labour market. It is a matter of looking at the skills that they have.

There is also the transition fund for oil and gas workers to help people in the north-east to move back into other opportunities.

There are a number of initiatives to support and help people in that particular category.

**Elaine Smith:** My question is specifically for Skills Development Scotland. SDS's written

submission talks about the Glasgow and Clyde valley city deal. It says that

"SDS has worked with this group to develop a comprehensive Skills Investment Plan"

and it talks about

"the wider economic development opportunities for the city region."

Will SDS tell us a bit more about the wider opportunities outwith the city?

I am also interested in Mr Duff's point about town centres. Outwith Glasgow, a number of town centres are in decline. Will you tell us a little more about that?

**Paul Zealey:** A point was made earlier about the delivery of the deals and when SDS was able to be involved. Obviously, the Glasgow and Clyde valley deal was the first to be signed in Scotland, in 2014. There was very much a partnership involving the local authorities, the UK Government and the Scottish Government. I have been very pleased that the partners have been open to SDS and, indeed, the Department for Work and Pensions, the colleges and others being involved in the structures that were set up initially around the assurance framework for the city deal and to being more proactive in an approach to regional economic development and, in particular, a skills plan for the city region.

Since 2014, we have reached a situation in which we have a city deal, a regional economic strategy and a regional skills plan. The city deal and the city deal-funded projects are important in the regional economic strategy and the skills plan, but they are not exclusively where the ambition lies for the way forward and the work going forward.

In Glasgow's case, the city deal primarily funds infrastructure projects. There are three innovation projects and three employability projects, but the vast majority of the projects are infrastructure projects. They have been described elsewhere as "drains, cranes and trains"—that refers to the airport link. The skills plans try to add particular value and look beyond that.

Beyond the specific infrastructure elements that are funded by the city deal, there is a range of other projects, led by the private and the public sectors, including the investment by a range of partners and Network Rail in the Queen Street station development, which is a city centre project; the work that Renfrewshire Council has led on the infrastructure around the Paisley design museum, which is linked to the 2021 bid; the work that is aligned to the ports work at Inverclyde; and the remediation of the former Exxon site in West Dunbartonshire. In all those cases, the city deal investment is but a trigger for a range of other

activities that are in place, and the regional economic strategy and the skills plan take into account the investment that goes through the city region piece and a much wider range of investment.

The skills plan picks up on a number of things that, working collaboratively and collectively, all partners can do to ensure that we secure inclusive growth and prosperity and that we increase gross value added for the city region. There is an understanding of the fact that there is a pipeline of projects and that there will be associated jobs in construction and ancillary trades. The task of ensuring that our training providers and colleges are preparing people for those developments is something that has not been done on this scale before.

We have a sense of the key sectors that are crucially important. They are concentrated in the Glasgow city region, but they have a footprint that goes beyond that, and we need to ensure that there is a regional approach to that. For example, in life and chemical sciences, we look to some of the investments that people are talking about making in Ayrshire, with a focus on how the supply chain will benefit Glasgow city region companies across the region and Ayrshire, as well as in Grangemouth, which is the access point for some of those works.

Earlier, I mentioned financial and business services. There is a cluster of them in Glasgow, but there are contact centres and other installations running right down through Inverclyde and elsewhere.

The visitor strategy is explicitly around boosting tourist nights and doubling the number of tourist visits by making the city region, rather than the city itself, a destination and playing on the regional assets and the wider range of things that are in place there. In West Dunbartonshire, further work is being done in Balloch at Loch Lomond around innovative visitor attractions. The point is that such investment will not benefit only West Dunbartonshire; it will add value to the city region. That is a theme that runs through what is being done.

Our skills piece concerns how we train young people and retrain older and other people into the jobs that are coming down the pipeline, in terms of the replacement demand and, crucially, in terms of the growth sectors. We need to ensure that there is a pipeline of talent that matches public sector investment and, critically, the private sector attractions that will come about. That is a region-wide issue, not just a city centre one.

**Elaine Smith:** Your response to Mr Gibson's question might have answered my next question, to a certain extent. Is there anything that SDS

could suggest to enhance skills and employability activity across the city region deals? That is a form of the convener's usual question at the end of evidence sessions, when he asks whether witnesses want to add anything that they feel they have not been asked about?

**Paul Zealey:** I have been keen to see a willingness of the eight authorities to work together in partnership with SDS and other agencies to come up with a proposition that is fit for the current and future economy of the area. There have been some demonstrator projects that are funded through the Glasgow and Clyde valley city deal, such as working matters, which addresses the needs of people who have been away from the labour market for a long time; work on upskilling in care jobs, so that people can move out of the poverty trap of low-wage employment; and the projects around youth gateway, which has been a focus across the country. There are absolutely things that we can learn from that. The ambition is that we continue to work in partnership and realise the possibilities for the whole of the region.

**The Convener:** Deputy convener, when you mentioned town centres, you name-checked a member of our panel. Did you want a reply on that point?

**Elaine Smith:** Yes, I would like to hear something about town centres, particularly those that are in decline.

**The Convener:** I think that Mr Duff was the one who was name-checked.

**Douglas Duff:** I have got all the town centre scars.

Town centres are integral to our economic strategy and, through the work on issues such as the investment zone, we expect investment to be channelled towards sustaining town centres. Councils across the country are actively seeking to meet the needs of their town centres.

I would highlight the work of the Scotland's towns partnership, which sits alongside the work of the cities alliance. We sometimes do not quite get that relationship, but it has done considerable work to highlight the needs of town centres across the country and the need to galvanise support for them and promote the work of business improvement districts, which are highlighted in our submission. It has created strong networks of business interests that are keen to promote their town centre. Councils work actively with the partnership. There is probably potential for more to be done in that regard.

**The Convener:** I will not take Mr Wiggins in at this point, as time is upon us; I just wanted us to be able to get something on the record about town centres. Every time that town centres are

mentioned, I like to note in regard to the planning definition of town centres that cities also have town centres outwith the city centre. When we think about town centres, we need to do so in the round.

This has been a helpful evidence session, and we appreciate the input of our witnesses. I would normally give people the opportunity to make final comments, but we are way beyond time. Please follow the inquiry and email the clerking team with any additional comments that you want to make.

I suspend the meeting.

11:32

*Meeting suspended.*

11:32

*On resuming—*

## **Scottish Housing Regulator “Annual Performance: Report and Accounts 2016/17”**

**The Convener:** Agenda item 2 is an evidence-taking session with the Scottish Housing Regulator on its “Annual Performance: Report and Accounts 2016/17”. I welcome from the Scottish Housing Regulator George Walker, who is the chair, and Michael Cameron, who is the chief executive. Thank you for coming along and for your patience—we are overrunning slightly this morning. I invite the chair to make some opening remarks.

**George Walker (Scottish Housing Regulator):** Thank you, convener. I thank the committee for inviting us along to present the SHR’s annual report and accounts for 2016-17. As you will know, I took over from Mrs Kay Blair as the chair of the Scottish Housing Regulator in July. We had a good and effective handover period, and I stepped in as the chair from August. I am therefore a relatively new boy. I enjoyed a great handover and was pleased to find a well-run and effective regulator with a high-quality board that had a very clear focus on protecting the interests of tenants and service users. That is important—after all, that is what we are about.

I am delighted to present to the committee the annual report and accounts for 2016-17, and I would like to highlight a few things. The first is the SHR’s work to empower tenants and to draw landlords’ attention to issues, such as rent affordability, that are important to tenants. Secondly, the SHR has highlighted positive practice to help landlords to develop new homes sustainably and thereby contribute to the Scottish Government’s affordable housing target. Thirdly, the SHR has worked hard to maintain the confidence of those who invest and lend to the sector, which is vital. The SHR has also used the statutory intervention powers that Parliament has given it to protect the interests of tenants and, of course, the sector’s good reputation.

We are pleased to take any questions that you might have on the annual report. First, however, I would like to highlight some more current and emerging issues for the regulator. We have started a review of our regulatory framework—in other words, the framework around which we regulate. It was published in 2012 and, at the time, we committed to reviewing it as we moved forward. Right now, we are generating ideas with our stakeholders. In January, we will publish a discussion paper that will be followed by a formal

proposal and consultation in the second half of 2018.

That work is timely, as it will allow us to reflect on our experiences, what we have learned over the past five years and the changes in the operating context for social landlords that have taken place over that time. We want to build on the successes of our framework as well as strengthen our approach and adjust in response to new challenges. We know that social landlords continue to perform well across almost all the charter's standards and outcomes; indeed, last year, 14 out of 16 outcomes improved. We also know that most are managing their resources to ensure their financial wellbeing.

Nevertheless, we are actively engaging with one in eight registered social landlords, primarily on serious governance issues, and over the past three years we have had to use our statutory intervention powers with seven landlords. Throughout the review, therefore, we want to look at what more we—and, perhaps more important, the boards of social landlords themselves—can do before we need to become involved in a situation. We will also review and take account of the changes that are likely to be introduced by the Housing (Amendment) (Scotland) Bill, although I understand that we will discuss that further when we meet the committee again on 29 November.

I will quickly highlight some of the early themes that are emerging from our discussions with stakeholders, which the committee might be interested in hearing about. They include self-assessment against the regulatory standards, strong internal audit, active risk management and the positive use of whistleblowing in organisations. Given that tenants remain at the heart of our work, the committee will not be surprised to hear that a strong emerging theme of our early discussions is tenant safety. We are actively working to promote that agenda, and we are pleased to find that it is very much at the forefront of our stakeholders' current agendas, too. We will keep the committee updated as we progress through the review.

I also want to mention homelessness, which I know is close to the heart of this committee, in particular. Like you, we appreciate the issue's complexity and welcome its prominence in the recent programme for government. We are committed to doing all that we can within the limitations of our remit and to using all our influence to drive the changes that we all want to be made. I imagine that members might ask us some questions on homelessness later in the meeting.

The final issue that I want to highlight is rent affordability. The committee will be aware that inflation has now hit 3 per cent—indeed, the figures for October were announced yesterday—

and changes to the welfare system present real difficulties for many tenants. Tenants are raising with us their concerns about future rent increases, and we are looking to social landlords to understand what is affordable for their tenants and to consider that in determining rent levels. That will mean landlords giving tenants genuine options and choices during rent consultations, discussing with them the balance between value for money and service levels and demonstrating to tenants and to us how they are taking tenants' views into account.

I do not want to hog the floor, convener—I wanted to keep my remarks short—so I will hand back to you. Thank you for the opportunity to meet the committee and present our report. I simply wanted to cover a few issues that are at the top of my and the SHR's agenda right now.

**The Convener:** Thank you very much, Mr Walker. Your remarks have set the context very well and mirror some of the thoughts that committee members have.

We now move to questions, beginning with Andy Wightman.

**Andy Wightman:** Thank you for coming along today. In your opening remarks, you talked about empowering tenants, and I want to ask you a couple of questions about that. What key things are you doing to empower tenants to hold landlords to account?

**George Walker:** We are doing that in a number of areas. We believe that having active tenants, who work closely with landlords and scrutinise performance, ultimately plays a crucial role in shaping and improving housing services.

We do a number of things to empower tenants. First, we are building on the concept of tenant-led scrutiny, which is fast becoming a pretty well-established part of the social housing landscape in Scotland. We aim to empower tenants by giving them good information on landlords' performance and promoting the need for tenants to have a strong voice. For example, we publish a report on every landlord. Last year, we published more than 180 landlord reports—I think that the figure was 186—to give tenants background on their individual landlords.

We have also developed an online comparison tool, so that tenants can compare their landlord with a landlord down the street or in the next area. The fact that that tool was visited nearly 29,000 times last year tells us that it is being well used, and we hear from tenants that it helps them to better understand landlords' performance and where it needs to improve. We worked with tenants to develop the landlord reports that I have referred to, and we included the indicators that they told us were most important to them.

That is the primary focus of how we seek to empower tenants, and it is largely driven by the provision of information and access to information.

**Andy Wightman:** Thank you. That is useful. I have looked at the landlord reports and the comparison tool, and I think that they are very useful.

Let us move beyond the provision of good information that enables tenants to find out more about the performance of their landlords to the question of membership of some of the larger registered social landlords. I note that, although Bield Housing & Care has 4,690 homes, it has only 74 members, and only 21 people turned up to the annual general meeting. Hillcrest Housing Association has 6,101 homes and only 88 members, 32 of whom turned up at the AGM. In contrast, Antonine Housing Association is a smaller housing association with only 334 homes, yet it has 278 members—virtually every tenant is a member—and 53 of them turned up at the AGM. The performance of Rural Stirling Housing Association is quite good in that regard, too.

If tenants are empowered, it is arguably not necessary to have a regulator, because they will be in control of their landlord. Are you satisfied with the level of tenants' membership of the landlord organisations? What are the trends over time? I have indicated that there might be a trend whereby the smaller housing associations have much better levels of membership than the larger ones.

**The Convener:** Before you answer, Mr Walker, I should point out that the view that we do not need a regulator is not an official committee position. [*Laughter.*]

**George Walker:** Even as the chair of a regulator, I think that, if regulators were not necessary in Scotland because everything was working effectively, not too many of us would object to that.

We would always want membership participation to rise, wherever that is possible. There is no doubt that such participation is higher among the smaller, more community-based RSLs, as Mr Wightman has highlighted. One would worry that, with the bigger, more corporate-style RSLs, there might be a little less connectivity with tenants. Suffice it to say that we would want to actively encourage RSLs to have tenants represented through their scrutiny panels; to have tenants participating on boards, as we do; and to push up membership where they can, as you have rightly suggested. We agree that we would want to encourage RSLs in those areas.

Michael Cameron might be able to comment on the trends or on some of the detail of the issue.

**Michael Cameron (Scottish Housing Regulator):** Landlords in Scotland have a range of rules and constitutions that affect the level of membership that they can have. Regardless of that, we would look to landlords to ensure that they maximise all opportunities for tenants and other service users to participate and be involved in the organisation at the levels that they find most appropriate for them. We are seeing quite a significant development in tenant-led scrutiny through scrutiny panels in addition to the more formal routes for participation such as membership of the organisation and becoming part of its board or committee. We would look to landlords to continue to maximise the opportunities for all tenants to become involved in whatever way they feel is most appropriate for them.

**Andy Wightman:** Do you have a view on the extent to which landlords' constitutions should allow tenants to become members of the organisation? It was difficult for me to get the relevant data, because some RSLs are co-operative and mutual organisations whose annual accounts cost £12 to download. I did not pay £12. It is difficult for tenants to obtain information about the constitution or the accounts of their landlord. It costs tenants of Glasgow Housing Association, for example, £12 to get that organisation's annual return. Given that the whole movement started as a more community-based movement, should it not be possible for tenants to become members?

11:45

**Michael Cameron:** The regulator's view is set out in the regulatory standards, to which all landlords' constitutional arrangements must adhere. Those standards are well understood and are supported by almost the entire sector. As a regulator, we publish annual accounts from all registered social landlords. That information is freely available on our website along with a number of other constitutional documents, so landlords can simply visit our site rather than pay £12.

**Andy Wightman:** That is excellent. Thank you very much.

What evidence do you have that tenants are using the charter results to hold their landlords to account and scrutinise their performance? You could record the number of visits to the website, but those people may simply be having a look. That is interesting in itself, but what evidence do you have that they are using the information constructively to engage with their landlord?

**George Walker:** That is an excellent question. We have a number of sources of evidence. We can look at the number of visits to our website, as you said, but what is more important is what we

hear when we engage with a variety of tenants' organisations and with our own tenant panel of almost 500 tenants. We engage with the panel so that they can guide us and give us feedback on our documentation, how we work, how useful the tools are and so on.

Attending events is also important. For example, I made my first major speech as the chair of SHR at the Tenant Participation Advisory Service Scotland conference of major tenant bodies, which was held in St Andrews a couple of weeks ago, and I spoke about that exact theme. In the question-and-answer session, I heard a lot of commentary from tenants on how useful they found some of the tools that we gave them. To some extent, that has given them the confidence to ask some of the vital first questions. One man said to me, "I read my landlord's report on the SHR website, which gave me the information and the confidence to start asking my landlord about things. Without that, I would have been a bit hesitant." We have a number of sources of evidence, and we actively encourage that level of engagement.

**Elaine Smith:** I thank the witnesses for joining us. I want to discuss homelessness, which George Walker mentioned, but first I will follow up Andy Wightman's line of questioning by asking about whistleblowing. Mr Walker mentioned whistleblowing in his opening presentation, and Michael Cameron has also been quoted specifically on the issue.

I am trying to get my head around why whistleblowing would be necessary. Are the whistleblowers tenants who are concerned that they might lose their tenancy if they made an official complaint about something? What issues might people blow the whistle on? I do not know whether you can tell us that, as I do not know how confidential the information is.

**George Walker:** There are a number of areas. I will make a couple of remarks, and Michael Cameron might have something more specific to say. We see whistleblowing as part of a suite of feedback loops that includes feedback from tenants to landlords; feedback from tenants to us, as the regulator; feedback between the regulator and the housing provider; and, importantly, feedback from staff.

In my experience, certainly from my corporate background, an open culture is often needed for whistleblowing to work effectively. What I have seen so far—Michael Cameron can comment on this in more detail—is that a number of the statutory interventions that the SHR has made have been based on whistleblowing. For example, in the past year, to which the annual report relates, there were eight instances of whistleblowers coming to the SHR.

If the whistleblowers feel that they have to come to the SHR, that tells me, as the chair, that internal whistleblowing and the culture within the organisations concerned are perhaps not as effective as they could be. Whistleblowing is a useful source of intelligence for us, as a regulator, and it is a mechanism that we would like to work even more effectively within organisations in the future.

**Michael Cameron:** We would not necessarily describe a tenant approaching us as whistleblowing. There are a number of routes that tenants can take to raise concerns. The first thing that we would always encourage a tenant to do is to raise the concern directly with their landlord. We set out clear expectations on landlords about how they should manage complaints, and we work closely with the ombudsman in that regard.

We also give tenants a route by which to raise what we describe as significant performance failures. Those will be less about a tenant's individual complaint than about tenants producing evidence of a systemic failure on the part of a landlord who has been failing to do something or is doing something ineffectively, which is having an impact on the wider body of tenants.

Those are some of the routes that we provide. They tend to be used by tenants who have exhausted the routes that are available to them with the landlord or who feel that those routes are not genuinely accessible.

**Elaine Smith:** That is a bit clearer. You are talking about a member of staff whistleblowing about a discriminatory allocations policy, for example—that kind of issue—rather than about issues raised by tenants. It was not clear to me why tenants might want to whistleblow.

**Michael Cameron:** It is very much about members of staff—former or current—or, indeed, members of an organisation's governing body bringing to our attention serious matters that generally relate to a failure to meet our regulatory standards.

**Elaine Smith:** I will move on to homelessness. What evidence do you have about the effectiveness of local authority homelessness services? As you will know, we are inquiring into homelessness, and we have heard evidence that some people have not been able to access their statutory homelessness rights. What evidence do you have on that? Has that issue been exercising you?

**Michael Cameron:** Yes—absolutely. It has been a key area of focus for the SHR for a number of years now. Our sense is that many people who experience homelessness get a good service from local authorities and an outcome that meets their needs. However, that is not universally the case.

We know that the use of temporary accommodation is increasing, and that more families with children are being accommodated in temporary accommodation.

This year we are engaging with 18 councils on homelessness. Some of the issues that we are engaging on involve that increase in the use of temporary accommodation—in particular, bed and breakfast accommodation. There are issues around access to temporary and emergency accommodation, and there are high levels of repeat applications. People are spending an increasing amount of time in temporary accommodation, and there are high levels of lost contacts—a person applies for assistance but then loses contact with the council. Those are all issues on which we are engaging with councils in the current year.

**Elaine Smith:** Have you found the mini-report, “Homeless Services—experiences of service users”, useful in informing your approach?

**Michael Cameron:** Yes. That research gave us a fantastic insight into service users’ experiences. It is worth stressing that most users told us that they had had positive experiences. In particular, they found their engagement with the staff who deliver the service to be positive, and they felt supported.

One of the major conclusions of the research was that many people who experience homelessness suffer distress that is caused by the amount of time that they might have to spend in temporary accommodation awaiting a permanent solution to their situation, with a sense that their life has been put on hold until that outcome is achieved.

On the back of that, we have ensured that our annual risk assessment of local authorities’ performance on homelessness identifies councils where there are above average or lengthy waits in temporary accommodation, and we have brought those issues to those councils.

**Elaine Smith:** Thank you—although I note from the report that a minority of participants reported difficulties in accessing homelessness services. On the back of what Mr Cameron has said, are there specific problems in areas where the local authorities do not have any houses, although there is a statutory duty on homelessness? For example, are there specific issues in stock-transferred areas, where the local authority is not the landlord?

**Michael Cameron:** In some locations where stock has been transferred, there can be particular issues. We are currently doing quite a bit of work with Glasgow City Council on challenges that are being experienced by homeless people—particularly in terms of movement from requiring

assistance to finding a permanent solution. The council obviously looks to its registered social landlord partners to help it to discharge its duties in that regard.

We stress the importance of RSLs recognising their responsibilities to assist councils—all councils. However, particularly when a council has no housing stock of its own, it is crucial that partnerships are effective and focused on delivering the right outcomes for homeless people.

**Elaine Smith:** My final question on the issue was to ask whether you need to do more work on finding out whether RSLs are coming up to the mark and assisting local authorities to meet their statutory duty.

**Michael Cameron:** That is an important part of our annual risk assessment. We look at the information that we have about the level of lets to homeless people by local authorities and RSLs to help us to understand better where the arrangements are working well and where they are not working so well. In Glasgow, we are looking at the end-to-end journey of a homeless person from the point at which they are referred by the council to an RSL and then, sometimes, back again, so that we can better understand where that works well and effectively and where there are failure points in the process, or barriers to effective solutions.

We are in the midst of that work so it is too early to draw any firm conclusions. We will be feeding back our conclusions to the relevant partners in Glasgow in December, in particular where we identify improvements that are needed by the council or by RSLs to ensure that the process works effectively.

We will also share more widely with other councils and RSLs any positive practice that we find, to ensure that they learn from it, and we will continue to take account of all the information that we gather through that work in how we then engage with RSLs and local authorities.

**Elaine Smith:** Thank you. I think that the convener had wanted to ask about that specifically. Maybe we could have the information on that once you finish the work that you are doing on it.

**Michael Cameron:** I will be happy to do that.

**The Convener:** I will just mop up one or two things around that. Obviously, being a Glasgow MSP, I have a constituency interest. The Scottish Housing Regulator reports back to the local authority on how it is managing the homelessness pathway and undertaking its statutory duties, and it recommends areas of improvement and commends areas of good practice. However, it is

evident that there have been issues in Glasgow. Will that report become public?

**Michael Cameron:** The work that we are doing will not necessarily deliver a formal report. We are trying to be very agile, and to move quickly and get the right information out. I will be happy to share the conclusions of that work with the committee.

**The Convener:** That will be helpful. I do not want to bounce the Scottish Housing Regulator into a commitment to checking with Glasgow City Council what the rules of engagement are, but it would be helpful if whatever information we got could become public information. If a summary of themes, topics, issues, challenges and so on emerges from that work, rather than a formal report, we might decide to get the relevant partners in Glasgow to the committee to discuss that constructively. It would be important that that information is not just extended to the committee in private, but that it becomes a public document. Would that be your intention?

12:00

**Michael Cameron:** Absolutely.

**The Convener:** That is very helpful. That said, are there any emerging themes that you want to share with the committee now, or will you keep your powder dry until you speak to the local authority in December?

**Michael Cameron:** I want to ensure that we have fully analysed the information and tested our emerging conclusions before I put anything on the record.

**The Convener:** You will understand why I asked the question, but I appreciate your appropriate answer.

The deputy convener mentioned that the statutory duty sits with local authorities. Is the SHR sympathetic to making that a joint statutory duty with other social landlords, rather than it sitting solely with the local authorities?

**Michael Cameron:** That is a matter for Government. If that were to become the position, we would regulate on that basis. Our expectation of RSLs is that they participate fully and contribute meaningfully to alleviation of homelessness in their areas, and that they work constructively with the local authority to achieve that. That will continue to be the basis on which we engage in that important area.

**The Convener:** Okay. Does the regulator share or observe best practice, and are social landlords monitoring whether they meet their responsibilities, if not statutory duties, on homelessness? I have one example, but I will not

name the housing association, because that would be a bit unfair in this public forum. When the housing association accepts a section 5 referral on behalf of a homeless individual or family, the mechanism is that, if the individual or family does not bid on a property and secure it within six weeks, the social landlord does that on their behalf and the person is accepted for the property. Only some properties are put into the homelessness group under their choice-based letting system. That concerns me. That is just one example; there are lots, out there. Is there national guidance and rules under which the regulator can say whether that is acceptable and whether it has concerns? Would the regulator take a view on that?

**Michael Cameron:** With regard to how we assess whether a landlord is meeting its statutory duties or responsibilities in that regard, we look to the relevant legislation and the guidance that the Scottish Government has published, such as the “Code of Guidance on Homelessness”. That said, there is a lot of activity going on in that area, including the housing options approach—which is becoming well developed—the operation of choice-based lettings across a number of different areas and landlords, and the work that will emerge from the ministerial action group. That all suggests that there might be some value in looking at whether the code of guidance needs to be refreshed to ensure that it takes account of all the developments.

**The Convener:** I have two further questions. What I hear as a constituency MSP is that it has to be a reasonable offer for it to count, whether that is to do with an elderly person who would have to leave their local support network, or a family with children who would have to move to the other side of the city and take their children out of their current school. A wide variety of criteria might result in an offer being deemed to be reasonable.

Is there a feeling out there that, if a housing officer or someone from the homelessness team says, “This is your offer; you have to accept it or we will discharge our duty to house you under homelessness legislation”, the conversation will be one of light and shade? When someone is asked to accept that an offer is reasonable, can they talk about what a reasonable offer looks like? If I was a homeless individual and I thought that the local authority was going to walk away at that point, I might be scared to rock the boat and say that it was not a reasonable offer. Those who rock the boat come to their MSPs—good on them for doing so.

Is there guidance, support and training in local authorities and housing associations on what is deemed to be a reasonable offer? Is there monitoring of the system to ensure that that happens?



**Michael Cameron:** There is guidance on what constitutes a reasonable offer, and that is set out in the code of guidance. I am not sure whether that guidance is fully up to date and takes account of the various arrangements that exist in allocating social housing, such as choice-based lettings. The developments over the past few years have been such that we are probably approaching the point at which a refreshed code of guidance would be of significant value. Dissemination of and training on that guidance would follow that.

**The Convener:** I am conscious that MSPs only get the negative cases. People never come to me and say, “Bob, I had a great experience,” and that they had a superb pathway through their horrible homelessness situation. I realise that our view is coloured by the experiences of the people who come to us. However, specifically in relation to homelessness, I was interested in Mr Walker’s use of language in his opening statement, in which he said that he is keen to continue along that road based on “the limitations of” the SHR’s “remit”. That begs the question whether you think that it would be helpful to extend the remit or, at least, to have a discussion about how it could be extended to see what that could look like.

**George Walker:** That is a fair question. I was alluding to the fact that we, as the regulator, recognise the complexity of homelessness and, therefore, that a multi-agency approach to it is needed. It is not for us, as the regulator, to mandate particular things; it is for us to operate within our remit and charter, and so on. The comment was recognition that we want to work as part of a multi-agency approach to homelessness.

As it happens, Michael Cameron and I were recently at a meeting with a significant RSL in Scotland that is running a “homes first” pilot. We talked about that, and we heard that it is seeing good results. One of the big points that was made was about the need for all the support mechanisms that sit behind that approach. Of course, a discussion ensued on that, during which there was recognition that there is a limit to the regulator’s role in homelessness, and that we need to work with other bodies on it, because it is such a complex area.

I do not mean to be patronising to the committee: I know that you have done much work on homelessness recently and that you have a lot of knowledge and experience, so I am well aware that you know that.

**The Convener:** I was just floating the idea of additional remits for the regulator, to give you the opportunity to talk about that.

We will move on to a different line of questioning.

**Graham Simpson:** The average rent in the RSL sector is £11 a week higher than it is in the council housing sector. Earlier this year, you did a survey that found that about a third of tenants had experienced rent affordability issues at some point, that one in eight had had difficulties in the past year, and that 66 per cent were worried about future rent affordability problems. What is your remit in relation to rents, to controlling them and to affordability issues?

**George Walker:** Tenants certainly tell us that they are worried about rent affordability. The themes that come up are possible future rent increases, levels of income not rising—as we know has been the case—and changes to benefits, which also have an impact. Feeding into that is the idea of value for money. In fact, the last piece of significant research that we published from our tenant panel, which as I said is a group of about 500 tenants, was on the panel’s views on value for money. The issue is certainly on our radar at the moment, given that, as I mentioned, inflation hit 3 per cent recently, so we will certainly be vocal about it. We have always taken the view that we want housing providers to look at rent affordability for the long term because it is not a one-year gig. I will be speaking about that to housing providers at a conference on Friday. Michael Cameron has a lot of detailed information on that and on some of the work that we have been doing.

**Michael Cameron:** It is important to say that we pay close attention to rent levels—in particular, to proposed increases in rent by social landlords—when we are undertaking our annual risk assessment of all landlords. If we have concerns about a rent increase that is being proposed, we engage with the landlord. That said, it is our sense at the moment that current rents for most homes are affordable for most tenants. The level of rent arrears is relatively static at the moment, which may be evidence to support that.

However, as George Walker has already touched on, we are well aware of some of the challenges that are coming in relation to tenants’ incomes, and tenants are communicating to us their concerns about future rent affordability. That is why our message to landlords has been about considering future affordability and the future ability of tenants to continue to pay their rent. As the regulator, that is a theme on which we will continue to engage with landlords.

**Graham Simpson:** Is there anything to prevent RSLs from setting whatever rents they like?

**Michael Cameron:** There is no national rent policy in Scotland and, therefore, there is not that type of constraint on landlords. As I said, we would take an interest if we saw what we considered to be excessive rent increases, but we do not have a

sense that landlords have significant rent increases on their agenda.

We collect financial projections from all registered social landlords, from which we can determine a sense of the rent increases that they are thinking of. Over the past few years, the level of those projected rent increases has been reducing; having said that, our analysis of the most recent set of projections shows them going up again, to about 2.9 per cent. That is why we are flagging it as an important issue.

When landlords are considering rents for future years, they need to ensure that they have meaningful engagement with tenants on what they view as value for money in terms of the rent that they are paying and the level of service that they are getting, but also to take account of the sustainability of the rent levels for tenants into the future.

**Graham Simpson:** Should there be something in place to constrain any RSLs who want to impose massive rent increases?

**Michael Cameron:** Rent controls are a matter for the Scottish Government and, indeed, for the Parliament to consider. At the moment, the regulatory position is that we do not see any great rush by landlords to look at excessive rent increases. Most landlords are very mindful of the impact that rent increases have on their tenants. However, we will engage with any landlords who we think may be pushing rent levels to such an extent that it will become challenging for tenants to sustain their tenancies in that context.

**George Walker:** Mr Simpson also asked about mechanisms, and the really good and powerful mechanism is tenant consultation. Good and responsible landlords consult properly and in detail on such subjects. They come forward with options and get into a real dialogue with their tenants around things such as rent increases, costs and value for money. There is a mechanism whereby the type of information that the regulator can provide, which I talked about earlier, can open up that dialogue. When we talk about consultation, we mean real options and dialogue with tenants—we do not mean a nice letter.

12:15

**The Convener:** What evidence is there that that is happening? When I met Mr Walker a short while ago, I asked a similar question about what happens when rent policies go to the board for approval. Does one option go to the board and get voted through on the nod because that is the culture within that housing association, or does an options paper go to the board, based on consultation with tenants and residents, which is followed by open dialogue and a decision that is

based on that paper? In the latter case, the board is empowered to choose option A over option B or option C, rather than being told, “You can have your rent increase as long as you go for the option on the table. All say yes now.” Is any data collected to show whether that happens?

**Michael Cameron:** We published our thematic inquiry on how social landlords consult tenants about rent increases about this time last year. We found that some landlords engage with their tenants in a very meaningful and constructive way, in which they present options and choices and have the sort of dialogue to which George Walker referred. We also found that other landlords need to do more.

We made a series of recommendations to landlords and we plan to follow up on that thematic inquiry in 2018 to see what landlords are doing differently in order to consult their tenants.

We get feedback from our national panel, which indicates that many of the participants have received information from their landlord on proposed rent increases and that they were invited to provide their views. However, there was more of a mixed picture on how clear and genuine they felt that process to be.

Finally, we look to the significant performance failures route as a way for tenants to raise concerns with us if they feel that a rent consultation exercise is not genuine. One or two such significant performance failures have been reported to us by tenants.

**The Convener:** That is helpful. We have about 10 minutes or so left for questions.

**Alexander Stewart:** In your recent report, you go into some detail about risk: your risk assessments, risk committee, risk framework, risk task force and the risk plan. That all sounds good and gives people confidence that you are tackling the issue. However, you also talk about finding some low-risk areas that have been prioritised. What are the greatest risk issues to you as an organisation?

**George Walker:** Just to clarify, are you asking about our risk as a regulator or risk as we see it in the outside world? There are two parts to how we look at risk.

**Alexander Stewart:** I suggest that both come into it.

**George Walker:** Okay. I will make some comments on how we look at risk for us as an organisation, although risk also goes out into the risk assessments that we do of RSLs. We signed off the process for that for the coming year at our last-but-one board meeting. Michael Cameron will comment on that aspect.

When I first turned up at the SHR, I was happy to find a very well-defined risk management process in place. We have a risk register, which we reviewed yesterday—we had a board meeting and went through it in some detail. We set risk assessment plans for those risks to us as an organisation that we deem to be higher. Our management team reviews that monthly and our audit and risk committee reviews it quarterly. As a board, we hold a major risk workshop each year, although as a new chair, I have not yet been part of that.

We have a clear way of managing our risk as an organisation. However, as I said, risk and risk assessment go into the world of RSLs as well, so I ask Michael Cameron to comment on that aspect.

**Michael Cameron:** Every year we undertake an extensive assessment of the risk that we see in each registered social landlord. Along with our partner scrutiny bodies, we carry out a shared risk assessment of each of the local authority landlords. However, with regard to registered social landlords, we conduct an annual exercise in which we come to a view on the principal risks to our ability to protect and safeguard tenants' interests. They are not necessarily the same risks that the landlord might have on its own risk register. This year, we identified a number of risks, some of which we have addressed, relating to rent levels and affordability, the impact of welfare reform on landlords' income streams, and the fact that more landlords are getting back into development and building more houses. That presents a range of risks as well as opportunities.

We are still focused on the other challenges to RSLs' financial capacity, in particular, risk relating to pension liabilities and the impact that that can have on an individual landlord. We look at the full range of risks in the landlords' operating environment and we come to a view on the level of risk that each landlord has. We then construct an appropriate engagement for every landlord and publish what that engagement will be in our regulation plans. Last year, we had just shy of 60 plans and, therefore, we are engaging with approximately 60 landlords this year where we have identified potential areas of risk.

**Alexander Stewart:** Other issues such as fraud, whistleblowing, which you have dealt with in the past, and an anti-bribery regime have come to the fore in recent times. Do you have a policy to manage that?

**Michael Cameron:** That is very much part of regulatory standards. We expect all landlords to comply with regulatory standards and to uphold the highest standards of behaviour and ethics within their organisation, and we will absolutely respond where we find any instances of failure to comply with standards. We have done so in the

recent past through a number of statutory interventions.

**The Convener:** There are no more bids for questions, but I would like to engage in a brief mopping-up exercise for five minutes before closing this evidence session. I will try to keep the questions brief, and brief answers would be helpful.

Mr Stewart mentioned risks to your organisation. The report notes:

"We are smaller, having frozen recruitment throughout 2015/16 to respond to a reduction in our funding. We have also made savings in our other administrative costs wherever possible ... All public bodies face funding pressures in the coming years. Our revenue budget for 2017/18 is £3.8m."

It would be remiss not to ask how the SHR is managing that budget in the context of required efficiency savings and so on. Would Mr Walker or Mr Cameron like to comment on that?

**George Walker:** We conducted a half-year review this week. We believe that we will come in in line with our £3.8 million budget. Our budget has been reduced by approximately £1 million and, therefore, we have taken out significant costs over the past five years. However, 80 per cent of our costs are staff related and, although I said that we will come in in line with our budget, that will be because we are maintaining a number of vacancies. We have a concern about that. There is no fat left to trim when 80 per cent of the costs are staff related. The staffing complement has reduced from 80 to 50 and, therefore, the savings have been significant.

As we move forward with the spending review, how we will respond is on the mind of the board. We will respond appropriately when we see the outcome of the review. We have engaged with officials and the minister on that, and we are comforted that they are aware of our issues; that is helpful. The outcome is for others to decide, not us.

**The Convener:** That is in the public interest, so I am glad that it is on the record. You mentioned that one of the risk factors was the Scottish Government's target of 50,000 new, affordable homes over this session of Parliament; delivering on that is a significant challenge for housing associations and local authorities. Much of it comes down to corporate governance and the ability, for the first time after a number of years for some housing associations and local authorities, to manage large projects. How content are you that the housing association movement and local authorities are well placed to deliver that target in terms of their ability to manage such projects?

**Michael Cameron:** We have had a strong focus on that over the past couple of years. You may be

aware that one of the organisations that we had to use our statutory intervention powers on got into trouble because it got back into building houses after a significant period of time and did not have the capacity to manage that effectively. Partly in response to that, but also recognising that the target is there and that more landlords are getting back into developing and building new houses, we did a thematic inquiry last year and published a very well-received set of principles to guide landlords through their implementation of development programmes. We will keep an eye on whether that is having the impact that we would want it to have. The issue is high on our risk agenda in terms of the assessment process that we go through for every landlord.

**The Convener:** That is a positive thing. It is good that landlords are getting back into the business of building affordable homes, but it has to be managed. I am delighted that the housing regulator is keeping a close eye on that.

My final question is about ensuring that we have balance in our questioning in this session. We have heard a bit about engagement with registered social landlords. Can you say a bit more about governance? It is important that we hear about not just the reasons for your engagement in the governance category but how you seek to improve practice and build capacity.

**George Walker:** You raise a matter that is very important and dear to our hearts at the SHR. As I said, we have engaged with one in eight RSLs around issues of governance and we have had seven statutory interventions in the past three years, which have mainly been about governance that has not been as effective as we would have liked it to be. Governance will be a significant theme as we go through our regulatory framework review. We are already looking at issues around governance, because we believe that good governance is the core aspect. We are looking at the building blocks of good governance in areas such as internal audit and whistleblowing, which we have touched on. We are getting into the meat of that. Indeed, I will be talking about governance at a major conference on Friday; it is a very important area for us.

Michael Cameron might have something to add, as a regulator over the past five years. I have been talking to the committee about good governance being a high-profile issue for us, but I do not want to lead you to believe that there has not been a lot of activity going on. Make no mistake: governance is a challenge.

**Michael Cameron:** When we engage with a landlord using our statutory intervention powers, we publish a report and account of that engagement when it is concluded. One of the important purposes of such reporting is to give all

landlords an insight into what went wrong and an opportunity to review their approaches to ensure that they can learn any lessons that might come out of the report. We have published two such reports and we have just concluded a third statutory intervention, so we will move shortly to publish a third report. Following that, we will look to draw broader lessons out of those three situations to ensure that the sector learns lessons and to see whether there is anything that we need to take out of that. As George Walker said, that will feed into the review of the regulatory framework.

**The Convener:** Thank you. I thank Mr Walker and Mr Cameron for attending the meeting today. It has been a very worth-while evidence session. As usual, I ask you to email the clerking team if you have anything to convey to us that you did not have the opportunity to mention. However, I hope that you have had that opportunity.

## Subordinate Legislation

### Town and Country Planning (Fees for Monitoring Surface Coal Mining Sites) (Scotland) Regulations 2017 (SSI 2017/350)

12:29

**The Convener:** Under agenda item 3, the committee will consider a Scottish statutory instrument: the Town and Country Planning (Fees for Monitoring Surface Coal Mining Sites) (Scotland) Regulations 2017 (SSI 2017/350). The SSI is subject to the negative procedure, which means that its provisions will come into force unless the Parliament votes on a motion to annul the instrument. No motions to annul have been lodged. If members have no comments to make on the SSI, does the committee agree that it does not wish to make any recommendations in relation to the instrument?

**Members** *indicated agreement.*

**The Convener:** We move into private session.

12:30

*Meeting continued in private until 12:44.*



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