



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Economy and Fair Work Committee

Wednesday 29 November 2023

Session 6



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ECONOMY AND FAIR WORK COMMITTEE

30th Meeting 2023, Session 6

CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

DEPUTY CONVENER

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

COMMITTEE MEMBERS

*Maggie Chapman (North East Scotland) (Green)

Murdo Fraser (Mid Scotland and Fife) (Con)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Colin Smyth (South Scotland) (Lab)

*Kevin Stewart (Aberdeen Central) (SNP)

*Evelyn Tweed (Stirling) (SNP)

Brian Whittle (South Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Tom Arthur (Minister for Community Wealth and Public Finance)

Dr John Bone (University of Aberdeen)

James Clelland (Scottish Government)

Richard Dennis (Scottish Government)

Douglas Lumsden (North East Scotland) (Con)

Professor Tavis Potts (University of Aberdeen)

Dr Daria Shapovalova (University of Aberdeen)

CLERK TO THE COMMITTEE

Anne Peat

LOCATION

The James Clerk Maxwell Room (CR4)

Scottish Parliament

Economy and Fair Work Committee

Wednesday 29 November 2023

[The Convener opened the meeting at 09:16]

Bankruptcy and Diligence (Scotland) Bill: Stage 1

The Convener (Claire Baker): Good morning, and welcome to the 30th meeting in 2023 of the Economy and Fair Work Committee. Our first item of business is the final evidence session on the Bankruptcy and Diligence (Scotland) Bill at stage 1.

I welcome Tom Arthur, the Minister for Community Wealth and Public Finance, who is joined by Richard Dennis, the accountant in bankruptcy and agency chief executive, and James Clelland, solicitor with the Scottish Government. I also welcome Douglas Lumsden MSP, who is attending the public part of this meeting.

I invite the minister to make a short opening statement.

The Minister for Community Wealth and Public Finance (Tom Arthur): Thank you, convener, and good morning, committee.

The Bankruptcy and Diligence (Scotland) Bill implements stakeholder-led recommendations to introduce improvements to current debt solutions and debt recovery processes. I accept that it is a small bill and that it does not propose radical changes. That reflects the fact that our system is, broadly speaking, acknowledged as an effective one. As you have heard from previous witnesses, there are no calls for fundamental change.

All the measures in the bill have been subject to at least one public consultation, and all have received broad support. Again, you will have heard from previous witnesses that they are seeking not so much to change what is in the bill as to add things to it.

The measures in the bill have been and are being very much designed with and by the stakeholder community. I pay tribute to the work of all stakeholders whose recommendations are being included in and enabled by the bill. In particular, I commend the members of the mental health moratorium working group. The members of the working group include mental health professionals who were able to contribute professional expertise in the field of mental health

and draw lessons from the mental health crisis moratorium that was introduced in England and Wales in 2021.

As the committee will be aware, we are consulting on the details of what a mental health moratorium, enabled by the bill, would look like. I take the opportunity to apologise to the committee that it did not receive advance notice of the publication of the consultation. Officials have worked hard to publish it as soon as possible, which, I hope, will give the committee sufficient time to consider the consultation as part of its stage 1 deliberations. I also want to say to the committee that we will, of course, ensure that it has sight of the draft regulations prior to their being formally laid in the Parliament.

This bill is only one part of a programme of work to improve bankruptcy and diligence. We will introduce changes through secondary legislation, some of which I hope to lay before the Parliament during the progress of the bill.

We have also commissioned a longer-term review to assess how far current statutory solutions meet the needs of a modern economy. Committee members will know that Yvonne MacDermid OBE accepted an appointment to lead stage 3 of that wider review, and there will be some matters that merit further consideration as part of the review. On that point, I will conclude.

The Convener: Thank you, minister. I acknowledge your apology regarding the consultation on the proposals for the mental health moratorium. The delay has made it more difficult for the committee to scrutinise the provisions in some ways. I appreciate that you have confirmed that we will receive the regulations in draft form. Is there a timescale that you can share with us for when we can expect those to appear?

Tom Arthur: If I recall correctly, you raised the matter directly with the First Minister at the Conveners Group meeting. We will certainly endeavour to produce a draft of the regulations ahead of stage 3, while recognising that regulations could only be formally laid should the bill be passed by the Parliament.

Colin Smyth (South Scotland) (Lab): Good morning, minister. I will kick off with questions on the mental health moratorium, which has been discussed quite a lot in the evidence that the committee has heard. I appreciate that the details will be covered by the forthcoming regulations, but one issue that has been raised concerns the criteria according to which the mental health moratorium may be used. As things stand, the moratorium will be available only to those in compulsory treatment, based on the Government's position. What is the thought behind that? Roughly

how many people do you expect the criteria to cover?

Tom Arthur: As the committee has heard in evidence at previous meetings, there is a recognition that the number of people who are likely to make use of the mental health moratorium is relatively small.

The rationale on alignment with existing statutory provisions, including those under the Mental Health (Care and Treatment) (Scotland) Act 2003, comes from wanting to ensure clarity and being able to start small but then, through the opportunity of learning, further review and reflection, potentially expanding or amending the criteria. That approach, which is afforded to us by using regulations, has been welcomed by and has had a positive reception from those in the debt advice community. I would not want to say that the process will necessarily continue like that ad infinitum. However, as a starting point, having the new provisions that we will introduce aligning with the existing statutory provisions provides clarity on eligibility.

Colin Smyth: Even if we have those tightly defined criteria to begin with, there is still a concern that not everyone who meets the criteria will take up the moratorium. Citizens Advice Scotland has called for everyone who enters compulsory treatment to be automatically offered access to a mental health moratorium. Would the Government consider that, rather than simply waiting for those who are working with a person in treatment to apply for a moratorium?

Tom Arthur: We set out a proposal in the consultation for a process that would begin with the mental health professionals who would already be supporting the person. The process would go from the mental health professional, to the money adviser and then the AIB. We seek further views on that as part of the consultation.

We are seeking to provide clarity and clear definitions on eligibility, although it is important to recognise that there are also other provisions within our existing suite of support, such as the existing moratorium. The mental health moratorium that is proposed in the draft consultation would be for those in the most acute and severe mental crisis, who would be subject to the compulsory treatment provisions that are set out in statute. The proposed process by which that would be effected is set out in the consultation although, as I said earlier, that is subject to the bill and the regulations being approved by the Parliament. We would of course reflect, review and continue to engage on the effectiveness of the scheme, and we would be open to further consideration of changes in light of experience.

Colin Smyth: As things stand, the regulations that you will draft and publish before stage 3 will refer only to compulsory treatment as a criterion. You are carrying out a consultation at the moment, and the timing of the consultation is not such that the regulations may differ.

Tom Arthur: The consultation closes on 22 January 2024. It is unlikely that we will be able to complete the independent analysis process ahead of being able to share the draft regulations. We would certainly endeavour to do that and it might be possible. We would be able to provide a summary of the consultation responses, which will help to inform the draft regulations.

Of course, engagement with the committee will further inform what we propose as final regulations. I am open to further public consultation on the draft regulations, beyond simply sharing them with the committee, to explore those matters in further detail. We have set out a series of proposals that reflect the recommendations of the expert working group and we are seeking further views on that through the public consultation that we launched earlier this month.

Colin Smyth: I am still not quite clear about the timescale. Are you saying that you might receive a response to the consultation that might or might not change your current thinking on the criteria in the regulations that you publish?

Tom Arthur: We are consulting for that very reason. If I were to say that we had already decided what we would do—

Colin Smyth: What I am getting at, whatever you decide, is whether the timing of your consultation and of the parliamentary process for publishing the regulations before stage 3 will give you sufficient time, should you want to change the compulsory treatment criterion. Or will you bring in that criterion and then, a few months later, decide that you are going to change it based on the consultation?

Tom Arthur: We are not going to artificially compress the timescale because that would prevent us from taking a fully considered view about what regulations are to be laid before the Parliament. We are trying to ensure that the committee has as early sight as possible of the draft regulations and we hope that the analysis will be completed, published and available to inform the committee's deliberations. However, preliminary analysis of the responses to the consultation will inform the draft regulations that we introduce.

My concern is to ensure that what up to this point has been a highly collaborative process, informed by expert opinion, continues as we work towards the preparation of the regulations,

informed by the consultation on the draft regulations that we bring before the committee, with the potential for further public consultation, and by input from the committee. From that cumulative process, we will be able to lay before the Parliament for approval a final set of regulations that can command the widest support and reflect all the engagement that will have been undertaken.

The Convener: That is an interesting line of questioning from Colin Smyth. I hope that the minister will reflect on the fact that the criteria that have been suggested for Scotland are very narrow, while those for England and Wales are a bit broader. They are not much broader, but they include people who are receiving crisis treatment, not just compulsory treatment.

I had a meeting with One Parent Families Scotland and the Poverty Alliance, and the people I met there would not be able to access the scheme, even though they feel that they are under significant mental health pressure because they are in debt. The scheme would not apply to them because of the narrowness of the criteria that it uses.

We could look at the council tax legislation. You said that you wanted the moratorium to be consistent with other legislation. My understanding is that the council tax legislation uses the term “severely mentally impaired”, which sets quite a high threshold, but not as high as that which the Government has suggested. I hope that the minister will reflect on the fact that the proposal uses a very narrow definition for access to the scheme.

Tom Arthur: I appreciate that we are likely to touch on a number of issues that witnesses have raised while giving evidence to the committee. I am keen to see the committee’s stage 1 report before considering what further proposals the Government brings forward. I want to give the commitment that the considerations that the committee shares through its stage 1 report will help to inform the process that we go through, along with the consultation and the drafting of the regulations. I am keen to consider those points further.

As I said, I set out the rationale of effectively starting small with an opportunity to expand, but significant further opportunity will be afforded for consideration of the detailed proposals in the regulations.

09:30

Maggie Chapman (North East Scotland) (Green): Good morning, minister. Thank you for joining us. Given what you said about the limited criteria and starting small, with the potential to

expand the criteria over time on the basis of lessons learned, I am interested in how we ensure that people who might benefit from the mental health moratorium and people who might give support or advice to debtors on it and on mental health or financial issues will be aware of exactly what the moratorium entails and the criteria. What mechanisms do you have in mind for ensuring awareness among mental health professionals, those in the money advice sector and others who support people with financial or mental health difficulties?

Tom Arthur: I am conscious that that area has been of substantial interest to the committee and that quite a bit of the evidence that it has taken has related to that. I have found that evidence very useful in enhancing my understanding.

Clearly, we want to ensure that there is the widest possible uptake of the scheme when it is appropriate for, and applicable to, an individual’s circumstances. I made reference to this being a stakeholder-led and collaborative process, which will, subject to the Parliament’s agreement, inform the process of implementation. We will want to continue to work very closely on that. The committee has recognised that, as has been highlighted by several of the expert witnesses from whom the committee has heard, it will be important to take a joined-up and collaborative approach. That will involve building on the skill sets and understanding of money advisers and mental health professionals.

We want to engage closely in order to fully understand what support can be provided. Of course, the key to that will be ensuring that there is the widest possible awareness of the existence of the scheme, should it be agreed to by the Parliament. That will be a clear priority in implementation.

Maggie Chapman: If and when the bill is passed by the Parliament, do you see that happening prior to the scheme coming into force?

Tom Arthur: There has already been substantial engagement during the process by which the proposals have been developed. There is a clear awareness across the sector that the Parliament is considering the issue, and—

Maggie Chapman: When you say “awareness across the sector”, do you mean the money advice sector, mental health professionals or both?

Tom Arthur: I mean the money advice sector, but I recognise that there is already overlap and that there should be co-ordinated working between that sector and mental health professionals.

If, subject to the Parliament’s agreement, the regulations come into effect, there will be a focus on ensuring that there is the broadest possible

awareness. We are committed to using the resources at our disposal to ensure that there is the broadest possible awareness of the scheme and that there is understanding of how it can be applied to support the people whom it is designed to benefit.

Maggie Chapman: You said that the process will be stakeholder led. We have heard quite clearly from several stakeholders that there is a need or a desire for slightly broader criteria, but I note what you have said on that so far.

Stakeholders, particularly those in the money advice sector, also have questions about their ability to deliver such support, given capacity and resource issues. Do you have any comments on that?

Tom Arthur: It is anticipated that the number of individuals who use the scheme will be relatively low, so we anticipate that the additional demand that will be placed on the sector will be minimal, at least initially. Of course, we will want to carefully monitor the number of individuals who use the scheme and continue to have close engagement with the sector to ensure that, if capacity issues that relate specifically to the introduction of the mental health moratorium are identified, we are in a position to understand and respond to those challenges.

Richard Dennis (Scottish Government): The committee will probably know that, down south, all the advice that is given to people who qualify for the moratorium is delivered, under a separate contract, by an organisation called Rethink Mental Health, because the view was taken that there is a need for specialist expertise and experience to deal with this particular client group. It has been accepted that it takes more time to deal with this client group than it takes to deal with an ordinary member of the public.

One question in the consultation is about whether we should think about doing the same. Initially, money advisers have been very clear: they all want to have the ability to take a role in the scheme. However, if a front-line money adviser gets two or three such people a year through the door, does that give them the experience to build up exactly how to take that forward successfully in the way that they have got used to, which is income maximisation? Almost every client who comes in to see them will need to go through that process. It is an open question, therefore, and we await views in response to the consultation.

I have been to see Rethink and have talked to its people about the experiences that they have had in the 18 months of running the scheme down south. They make a strong argument that we should think about a specialist debt advice provision. At the moment, the debt advice

community here is saying that it would like provision to be more general.

Maggie Chapman: I have a couple of questions about the relationship between the mental health moratorium and what we refer to as the standard moratorium—the six months for which people can get relief at the moment. Are there any plans to reduce that six-month period? Previously, it has been less, as applies elsewhere.

Tom Arthur: As we have previously stated, when the consensus is that the pressures of the cost of living crisis have abated, we will reconsider the position. However, given the challenges that we currently face—it is very much a live issue that is causing significant distress to many households—there are no immediate plans to change from the current provision of six months.

Maggie Chapman: To follow on from that, given the limited eligibility for the mental health moratorium, if people are within the six-month standard moratorium, is there any possibility—under advice or guidance from either mental health professionals or money advisers—of that period being extended if they are still struggling to get to grips with their financial situation because of mental health but do not meet the compulsory treatment order level? Have you given any consideration to that?

Tom Arthur: That is an interesting question, and I recognise the nuance in it. If someone was in a standard moratorium and, during that process, met the criteria, they could, of course, benefit from that. The situation that you articulated, if I have understood it correctly, is someone's being in a standard moratorium but developing problems with their mental health or wellbeing that do not meet the compulsory eligibility.

Maggie Chapman: Yes.

Tom Arthur: We are not giving specific consideration to that. Again, there is a need for clarity over the proposed criteria for when a mental health moratorium would begin and end. One element is defined by the period of compulsory treatment, and there is the six-month recovery period as well. I clarify that, although the six-month recovery period aligns with the six-month standard moratorium, the period is not fixed in length. We recognise that those who are in a period of recovery will require additional time beyond what might be regarded as a shorter period—for example, it has been suggested that a standard moratorium could be for 12 weeks. One witness raised the potential of that happening in the future. The periods are not fixed or linked.

When it comes to the existing moratorium, we have no intention at the moment of changing the criteria around the ability to extend the period of six months. We recognise that there are, for

example, opportunities to seek forbearance through engagement with individual creditors, but there are no specific plans in that space.

Maggie Chapman: You might get some interesting consultation responses in that space.

My final question is on legal capacity. The expectation is that patients will need to have legal capacity to consent to an application for a mental health moratorium. What consideration have you given to circumstances where that is not the case—where somebody does not have legal capacity or a representative who could give that consent on their behalf?

Tom Arthur: I recognise that it is a sensitive issue, and we specifically seek views on it in the consultation. I also recognise that, if an individual already experiences an element of compulsion with regard to treatment, we would want to have an additional element of compulsion with regard to their financial circumstances. As you recognise in your question, there is provision for the representative of the individual to take those decisions. However, we will reflect carefully on the views on the overall question of capacity that the committee brings forward in its report and those in the consultation.

Richard, do you want to add to that?

Richard Dennis: We had initial discussions with Professor Donna McKenzie Skene, who, as you know, is one of the legal experts in the area. She is pretty clear that there is a way that that could be done if it was chosen to be done, but she and we think that choosing whether to do it is a complex issue.

It would be possible to have a process by which someone, probably in the mental health support team, became designated as having the ability to apply for a mental health moratorium on behalf of the individual, but that is jumping quite a few steps in relation to individual rights.

Kevin Stewart (Aberdeen Central) (SNP): Minister, it was good to hear you say that we should start small and move to expand. We have heard from people that there has to be flexibility in the regulations and the ability to adapt as we move forward. You said that most of this has been stakeholder led, but how many voices of lived experience have you heard in the formulation of the bill and, indeed, will you hear as we move forward towards the regulations?

Tom Arthur: I will ask Richard Dennis to come in, in a moment. On the more detailed aspects of the working group and the processes that have informed the recommendations, my direct engagement has been with those representatives, many of whom the committee will have heard from in person or in writing. The process involved those

who support and provide advice for people in relation to their financial circumstances, money and debt.

I ask Richard to comment on the work that got us here through the stage 2 working group and the mental health moratorium working group.

Richard Dennis: This is second hand, but the debt advice charities have significant experience of dealing with those people. Rethink, in particular, had a lot of hints and suggestions for us, which were based on its extended discussions with people who were going through the process down south.

We have not tried to convene a panel of people in mental health crisis to talk to the Government about their debts and how to handle those debts. In bankruptcy more generally, I have found that getting people to talk about their lived experience is very difficult, so we allow the debt advice bodies to pass over to us their experience of what their clients face.

Kevin Stewart: I am a former Minister for Mental Wellbeing and Social Care, and, having established a number of lived experience panels, I can say that those do not have to be formal. Folk will often gladly tell you their tale for the simple reason that they do not want anyone else to go through what they have gone through.

My very strong suggestion in relation to the work as we go forward is that you, minister, in collaboration with the Minister for Social Care, Mental Wellbeing and Sport, ask some of the lived experience panels that already exist regarding what their life experience of that kind of situation has been. That would help to formulate much better regulations.

Tom Arthur: That is a very helpful suggestion, which I know is informed by your expertise in your previous roles and which I am happy to ensure that we take forward.

09:45

Kevin Stewart: I will move on a little bit. We have talked quite a lot about eligibility and criteria. Again, you have said that you would be flexible in relation to looking at change and not simply allowing this for folk with compulsory treatment orders. The convener talked about some other aspects of law and some of the old-fashioned criteria that are often in those laws. I think that the convener used the term “severely mentally impaired”, which does not sit well with me, I have to say.

The Convener: It is a recognised term in the legislation; it is not a judgment.

Kevin Stewart: I know that it is, convener. I am not criticising you in any way, shape, or form; I am criticising the legislation as it has been formulated over many years.

As we move forward and reach new definitions, if that is where we go, I wonder whether we can bear in mind the work that has been undertaken during Lord John Scott's mental health law review, so that what we come up with there, as that goes through the legislative process, becomes embedded, if you like, in your regulations. Do you think that that can be done?

Tom Arthur: Yes. As the issue of severe mental impairment has been specifically raised, I note that it is an area that I have had correspondence on and that my officials in council tax have explored. My understanding—our understanding—is that the term is something that can be amended only via primary legislation. That is a frustration for me, as I am very sympathetic to the argument that it is an outdated and stigmatising term that we would want to see changed and brought up to date.

My position is that, should an opportunity arise for us to amend that term in primary legislation—we recognise that a very specific change is required—I will be very alert to that. We are looking for opportunities for it to be changed within the existing legislation. Looking forward to the wider work, I am conscious that we have a stage 3 review. The MacDermid review is being taken forward independently, but I will certainly be looking for opportunities to update and reform the language that we use.

I recognise that there are many aspects of the language that is used within bankruptcy and diligence. It is highly technical and can seem somewhat opaque and esoteric to those who are not initiated into and engaged with that area of law and specialism, which can perhaps create challenges and barriers in the use of such language. That point is addressed in the Scottish Parliament information centre briefing that was prepared at the introduction of the legislation, where it talks about the use of the term “debtor” and the stigmatising effect that that may have. I have had discussions with stakeholders on those issues.

I am conscious that there are long-standing reasons for the use of some of the terminology, and, in making any changes, it is important to ensure that we do not unintentionally create other adverse issues. However, I am very much in alignment with the central point that Mr Stewart has made.

Kevin Stewart: I am very pleased to hear that, minister, because a huge amount of the language that is used in some of the legislation is very outdated indeed—and, in fact, insulting to people.

You talked about changes that can be made in primary legislation. Without doubt, the opportunity for that is there as the Government moves forward with the primary legislation required by the Scott review recommendations. I take it that, when it reaches that stage, you will be willing to ensure that whatever comes out of that review is reflected in the regulations that you set in the future, as you expand from your “starting small” proposal.

Tom Arthur: Yes. In the longer term, given the timescales, I think that any translation into legislation of the outcome of the stage 3 review will be a matter for the next session of Parliament. I imagine that, in the next session, Parliament will want to consider whether there is a wider need to update the language in the primary legislation on statutory debt solutions if such a need is reflected in the review.

The Convener: Thank you. We will make some progress. I call Colin Beattie.

Colin Beattie (Midlothian North and Musselburgh) (SNP): Minister, you made reference to capacity in the money advice sector. If I interpret what you said correctly, the assumption is that the existing capacity is adequate to deal with any potential additional work arising from the new initiative. However, concerns have been expressed about the money advice sector having the capacity to deal with supporting people who want to access the mental health moratorium. In addition, I take on board what Richard Dennis said about the likely volumes and the experience that will be gained by individual money advice staff.

Will the Scottish Government provide the industry training and the additional funding that might be needed? Will the Government train all the money advisers who are needed, or will there be specialist money advisers who deal only with the mental health moratorium? In that case, capacity issues will immediately arise. For example, money advisers who operate in a specialised area might not be available locally. How will that be handled?

Tom Arthur: I want to ensure that I provide clarity here. I understand the exceptional pressure that the money advice sector is currently under, which, in many respects, is a consequence of the cost of living crisis. I pay tribute to those who work in the money advice sector, commend them for the invaluable work that they do and recognise the significant toll that it can have on their wellbeing and mental health, which I know has been reflected in evidence to the committee. It is not the kind of job that allows people to just go home at night and switch off. The work that they do stays with them, and I commend all those who do that invaluable work.

As Richard Dennis touched on, we recognise that there is a strong desire across the sector to be involved in the mental health moratorium, but we also recognise—given the numbers involved and the more specialist nature of that particular case load—that there might be a case for taking a different approach. That is why we have flagged that specific issue in the consultation and posed a question on it. The responses that we get to the consultation, any reflections that the committee has in its the stage 1 report, and our further engagement with the sector will help us to land on a position where we can command the broadest consensus.

We are all focused on ensuring that the best service possible is provided for those individuals who require it. I know that money advisers are also focused on that, which is why we are open to the process of engagement. We recognise the sector's desire to engage, but we appreciate that there may be other means of delivering that support.

Would you like to add anything, Richard?

Richard Dennis: The only thing that I would add is that the Scottish Government already annually funds training for money advisers through the MATRICS programme, which is delivered by Money Advice Scotland and Citizens Advice Scotland. We can tweak that programme if some additional training is necessary. My organisation can sometimes provide that. For example, at the moment, we are going around the country helping people to learn how to complete debt arrangement scheme applications properly and making sure that they get bankruptcy applications right first time.

That is the sort of thing that we can help with and for which there is already good provision. You have probably come across programmes such as Wiseradviser. Although it might take tweaks to the training programme, given the timetable that we are talking about—the documents refer to the first moratorium potentially being available in April 2025—I think that there is more than enough time to make sure that people in the money advice community are well trained and well able to deliver their role.

As some of your witnesses also said, money advisers already deal with people under severe mental stress on a regular basis. There might be a slight change in degree, but there will not be a change in the nature of either their advice or the client group with whom they are dealing.

Colin Beattie: In the previous session of Parliament, our predecessor committee carried out some scrutiny work that mainly covered the debt arrangement scheme. That revealed huge pressures within the money advice sector and the

availability of advisers to assist and support people who were in financial difficulty. Clearly, the bill covers a highly specialised area. Providing assistance in that area is not something that will be easy or simple for a money adviser. They need training and expertise.

I think that the minister said there might be only three cases a year, and there was a question of whether that would give someone the level of experience that is needed to give the best support. Is it the intention that every money adviser will receive training or be authorised in some way to make the judgments that are necessary in relation to the mental health moratorium?

Tom Arthur: We have set out in the consultation a proposal on how the process would operate. There would be an initial process with the mental health professional. With regards to how the second aspect—that is, the engagement with the money adviser—would take place, the proposal is for the adviser to ascertain that the individual understands what the process entails, agrees to it and understands that, within the recovery period, there will be further engagement with the money adviser.

As Richard Dennis touched on, money advisers already have an exceptional amount of experience of engaging with individuals who have varying degrees of mental health conditions.

As I mentioned earlier, the position on the overall delivery is reflected in the consultation. I would not want to repeat myself, but although I recognise that there is a real desire among many in the advice community to be involved, a different approach might be more effective.

As I said, we have been stakeholder led in developing the policy and I intend to be stakeholder led in how we implement it. We will, of course, bear in mind Kevin Stewart's points to ensure that lived experience is brought to bear in the process, too.

Richard Dennis: The deputy convener mentioned DAS, which gives me a chance to tell a story about DAS that I have been wanting to tell the committee this morning. I think that the debt arrangement scheme is now widely thought of as something that Scotland can be really proud of. Through the scheme, 15,000 people have repaid their debts in full and £400 million will have gone back to creditors by the end of this quarter.

However, when the enabling legislation went through in 2002, the scheme did not really work. It depends on how you count it, but there were between 17 and 19 sets of regulations before the amendments that were introduced in 2019, which we think have now got the scheme into a really strong position. That is the one scheme that has grown year on year through the pandemic and the

cost crisis. It is working really well, but it has taken us a long time to work out how to get it to work well. Part of the 2019 reforms was about, hopefully, making the work of debt advice bodies on the debt arrangement scheme self-financing. They now get a contribution from what goes back to creditors to pay for the cost of the up-front advice.

It takes us time to develop such measures because they are very complex. There are some really big issues in the consultation. For example, one that we have not mentioned is that we do not propose to give creditors a right of appeal against the award of a mental health moratorium. That is a big issue to grapple with, and I would be amazed if we get it right the first or even the second time. However, I hope that, through working with stakeholders and people with lived experience, and through listening to the debt advice community, we can get to a product that really drives improvement in people's lives. It might take us a decade to get there.

10:00

Colin Beattie: One of the major issues that I am circling round to is whether, when a person contacts a money adviser, there will be the option for a face-to-face discussion. If it becomes a specialised area with only a handful of real experts in the money advice sector, there will be a tendency for them to be focused in urban areas and so on, so people outside those areas might be expected to go online. All the members around this table deal with vulnerable people. I do not know about others, but I do not deal with any of them online. Online contact does not seem the right way to empathise with a person who has mental health issues, and take them through the process. The key question is: will face-to-face advice be available regardless? I suspect that most of it will have to be provided face to face.

Richard Dennis: Curiously, Rethink Mental Illness has found that it does almost all of the work by telephone, and that is people's preference. However, I completely agree that we need to find a system in which debt advice can be given through the channel and at a time and pace that suits the individual. What suits the individuals who we are talking about will be different to what might be suitable for the general population. Under the scheme proposed in the consultation paper, initially, all the debt adviser needs to do is to explain the scheme to the individual and make sure that they want to proceed. That is as far as the debt advice goes until the crisis is over. That would allow time for face-to-face discussions or discussions through whatever channel the individual wishes to pursue at a later date, when they are in a position to do so.

Colin Beattie: I really—

The Convener: I am sorry, but I want to make progress.

Colin Beattie: Okay.

The Convener: I have two brief questions about the moratorium before I bring in Gordon MacDonald. The consultation suggests that the Government is considering a public register of people who have participated in a mental health moratorium. Will you share with the committee the reasoning behind that?

Tom Arthur: I ask Richard Dennis to come in on that.

Richard Dennis: It is about creditor protection.

The Convener: Will you expand a bit on that? We have heard concerns about someone who decides to access a mental health moratorium. Other members have spoken about the stigma around mental health. Given that it would be a public register, what would that mean for a person's future, perhaps when they are looking for other financial support? Are you not concerned that people who access a mental health moratorium will be on a public register for everybody to see? There are concerns around that.

Richard Dennis: Yes, we are very aware that it could be unnecessarily stigmatising. The person's existing creditors will be aware, because we will contact them to say, "This individual has accessed a moratorium. Please do not correspond with them. Freeze interest and charges on their accounts. We will let you know when that moratorium reaches the next stage." In relation to other creditors, people with mental health issues sometimes might not take rational decisions about seeking further credit, for example. Should a creditor have the ability to know whether the individual applying for further credit already has existing financial problems or worries and is already in a moratorium?

The Convener: Does such a public register exist for anybody else who has experienced debt problems, or would it just be for people who have accessed a mental health moratorium? At the moment, when people have unmanageable debts, how would a creditor know that the person is in that situation?

Richard Dennis: If they are in a statutory debt solution, they will be on a public register that is searchable. If they are not, the situation will almost certainly be on their credit report. There is a line of argument—it is not one that I buy, but I will set it out for the committee's information—that says that, because creditors in making lending decisions almost invariably run a credit report on an individual, that will show whether someone is

defaulting on payments on a regular basis. Even if someone is in a moratorium, the report will show that they are not making payments—the defaults will show. One could say that that gives enough protection, but there are some creditors who do not run credit reports and they can be the ones who are most exposed and can least afford any lending that will not have much chance of ever being repaid.

The Convener: Do you know whether the breathing space in England and Wales comes with a register of people who have accessed the mental health moratorium?

Richard Dennis: It does.

The Convener: There is a public register.

Richard Dennis: There is a register of all breathing space applications. Those applications are not separated out, but it is my understanding that an ordinary breathing space has an end date on the register but a mental health one does not, so, if you know what you are doing, you can spot whether your clients are on a mental health moratorium.

The Convener: In England and Wales, the breathing space protects people from eviction and extends to preventing enforceable action against someone who is jointly and severally liable for a debt. There is no proposal to include that in the Scottish moratorium.

Tom Arthur: There is a specific question about that within the consultation, which highlights that that is not something that we are proposing, although it invites views on the matter, in recognition of the different statutory protections that exist, for example for tenants, and the fact that, in cases of joint and several liability, other individuals who would be impacted would have access to the various solutions that are available. We will carefully consider the responses to the consultation.

The Convener: It is in the consultation, but do you anticipate that being something that you would want to include in a Scottish moratorium, to bring it into line with England?

Tom Arthur: The position that we have set out in the consultation it is that we would not want to do that, but we are asking the question.

The Convener: I realise that the issue of prepayment meters is reserved, but have you given any consideration to how any moratorium would affect those meters? The question is about a creditor's ability to force a household to use a prepayment meter. Is that something that you are aware of or have considered? I realise that that is a reserved matter, but has there been any discussion with the United Kingdom Government about preventing that?

Tom Arthur: I do not think that there has not been any specific discussion, although Richard Dennis might correct me on that. I am aware that the committee has raised the issue and I would be happy to reflect further on that and to raise it directly with the UK Government as the legislation progresses through Parliament.

Gordon MacDonald (Edinburgh Pentlands) (SNP): A number of issues about bankruptcy reform have come up during the committee's stage 1 inquiry into the bill.

The first relates to minimal asset process bankruptcy. A number of organisations, including Citizens Advice Scotland, have called for that to happen more regularly. Currently, a person can apply for that form of bankruptcy once every 10 years, but there has been a suggestion that that should be reduced to once every five years, in line with the limit for full administrative bankruptcy. What is the Government's view on that?

Tom Arthur: I have already engaged with stakeholders about that. I had a meeting early in the autumn, which I think was referred to by one of the witnesses who gave evidence to the committee. Members will be aware that that is something that we can address through existing powers, under secondary legislation.

I understand the policy intent behind the argument and am also conscious of some of the comments that have been made by witnesses. Although I am sympathetic about what such a measure would seek to do, it is incumbent on me to ensure that we take a rounded view and that there are no unintended consequences. The undertaking that I have given to stakeholders is that I will wait to see what view the committee forms. I am conscious that the Convention of Scottish Local Authorities has written to the committee about the matter.

Richard Dennis: That was not about this matter.

Tom Arthur: I beg your pardon. To correct that particular point, I am conscious that the matter might be raised with the committee, and that there are other areas of suggested change about which COSLA has written to the committee.

I would like to have the opportunity to reflect on the position that the committee arrives at on this matter and to have further engagement with those who might have an interest in this particular area. I am sympathetic to what such a measure would be seeking to do, but it is important to hear a broader range of voices. I will have further engagement with stakeholders on the matter in the new year, when I have had an opportunity to consider what the committee has to say.

Gordon MacDonald: I also want to raise the issue of the discharge of trustees. Currently, there is no automatic discharge. Where a debtor is either uncontactable, unco-operative or just cannot be found, that can result in a trustee being in post indefinitely. If the trustee is an insolvency practitioner, it can mean that there are on-going charges that eat into the money that is available for creditors. Both the Institute of Chartered Accountants of Scotland and the Insolvency Practitioners Association have called for a solution to the issue. What is the Government's view on the automatic discharge of trustees?

Tom Arthur: On that specific point, there has been some consideration. I will ask Richard Dennis to provide some of the detail.

Richard Dennis: I think that we accept that there is an issue. Trustees have accepted those appointments, so they have gone into it with their eyes open, but I do not think that it is sensible to continue to administer a bankruptcy through annual reviews and through paying my office an annual fee, forever, when there is no chance of resolving it. We accept that there is an issue and we are working with those organisations to see whether we can come up with a solution. It might be included in this legislation or elsewhere.

Gordon MacDonald: The other issue that came up was extending the timescales for serving a bankruptcy petition, where it is difficult to find the debtor or the person lives quite far away from the central belt, where a lot of the sheriff officers are based. Is that something that the Government is looking at?

Tom Arthur: Yes. We are going to have further engagement and discussion on that to see whether we can find a solution.

Gordon MacDonald: My last question relates to interest. I understand that a recent court case suggests that, where a bankruptcy is recalled, the law has been left in a bit of a state of flux, because interest may or may not be payable. Again, the Law Society and ICAS have asked for that to be reviewed and have suggested a six-month period, after which interest can be charged. What is the Government's view on that?

Tom Arthur: I will ask Richard Dennis to come in with the detail on that.

Richard Dennis: I might actually ask James Clelland to help me on this one. Recall was designed for when bankruptcy has been awarded in error and you want to put the individual back in the position of not having been made bankrupt. We think that the law is pretty clear. One of the conditions for recall is that you can pay your debts in full. Does that include interest? We are pretty sure that the law says no, it does not. We were involved in that case—His Majesty's Revenue and

Customs thought that it was due interest, we thought that it was not and the court decided on our side.

That is fine if the recall has happened six months after the bankruptcy, but what happens if it happens five years after the bankruptcy? Was recall designed to deal with that situation? Probably not, but there is nothing to stop the individual applying for recall as soon as they can repay their debts in full. It is probably one of those areas where a solution is very complicated. There are not many recall cases every year, but I think that we accept that there is an issue there. I am just not entirely sure that I would know what to do about it.

Gordon MacDonald: James Clelland, do you have anything to add?

James Clelland (Scottish Government): There is not much more that I can add, based on what has been said already. The case was HMRC v Accountant in Bankruptcy, and the position in that case was that interest would not be paid if recall of sequestration happened. Therefore, the matter is subject to the final policy position.

Gordon MacDonald: Okay; thanks.

The Convener: I have a couple of questions on diligence reform. We received some representation about the arrestment reforms in the bill. The banking sector was particularly concerned because the bill would mean that banks and employers would have to tell creditors why attempts to arrest a debtor's assets had been unsuccessful. That would change the current situation, in which they do not have to inform creditors. They are concerned about extra costs and wonder whether, rather than requiring arrestees always to provide a reason why an arrestment has failed, the Government would consider arrestees being required to respond only if they are asked why an arrestment has failed. I do not know what discussions or reflections the Government has had around that.

10:15

Tom Arthur: We have had engagement specifically with representatives in the sector. We recognise that the reform places an additional requirement, but we think that we can work to ensure that the process is suitably streamlined, efficient and straightforward, so that the policy's intended benefits can be realised. Richard Dennis might want to comment on the engagement that we have had.

Richard Dennis: Part of the problem with diligence is that we have so little information about what is effective and the impact on the person who is subject to diligence. I cannot tell you how many

diligences succeed, because we do not know. I cannot tell you how much money is got back through diligence and I cannot tell you which diligence is the most cost effective, because we do not have the data. The proposal is an attempt to start building an evidence base, so that we can start to assess whether the system is efficient or effective.

I am assuming that, when a bank has an arrestment served on it, it already has to check its system to see whether it has an account for that particular individual and the level of funds in it. The banks already have to do that work. The extra burden that we are putting on them is not only reporting that information up their chain, but reporting it to us. With sheriff officers, we should be able to design a way in which that can be done very cheaply and quickly, and we will do our utmost to do so. Yes, it would impose an additional burden on the banks, but I hope that it will lead to a better diligence system, which will be worth the costs.

The Convener: Thank you.

The other issue is around calls to reform diligence against earnings. The minister has recognised that we are in a cost of living crisis and the Government previously increased to £1,000 the threshold for bank accounts. He knows that there are calls for a similar move to be introduced for earnings, so that there would be a £1,000 threshold before money could be seized.

I suspect that the minister is going to tell me about stage 3 of the review, but we heard in evidence that, for some people, that is too long to wait. There are people in desperate situations and the amount that is able to be arrested from earnings is causing additional pressures on them. We are not talking about people in wealthy households. It is about whether we can increase to £1,000 the amount that is protected.

There have also been calls for flexibility. I cannot remember, because I did not write it down but I think that, at the moment, the protected amount is about £656. For the creditor, perhaps there could be some flexibility, rather than there being a set amount. There are calls for that to be done, and the bill is an opportunity to do something about it rather than wait until stage 3 of the review has concluded. We have increased the threshold for bank accounts, so that change would bring earnings in line with bank accounts. The arguments for the bank account threshold to be increased that were made at the time also apply to earnings arrestment.

Tom Arthur: I am conscious of those calls. As you highlighted, we have already made changes around earnings arrestment for this year. I am content to give further consideration to that,

through engagement. We can make changes to the threshold through existing powers in secondary legislation.

I am conscious that various proposals have been brought forward. It is about understanding the underlying rationale for a particular amount and how it could be related more widely to other factors. I am happy to give that consideration.

COSLA had flagged up that particular point in correspondence with the committee. I want to ensure that, in taking forward consideration of the matter, I hear the broadest range of voices and opinions. No one would be unsympathetic to the policy intent, and we are looking to explore what, practically, could be done to increase flexibilities and variance.

However, I want to ensure that we still have a system that is efficient and straightforward to administer and does not lead to unintended consequences. I particularly recognise the perspective of local authorities, as one of the primary users of that particular diligence. We must take their opinions and views into account as well.

Richard Dennis: I would add that there is a third party involved—it is not just the creditor and the individual, but the employer. Our habit has been to raise those thresholds once every three years from 1 April, with at least four months' notice. That allows the software providers who provide employers' payroll software to make adjustments. Every time that we adjust the thresholds, it imposes a cost for software providers as well as employers. If you were to change those things too rapidly, too often, the burden would become significant.

The Convener: That would not have to be done too often, because it would be a move from the current amount to £1,000, so that the level is the same as that for bank arrestments. I think that that would happen infrequently.

Richard Dennis: We are talking not only about raising the threshold, but also about the possibility of varying the amounts for agreement between the creditor and the individual.

The Convener: My understanding is that you could do both—we would welcome them both. However, one or the other would be helpful and would ease the situation for people.

I have a final question before I bring in Evelyn Tweed. The minister talked about unintended consequences. Has any consideration been given to whether increasing the bank account protected level from around £650 to £1,000 has had any adverse consequences or presented any challenges? I appreciate that there are differences between earnings and bank accounts.

Tom Arthur: That came into effect relatively recently.

Richard Dennis: I thought that one of the compelling arguments that demonstrated the sense in doing that was that universal credit payments were getting larger. You want to protect the universal credit payment when it arrives in a bank account. As you know, it was widely assumed that as soon as money arrived in a bank account, it lost its special privileges—it could be treated as just money, regardless of the source—and it became arrestable. It could not have been the Parliament's intention for somebody to be paid universal credit and then for that money to be paid straight to a creditor.

There was recently a court case in which the sheriff took the view—I will get James Clelland to bail me out with the reference—that you could not arrest income when the client's sole income was from benefits, meaning that the money in the bank account must have been their benefit payments. However, up until that judgment was given, everybody thought that the law was the other way around.

Tom Arthur: I would be happy to have further conversations about that. I would be keen to get a sense of the committee's view in the light of the views that others might express. We are having to take account of the impact that varying provision would have on employers. With regards to uprating, there is the question whether that is an exceptional one-off event, or whether the committee takes the view that there should be an underlying rationale for a more predictable rhythm of uplifts to reflect other circumstances, such as prevailing economic conditions. We need to recognise that, as well-intentioned as any such decision would be, it also creates administrative and compliance burdens for others, which we would want to take into account.

The Convener: The committee has heard compelling evidence of the impact that earnings arrestment has on people—a survey was done by one of our witnesses. You mentioned COSLA; it does affect council tax debt and the families concerned are on pretty low incomes. To put a bit of ease into that system would be helpful—probably more helpful than what the mental health moratorium could provide at this point in time.

Tom Arthur: I recognise the issue. If arrestments are taking place that are inhibiting people from paying their council tax, that creates an additional problem. I know that witnesses have raised that issue. I am happy to have further engagement about that, recognising that we have the means to address that through existing powers and secondary legislation.

Evelyn Tweed (Stirling) (SNP): Good morning, minister and members of the panel. There are

concerns that the debt advice and information package is too technical and too long and that it does not get key information across to people who are in debt. What is the Scottish Government doing to review the content of the leaflet and should it be available in an interactive format?

Tom Arthur: In true “Blue Peter” fashion, I already have a copy of the leaflet to share with the committee.

Evelyn Tweed: Ta-da! Here's one I prepared earlier.

Tom Arthur: I can confirm that we are reviewing the contents of the leaflet and that we will engage with representatives of the advice sector. Picking up on Kevin Stewart's point, we will do further engagement with those who have direct experience of using the leaflet to help inform the consideration and review process. We have copies of the leaflet available for any member who is interested and wants to consider it in more detail.

Evelyn Tweed: That is good news.

Minister, you will be making various regulations as part of the wider reform of diligence. I understand that some of those reforms may have a bigger effect than anything that is in the bill. Given their likely impact, will you commit to further public consultation on proposals relating to information disclosure orders, inhibition and summary warrant before doing so?

Tom Arthur: I have committed to further engagement, and if the committee's view is that that warrants engagement at the consultation level, then I am happy to consider that. I recognise some of the issues and sensitivities that have been raised, and I am committed to further engagement. Richard, is there anything that you want to add?

Richard Dennis: I would just say that there is quite a strong link between information disclosure orders and bank arrestments. The costs that banks are—rightly, I think—raising as a concern, are partly because sheriff officers have no idea where the client has their bank account. I think that the practice is to serve an arrestment on the four main clearing banks. If sheriff officers can use information disclosure orders so that they know where the client has a bank account, that will reduce the number of bank arrestments by 75 per cent.

The Convener: I thank the minister and the other witnesses for joining us. That brings us to the end of the evidence session. I briefly suspend the meeting for a changeover of witnesses.

10:27

Meeting suspended.

10:40

On resuming—

Just Transition (North-east and Moray)

The Convener: Agenda item 2 is the fourth evidence-taking session in our inquiry into a just transition for the north-east and Moray. We will hear from three co-ordinators from the University of Aberdeen's just transition lab on the findings of its multidisciplinary investigation "Just Transition for Workers and Communities in Aberdeen and Aberdeenshire: Indicators and Scenarios".

I welcome—I am going to get this wrong—Dr Daria Shapovalova, senior lecturer in energy law; Dr John Bone, senior lecturer in social sciences; and Professor Tavis Potts, dean for environmental sustainability and researcher in geography, University of Aberdeen. If members and witnesses could keep their questions and answers as concise as possible, that would be helpful.

I invite Dr Shapovalova to briefly introduce the research that the just transition lab has conducted.

Dr Daria Shapovalova (University of Aberdeen): Thank you very much for the invitation, convener. I am here to represent the just transition lab, which is an interdisciplinary group of researchers at the University of Aberdeen. We are working on advancing impact-driven research on just transition, with co-ordinators based in law, economics, social sciences, geography, geosciences and engineering, as well as associate researchers across other departments. We have submitted to the committee an excerpt from our report on measuring just transition in Aberdeen and Aberdeenshire. We have also been involved in projects on just transition and energy cities, the role of the third sector in just transition, visioning of just transition in the region and climate assemblies in the north-east.

This particular report develops a comprehensive approach to measuring just transition in the region. Having looked at international practice on just transition and evaluation, we have found that, although just transition is a well-established concept in policy making and academia, there is a notable lack of data with regard to taking a place-based approach to measuring just transition and the progress that is being made towards it. That is despite repeated calls by stakeholders, the Scottish Parliament and the just transition commission for some sort of measuring and evaluation framework.

We have done a rapid evidence assessment and some archival research, and we have also co-developed with stakeholders through knowledge

exchange events a set of proposed indicators for just transition in Aberdeen and Aberdeenshire. We have done that holistically across four themes—employment and skills; equality and wellbeing; democratic participation; and community empowerment, revitalisation and net zero. Using data from Government statistics, the local authorities, public bodies and third sector organisations, we have provided further information and background, not only to identify gaps in data but to give a more comprehensive description of what is happening in the region and a picture of the impact that the transition is having there.

We have found communities and stakeholders in Aberdeen and Aberdeenshire to be very enthusiastic, and they want to engage. Often, however, they do not feel as if there is a connection between the very high-level principles that have been identified for just transition and the issues that are important to them. As a result, we need to build and strengthen the way in which we provide for community and public participation in decision making, and we must use the opportunity that is provided by the transition not only to build on our strengths, but to address existing inequalities through some targeted measures that support underrepresented groups. We also need to listen to workers and deliver on their demands, including the offshore training passport, and we need to do a better job of developing and maintaining the social consensus around transition.

There is quite a lot of data in the report, and we hope today to be able to elaborate on some of our findings and engage with the committee.

The Convener: Thank you for those very helpful opening remarks, which reflect some of the issues that we have been discussing over the past few weeks. For a start, we have heard from various panels about a lack of a shared understanding. There is, as you said, a high-level understanding of what just transition is, but when we ask people what it might mean for their sectors or communities, we get different answers. Do you think that that is problematic? Is that partly why you have undertaken your piece of work? Is the intention to try to establish an agreed set of measures or some shared understanding on the matter?

10:45

Dr Shapovalova: That was certainly our intention. It is important to have the high-level principles and outcomes, with the principles that are defined in the Climate Change (Scotland) Act 2009. The just transition outcomes framework is very helpful, with its shared, general understanding. However, in order to make the

framework relatable to stakeholders and communities, we need to translate it through a more sectoral approach. We found that people definitely care.

A lot of issues are included within the concept of just transition. We initially hoped that our report would be about 30 pages long, but it is actually more than 100 pages long because we have included several sets of measures and indicators. For example, we did not initially include transport but, after engaging with stakeholders, we have now included a whole section on sustainable and active travel.

I refer to my colleagues, who may be able to help to answer the question. Perhaps Professor Potts can add something.

Professor Tavis Potts (University of Aberdeen): Good morning, everybody. I thank the committee for the opportunity to speak today.

We reflect the difference between higher-level work and community work in our report, which builds on some previous work that we did at the just transition lab. We ran an 18-month project that involved working specifically with communities, civil society groups and third sector groups in the north-east to unpack the notion of “What the just transition means for you.” The high-level principles were recognised, but people have their own interpretations of them. We found that there was a desire to have a good, open process.

From that work, which we reference in our report, we identified five key areas where communities and civil society want action. They involve practical things that are place based and locally relevant. I will not go into the five areas in detail, because they are covered in our report, but they are revitalising community, community infrastructure and community wealth; jobs and skills as we move from oil and gas into a much more diverse economy, which we can cover a bit more later; fuel poverty, which is a really significant problem across Scotland, but is particularly concentrated in the north-east; green space, which is a huge issue, particularly in Aberdeen, with the conflict around the energy transition zone at St Fittick’s park being a good example of the problems of building consensus and social licence around a transition; and, finally, participation and empowerment.

As I said, all those themes are covered in our report. It is a question of working with communities to unpack what a just transition means for people on the ground in the north-east and how to action it.

The Convener: Committee members will ask some more questions on that area. We move on to questions from Colin Beattie.

Colin Smyth: Good morning. As you point out in your written evidence, the committee and others have recognised, as you have done, the absence of a clear definition of a just transition. Given your work on seeking to define and measure a just transition, do you think that there is enough clarity and certainty when it comes to what UK and Scottish Government policies are seeking to achieve in relation to the transition to net zero? If not, where are the gaps? I note the work that you have done and the comments on how we measure a just transition.

Professor Potts: I will answer that first, before handing over to colleagues. There is clarity on the principles at a high level. As for where we lack clarity—on the process, on investment and on indicators—that really involves dialling down to a place-based approach and referring to what works in the north-east, for example, or what has been happening with the recent issues around the Grangemouth cluster. That is where we lack clarity and consistent data. There is uncertainty about the processes and mechanisms that are needed to advance the just transition.

Our work has started to fill in those gaps, although we have probably spent too much time focusing on definitions, certainly in academia. Definitions are important—we have two decades of definitions of just transition—but what we actually need is clarity in the planning process, in directions to local authorities, in investment and in the building of civil society and democratic processes. We need to improve on those aspects in many areas.

The Convener: Does anyone else want to comment in response to that question? I see that Daria Shapovalova does. As a way of organising the meeting, Daria, we will direct our questions initially to you, and you can then invite the other witnesses to comment if you wish. That will make it easier.

Dr Shapovalova: Thank you. We recognise that many of the challenges that are involved in planning a just transition are associated with making sure that the process is inclusive and that there is co-development. That takes time. However, there is also an urgent need to speed those processes up. Despite years of discussion and planning, the energy strategy has been delayed, the draft heating strategy came out only yesterday, and the more regional strategies for the north-east and for Grangemouth are still in development. There is certainly scope to work more with local third sector organisations and stakeholders in order to ensure that those processes are not delayed any longer. Communities and stakeholders need more clarity on how the high-level principles translate into issues that are directly relevant to them.

Colin Smyth: You listed just some of the many strategies that we have. There are lots of strategies out there. I am not going to ask whether a strategy is missing, but does the gap lie in the physical delivery to meet the definition? Is the implementation not there? Is that what you are suggesting?

Dr Shapovalova: It all has to happen at the same time, unfortunately. As well as the sectoral strategies, we need a clear measurement and evaluation framework for each of them.

Professor Potts: I will give a quick example. A just transition will embed such principles as democratic engagement, consensus building and social licence. A good example that my colleague has brought up is the lack of process. In our work, we looked at what seems to be a flourishing of things such as community assemblies, civil society assemblies and climate assemblies in the region. A project that we have been part of under the just transition funding has been working with communities in the north-east on developing such assemblies. There have been half a dozen of them in the past 12 months and more are planned, which is great. That is a welcome process.

However, we lack a means of taking the outputs from those community assemblies into policy. There is no formal link between what happens in a community climate assembly and what happens in local government, be it in Aberdeen City Council, Aberdeenshire Council, Moray Council or the council in any area that we focus on.

The community assemblies are great. There is good will and they come up with ideas, but there is some dissatisfaction as well, because they can be seen as talking shops. How can their outputs be used as material evidence in planning, for example? We want to strongly push that, but there is no formal link between the two. The way that the civil society element feeds into work to improve policy and local planning outcomes needs to be formalised. For example, there is a big disconnect between the outcomes of the Torry people's assembly and the master planning process for the energy transition zone. There is a huge gulf between them. We need to bring the two processes together much more strongly, which may take regulation.

Colin Smyth: Is that because the processes are just not in place or is it because what local government aims to achieve may be very different from the community's aims, because of the lack of a definition?

Professor Potts: It is a process issue, in my view.

Dr Shapovalova: I agree. Currently, the ways in which the public can participate in decision making are very formal. They require community members

to have a lot of free time and expertise—so, potentially, communities with retired professionals are well placed. Urban communities in city centres with high levels of social and economic deprivation are not empowered by the current regulation of public engagement in local and national decision making to participate in those planning and decision-making processes—and, even when they participate, they do not see their opinions reflected in the final decisions that are made.

Evelyn Tweed: Good morning, panel. Your research proposes a series of indicators to measure whether a just transition has been delivered. Daria, you mentioned that in your opening remarks. Will you tell us a bit more about how you formulated the indicators and what evidence they were based on? Could the Scottish Government follow a similar process?

Dr Shapovalova: We used a combination of archival and evidence assessment, overseen by a diverse steering group, and stakeholder engagement to co-develop the themes and the indicators. We fed in the results of a project that involved the holding of climate assemblies and of a previous project on the visioning for a just transition.

The main principle of our approach was to engage with stakeholders as widely as we could under the circumstances. We ensured that we considered the impacts on the region of hosting the energy industry over the decades before now, what has happened, and how communities perceive the transition, but we also asked what the most important issues were for those communities now.

We think that the model is a workable one that could be applied in the planning process in the north-east and elsewhere. It requires nuanced place-based approaches but, as a methodological model, we feel that it is appropriate for just transition planning. It takes some time to carry out the work, but we managed to do it in about 18 months. I think that my colleague John Bone wants to comment on that point.

Dr John Bone (University of Aberdeen): An aspect that has come across strongly in our work is that the concept of a just transition has meant different things to different people. There has been an emphasis on industry transition, skills and so on, but our approach takes very seriously the fact that the process is multidimensional.

We are contemplating widespread social change, which is my area of research at the university's just transition lab. We must therefore consider whether the implementation of policies in one area could have unintended negative consequences in another. We are trying to build a comprehensive picture, which is why we have

brought together stakeholders from many diverse groups to get a rounded picture of what a just transition would look like and the various elements that might be missing from people's current understanding of how we need to make that transition. We must also understand the context in which it is happening. It is not taking place in a vacuum. We must consider many different factors, and their knock-on effects, in producing a just transition.

The Convener: I will ask a question that follows on from Evelyn Tweed's question about whether the Scottish Government could follow a similar process. As you mentioned, we are still waiting for the Scottish Government's just transition plan for the north-east, and also one for Grangemouth. The committee undertook an inquiry into the situation at Grangemouth. Given the recent announcement about its future, it is more pressing than ever that we have that plan. What is the status of your work? Have you had discussions with the Scottish Government? I think that you said that the model involves 18 months of work. One of the frustrations that we have experienced in our inquiry so far is that we are wondering where the indicators are and how we will know whether a just transition has happened. Have you had discussions with the Government about the work that has been produced?

Dr Shapovalova: While the project was under way, we delivered a lunchtime seminar to the Scottish Government. Last week, the Cabinet Secretary for Transport, Net Zero and Just Transition visited the university, and we had a long discussion with her about the project and about just transition in general. It is important to note that the final draft of the report was finalised only last week. We plan to meet Government officials in the near future to discuss our methodologies and the outcomes of the work that has been delivered.

The Convener: Thank you—that is helpful.

Maggie Chapman: Good morning. Before I kick off with my questions, I remind colleagues of my membership of the board of NESCAN—the North East Scotland Climate Action Network.

I am interested in exploring some of the tensions between the different themes of the indicators. I will come to Daria Shapovalova first. Can you give us the rationale for the distinctions that you have made between the community empowerment and revitalisation section and the democratic participation section? Those are often squigged together and seen as one and the same thing. How did you determine that they should be separated? Why does that matter, and what are the consequences of that separation?

Dr Shapovalova: First, it is important to note that we do not think that the themes operate

independently of one another; the jobs and skills section, for example, will have a knock-on effect on all the other sections. As we note in the opening section, democratic participation is intrinsically linked to community empowerment and revitalisation.

However, community empowerment is about more than just democratic participation—it is also about the shift of power in communities that can be achieved through democratic participation and through community wealth building, by equipping communities with ownership of assets and of renewable energy projects, and by having revitalised local economies through active climate adaptation, for example.

Therefore, it is just a matter of scope, but it is in no way the case that you could deliver on democratic participation but not on community empowerment yet still have a just transition. You cannot pick and choose indicators: you have to work on them all.

Maggie Chapman: That is helpful. You talk about community empowerment shifting where power lies and you gave a couple of examples of different ownership models and that kind of thing. Have you, in your research, come across examples of where community empowerment is happening in the just transition space?

Dr Shapovalova: A good example from Aberdeen is the Donside community hydro scheme that is run by Aberdeen Community Energy, which is a community benefit society. It is near Seaton park in Aberdeen, which is not the bluest region on the Scottish index of multiple deprivation map. It has been operating quite successfully—it is in its fifth full year in operation—and its operation empowers the community. However, it is a very rare example. A lot of improvement is needed in renewable energy ownership in urban areas. My colleague Tavis has some examples to hand.

Professor Potts: Thanks, Maggie and Daria.

The first point that I want to make about how we arrived at the categories is that there was a stakeholder-driven co-developed process at every stage, throughout the entire research process. We had a steering committee, which was a really diverse group of stakeholders from the community and from the energy and other sectors. They helped us to guide and steer the research and said what they would like to see.

In essence, the distinction between community empowerment and democratic representation or democratic processes is arbitrary. One leads to the other. We have a long way to go in the north-east of Scotland on improving participation, which is why we are advancing on that. We are seeing

impacts from the just transition fund, which is supporting some work.

There are also some problems with regard to funding, including how we engage with the funding process and the capacity of communities to engage in it. We are making strides, but there is still a long way to go.

We need to place capacity building and representation and community revitalisation on the same level as, say, industry net zero skills. They should be commensurate with each other, because they are both fundamentally important. There is huge scope for social innovation and community wealth building, but there are huge issues in reaching marginalised and underrepresented communities, who are not part of the narrative or the process of discussing what a just transition means for the north-east. There is a long way to go on that front. We need to invest in those skills as well as in the industry skills. They are both fundamentally important for getting a just transition in the north-east.

Maggie Chapman: The focus of the just transition tends to be on energy and decarbonisation, but there are so many other things happening, as you say. We want to look at the whole social and economic picture.

Professor Potts: Yes.

Maggie Chapman: On democratic participation, I heard what you said earlier in response to Colin Smyth's questions about community assemblies and the process of getting the outcomes from or desires of those into policy and implementation. Are there other things that we need to think about to ensure that people's views, whether they are community members or workers, are translated into action and the transformations that we need? What do we, as policymakers, need to do to enhance trust in the process?

Professor Potts: We have, particularly in Aberdeen, captured data on the lack of trust and declining trust in engagement in the process. Tracking that has been quite effective. I would formalise it—[Inaudible.]—what community processes deliver and then how they are taken up. I would like outputs of community assemblies, or any other assemblies, to be material evidence in the planning process, for example. They are not, at the moment.

In parallel, we have conducted primary research, which I am happy to forward to the committee—once I have finished writing it up, of course. We have done, in the north-east, the UK's first—if not the world's first—survey of how decision makers, community councils and councillors respond to and view climate assemblies and community assemblies. Although there was some positivity around what they could

mean, there was also a lot of uncertainty about what to do with them—how to construct them and how to link formally the outputs of one to the other.

That is not to say that the only value of the outputs of assemblies is in provision of material evidence to put into policy—it is not. There is a lot of work around strengthening civil society discourse and capacity, which is important in its own right. However, we believe that there needs to be a formal link to policy. A constituted regional assembly in the north-east, for example, that is representative of not just the energy sector but all the voices in the north-east who have a role to play in the transition, is fundamental.

Dr Bone: Work is happening, as an adjunct, to try to get more community and third sector groups involved in the transition. I am working with Aberdeen City Council on inequality and poverty issues and with Community Planning Aberdeen on reforging the local improvement plan. Net zero is part of that process and involves bringing in community groups to get their opinions and so on, so there is a lot happening in various silos. I am also part of the health determinants research collaborative in Aberdeen.

Different groups are bringing in different aspects, so we need to find a way to bring them all together because, as I said earlier, we are looking at a societal change, and not just an industry or economic change. All the different elements have to be taken account of, together with the views of the people who are underrepresented and who need to be brought along in the process. Trust will be forged when community groups and individuals believe that their issues are represented and that the things that are important to them are part of the just transition process.

Maggie Chapman: Thanks, John. I have one final question, if I may. It is probably for you. It is about the work on housing poverty and wellbeing. The links that are being made are really interesting and important and build on what you have just said about equality and wellbeing and the connection between our environmental situation and our individual and community wellbeing. Can you tease that out a little bit more and say why those elements are grouped as they are in the indicators and measures?

Dr Bone: Societal change of any kind is problematic for wellbeing. We have a problematic relationship with change, so the change has to be managed and people need to have information on how that is being managed. They also need a positive vision, and they need to be supported.

The problem at the moment is that we have an insecure society that is confronting the changes. We have to provide people with a greater sense of security and a greater sense of hope that the

changes that they are about to go through will make their lives better.

For example, we have included housing in our work. I notice that housing does not feature very strongly in the Scottish Government's vision of a just transition. If we are to move towards being a fairer economy and a fairer society, housing is crucial. Until recently, housing was unrecognised as a source of deep insecurity that has impacts on our wellbeing.

I promised that I would not go into my bio-social theory today, so I will not. All I will say is that—*[Laughter.]* I can see that you are laughing, as well.

It has been shown that people who live in insecure and poor-quality housing actually age quicker and are more prone to having poor health and poor immune systems than people who live in secure and affordable housing are. Therefore, housing has to be part of the mix.

Housing is also important for the vitality of the economy. We want a vibrant and fairer Scotland and a fairer economy after going through a just transition. The high cost of housing, particularly in the private rented sector, is taking a lot of disposable income and is contributing a great deal to poverty because people have to make up a shortfall in rent and so on from benefits.

Housing is a major problem and has to be included as part of the just transition, which, as I said earlier, has to be multidimensional. We have to look at what is happening in lots of spheres of society and the economy, and at how people can be supported through a very managed multidimensional process to produce the kinds of outcome that we are looking for.

We are looking at the Scottish Government's vision for a just transition: I would like to live in that society by 2045. A great deal of work needs to be done in many areas, which is what we are trying to do. We are looking at areas that have been neglected in the just transition process and at how they connect to other areas, so that we produce something that does not miss important aspects.

Maggie Chapman: That is really helpful. The committee has talked quite a lot about jobs, but housing is one of the other anchors of wellbeing and the positive vision that we want to achieve. I will leave it there for now.

Colin Beattie: I will turn to the opening statement by Daria Shapovalova. It is interesting that you referred to what is happening in respect of the just transition in other countries. As has been discussed today, there is uncertainty in some areas about what "just transition" means to particular sectors. Have people overseas done better on defining "just transition"? Do they

recognise a just transition? What about measurements? Have people elsewhere got in place anything that is basically better than what we are doing? Are there lessons that we can learn from them?

Dr Shapovalova: It is important to recognise that Scotland is seen internationally as a leader in just transition planning and policy, which is very reassuring. There are quite a lot of developments internationally. They are not always called "just transition", but they are about a just transition. The Canadian Sustainable Jobs Act, which is currently going through the Canadian Parliament, focuses on the jobs aspect, but it includes the same model, in that an independent commission will be instituted by the act to help with planning.

11:15

Some processes internationally are more focused on coal transitions, for example. The European Union's just transition mechanism and fund, for example, have a specific platform for coal regions that are in transition. The Appalachian Regional Commission in the US also focuses specifically on coal.

We have not seen any specific methodologies for multifaceted just transition measurements. There is a report by the World Benchmarking Alliance on just transition indicators, but those indicators are directed more at industry. That report looks at publicly available data on various companies to see how they comply with human rights obligations and how they deal with workers representation, and it awards them a specific score. However, that is industry focused.

There are, of course, much higher-level dashboards, such as the United Nations sustainable development goals, which are holistic, but they are very high level—they are at nation level and do not cover specific regions.

Therefore, "just transition" is framed in various ways, depending on whom you ask. Some non-governmental organisations frame it more widely in terms of lifting up of communities, empowerment and democratic participation, while others take a much more jobs-focused approach. It is important to remember that the term "just transition" originated from the trade union movement in the United States, so it is understandable that it is sometimes much more focused on the jobs aspect.

Colin Beattie: Did you do any comparisons with European countries?

Dr Shapovalova: We have not, within the scope of our research, done an in-depth comparison. The practices that we looked at included practices in Europe, but we focused more

on the EU just transition movement. We did not see any specific methodologies or good practices on measurement of just transition.

Colin Beattie: I guess that you are saying that there are no lessons for us to learn from other countries, at this time.

Dr Shapovalova: As it is conceived in our report, we have not found what we were looking for in terms of measurement of a just transition, but that is not to say that there are no such methodologies.

Colin Beattie: From what you are saying, it seems that there is a bit of a worry that a lot of countries are not making a co-ordinated effort in heading to net zero and so forth.

Dr Shapovalova: Absolutely—it is a worry. It is much easier to measure and present data on greenhouse gas emissions limitation. That is where the focus is, because we have data that goes way back, which can be presented at a local level and at the national level. It is easy to track that data and to assess it. There is definitely a sentiment in academia and in commentary that it is much more difficult to track the more social issues, which has not been done comprehensively.

There are two issues. First, a just transition is difficult to track: there is not enough data. On democratic participation, we have some Scottish household survey data and some Aberdeen City Voice survey data, but we have found that there are a lot of data gaps.

Another issue is that the just transition will mean different things in different regions. In some regions, it is more about a transition away from coal, whereas in others it is more about a transition away from oil and gas. In some areas, there is no energy associated with the transition process—it is a just transition to a low-carbon society. Therefore, it is acceptable that we will not always be able to learn lessons from regions that have challenges that are different from ours.

Colin Beattie: There are differing regions in Scotland—the north-east and elsewhere—so it is clear that, because there are so many different sectors, their just transitions will be slightly different, depending on their focus at the time.

However, I do not like to think that Scotland is working in isolation. There must be some good practices in other countries that we can take on board. Equally, we should be able to share what we are doing with other countries. There does not seem to be a mechanism to do that.

Dr Shapovalova: There is definitely scope for more co-operation on the just transition. For the first time, the just transition has been included under the Paris agreement agenda. I imagine that

there will be quite a lot of discussions on the just transition at the 28th United Nations climate change conference of the parties—COP28—which started today. Dialogues are definitely taking place, but there are also, in other countries, a lot of developments that are important for a just transition, but are not under the “just transition” banner.

In Norway, there is no just transition commission like Scotland’s, but there is a sovereign wealth fund that has been preparing the society for the transition for many decades.

I will pass to my colleague Tavis Potts.

Professor Potts: I will be brief. The focus work that we did looked at the north-east of Scotland, in particular, so although we explored what was happening in other areas, we really homed in on the issues that are being faced in the north-east.

In parallel work that we have been doing, we have found that there are very similar characteristics and processes around what we call energy cities and regions. For example, what happens in Aberdeen could have more in common with what happens in Stavanger in Norway, in Houston in Texas, or in Perth or Newcastle in Australia than with what happens Edinburgh or London. That relates to whether the energy economy is a dominant player in providing employment, to how communities are engaged with the process and to what people’s perspectives are on the shifts and challenges related to jobs and skills.

Where I am from—Newcastle, near Sydney in New South Wales—the New South Wales Government has just established a jobs transition strategy, and it also has a net zero strategy. However, the Government there is referring to what is happening in Scotland, through our commission.

There are there are similar issues with coal workers. I know that because my old man is a former coal-industry worker who just attended the closure of his major power station. After 45 years of operation, it is being converted to a battery-storage network hub for power plants. There are parallels with what is happening on economic policy, industrial strategy and just transition processes. We think that the north-east has more in common with other energy cities and energy regions, so we are collecting those stories and working with other players around the world.

Kevin Stewart: I want to ask about a number of issues that are related to data and measurements, but also to outcomes and experience. I have never come across an academic who has said that we do not need any more data. I recognise that there are data gaps—witnesses might want to highlight where they think some of those gaps are, but first I

want to tease out areas that you have already mentioned where there could be difficulties in relation to data, and where sometimes we tie ourselves in knots.

Let me give you an example of when we sometimes tie ourselves in knots. Witnesses have said that we need to create a standardised classification of green jobs because the current industry and occupational classifications are not detailed enough. I will use an example from a conversation that I had the other week about how we are not producing enough software engineers and how we need to boost the educational prospects of folk who want to enter software engineering. How could we classify whether a software engineer is working in a green capacity or in a green job?

Could witnesses cover some of those gaps and foibles in data gathering?

Dr Shapovalova: We have been fortunate in that we have encountered a lot of helpful people along the way as we have collected the data. When we first started working on it, we saw that there was very little data in the public domain, apart from the national statistics. We have a lot of data from Aberdeen City Council and Aberdeenshire Council—which were very helpful—and we have got data from the North East of Scotland Transport Partnership and the Energy Savings Trust, and from local third sector organisations such as NESCAN, Community Food Initiatives North East and more. We have taken all that data and tried to present it in a comprehensive way, but it took quite a lot more digging than it should have done.

We are aware that a climate intelligence service is currently being developed by the Government to aid local authorities in data collection and presentation. That is a very positive development; perhaps the just transition could be included in that data collection and presentation. There should also be more sharing of data between industry and Government and that data should be made more public.

We recognise the challenge of classifying jobs, which is something that we highlight in our report. I wish that we had Professor Keith Bender with us, because he is an economist and would probably be able to give you a more eloquent answer, but that comment stemmed mostly from the fact that it is quite difficult to tease out from the data available the growth rate in the green jobs sector, as it is currently defined.

Kevin Stewart: Where are the other data gaps? You may wish to bring in your colleagues to answer that.

Dr Shapovalova: I will begin before passing over to my colleagues.

It would be useful to have more data to aid community empowerment and revitalisation. The data about community ownership is currently presented for only two years and anecdotal experience suggests that the data underrepresents the actual situation, so there is a need to better develop and maintain that dataset.

The Energy Saving Trust is doing a lot of good work on community and local ownership, but we feel that the data about that is also a bit under-representative.

There are challenges in collecting data about democratic participation, and I will hand over to my colleagues to discuss those.

Kevin Stewart: I have a question before we move on. You have hit upon a couple of points. You talked about Government and industry sharing data, but we have heard that there is lack of communication with communities, and the data and knowledge that we have is often not passed on to communities. Would it be fair to say that we need to do more in that regard?

Dr Shapovalova: Absolutely. Data needs to be shared in a way that is comprehensive and can be understood. In the report, we attempted not only to present the data but to provide a narrative with possible explanations for that data. Just presenting charts without those explanations is not sufficient for dialogue with communities.

Kevin Stewart: You also spoke about community ownership, which brings me to a point about experiences and outcomes. In your initial comments, you or one of your colleagues mentioned Aberdeen Community Energy's Donside community hydro project, which is community owned and took place long before we even thought of a just transition. How do we capture the knowledge and data that has been gathered by that community and its leaders Sinclair Laing and Jane Fullerton? How do we capture those experiences to allow other communities to achieve their potential and reach their goals, as Donside village has done?

Dr Shapovalova: There is some good practice and some very useful resources are available from Local Energy Scotland and CARES—the community and renewable energy scheme—but more could definitely be done to share experience, particularly in the urban context. Aberdeenshire is doing fantastic work on locally owned energy, although that is mostly on farms and estates. It is the region with the biggest capacity for locally owned rather than community-owned energy. In urban settings, including in Aberdeen, community-owned energy is in dire need of development. There is definitely space, perhaps in a project funded by the just transition fund or by other means, to have more sharing of data and

experience, which would build up community capacity to develop projects like the one you mention.

Something that we plan to do if we get the resources, which would definitely be valuable, is to develop a data dashboard for a just transition for the region. It could give comprehensive information.

Kevin Stewart: Do any of your colleagues want to comment on some of those questions about data gaps and experiences?

Professor Potts: I am going to say something that Kevin Stewart may never have heard before. We have enough data—what we need is action on a just transition. I am a social scientist, however, so I probably would say that. We need action and capacity building, and data will come along as we develop that.

11:30

Nonetheless, if I was to pick one data source that we are missing from the empowerment side, it would involve bringing together and capturing all the outcomes of the community deliberations in all their guises, and looking at how they are being implemented in policy and investment decisions, and in partnership formation, because there is a huge gap there. We have community assemblies and some interest from policy makers, but we have nothing to link the two. That is a data gap, and we are actively discussing with NESCAN just now how we capture that data so that NESCAN can provide a menu to enable organisations to engage in the process.

With regard to how we capture the good stories and the capacity from initiatives such as the hydro project—which is just behind my window here—we must recognise that there is a capacity issue for community groups that want to go into that space and build infrastructure, buy out land or local buildings and go through the many hoops, loops and hurdles that they are faced with. Communities are built on volunteerism, which is important, but there is a capacity issue.

I would like there to be much stronger links in that regard. As a university, we produce hundreds of graduates in the sustainability and engineering spaces. I would like to see, for example, a Government-sponsored internship scheme through which we match graduates who need to develop their expertise and gain experience in employment not just with partnership and community groups, but with local businesses, including small and medium-sized enterprises. We currently have that resource coming out of our universities, but a lot of our graduates will graduate then leave the region. We should be looking at ways in which we can keep them in the

region and link their academic skills with the capacity needs of local council and community partnerships, as we do not currently do that.

I would also like to see an emphasis not only on the critical skills that are needed for oil and gas workers moving into areas such as carbon capture and offshore wind, although that aspect is fundamental, but on the job-rich areas that we in the north-east are not currently focusing on. One example is retrofit. It is probably the biggest green employer in the country—in the UK statistics, it is the one area that has actually grown over the past five years, whereas all the others have stayed the same—and yet in Aberdeen, we do not currently have a formal strategy for how we train people up in those skills.

The other statistic comes from the most recent Aberdeen and Grampian Chamber of Commerce “Energy Transition” report. It highlighted something really concerning, which is that 30 per cent of businesses in the region—SMEs and large businesses—do not have a net zero strategy, while another 30 per cent have a net zero strategy with no targets or dates. Two thirds of businesses in the region, therefore, do not have a formal approach to net zero or just transition, and yet Aberdeen is supposed to be the energy capital of the UK, Europe and the world.

How do we grow the capacity for SMEs to develop their training and investment structures around net zero? Part of that is about linking up with the capacity provided by graduates and students and bringing them into that space.

Kevin Stewart: An internship scheme would certainly be worth looking at, without a doubt.

One of the things that has been great about Aberdeen and the north-east is that when we have attracted folk, and students in particular, to come to Aberdeen, many of them stay. I saw that just the other day with regard to the work that X-Academy is doing in matching folk with green jobs, which involves a number of those on the accelerator programme who came here to study and never left.

An internship is a good idea, as you said, but how do we retain and export community knowledge that is accrued from successful projects in order to help other projects become a success? Could we have a scheme to allow folk the freedom to work in that sphere?

Professor Potts: Yes, absolutely—we are trying to put in place some of the architecture for that with groups such as NESCAN. There is also a role for Community Energy Scotland in that space, and a role for a formal regional assembly on net zero in the north-east so that those lessons can be shared.

There are huge differences between the city and the shire in that space. We often look slightly north-west to places such as Huntley, which has been incredibly successful in attracting inward investment into its community and in creating a really strong business case around local energy, transport and energy production. It is a case of sharing that information and the stories; using some of the existing institutions such as CARES; identifying where capacity needs to be built, what skills communities need and how can we provide them; and having a much more diverse approach to what transition looks like for the north-east.

There is huge job growth and there are huge job opportunities in this sphere. It is not just about community initiatives; it is about social innovation and employment growth. It is difficult to find someone to do retrofitting or to fit solar panels in the north-east. There is huge opportunity. We need to look across the economy and take a much more diverse approach.

Kevin Stewart: Can I ask just one final question, convener?

The Convener: Yes—if it is a brief question.

Kevin Stewart: It is very brief.

The Convener: I ask for a brief answer as well.

Kevin Stewart: How do we get communities to help you to build that place-based just transition data dashboard?

Professor Potts: That is a good question. We need to help them to design what the data is and to train people in how to use it. That alone is not the solution; we need to ensure that the data drives awareness and activities. We need to get the data and embed some of it, potentially in climate assemblies and local discourses.

Gordon MacDonald: Good morning. You might be pleased to know that I will not ask you about data. I want to ask about some of the points that were made in the report “Just Transition for Workers and Communities in Aberdeen and Aberdeenshire: Rapid Evidence Review”. Section 4.6 is titled “Lack of local control”. It says:

“during the key early years of North Sea development ‘the goal of local capability-building was a secondary consideration’.”

Later in that section, it says:

“In its early phase ... oil development was dominated by externally owned companies.”

What lessons should we learn from the early days of the oil industry to ensure that we achieve a just transition? Why is local control important?

Dr Shapovalova: That shows why we thought it important to look to the past in order to learn about the present and the future. Of course, when the oil

was discovered, a lot of national considerations were in play and local capacity building came later. Many stakeholders, including the trade unions, are expressing the same sentiment—that is, that we are repeating the same mistake today by not building enough manufacturing capacity in the north-east and Scotland in general.

If we look at the requirements for local content, for many years, while we were a part of the European Union, regulators hid behind EU law and said that we cannot have any local content requirements. We are out of the EU now, but the local content requirements are not materialising yet. We have some provisions for that in the ScotWind leasing process, in the contracts for difference subsidy scheme allocation. However, as we discussed in the report, those provisions are quite vague. They often do not require a minimum threshold and the penalties that are associated with not meeting the local content requirements do not incentivise compliance. There is definitely scope for strengthening those to develop more capacity for manufacturing and job building around the low-carbon energy sector in the north-east.

Gordon MacDonald: We are often told that Scotland has two Governments. Whose responsibility would it be to encourage that manufacturing? Who has the levers that would encourage the manufacturing of offshore wind turbines and so on?

Dr Shapovalova: There has to be a collaborative approach between the Scottish and UK Governments and with public-private partnerships and industry. There is definitely scope for stronger regulations at UK level and at Scotland level, but there needs to be a collaborative approach with the industry, including consultations, to make sure that the regulations are achievable.

Gordon MacDonald: I want to ask you about a couple of comments in section 5.1 of your report, which is entitled

“Path dependency: what are we transitioning to?”

In that section, you refer to

“an academic/third sector consortium”

that said that there was a difficulty in breaking

“the path dependency between economic development and oil and gas related industries”,

with

“considerable resistance to doing so from companies, governments and communities, largely due to concerns and uncertainties over costs and impacts.”

You also quote the chief executive of Aberdeen and Grampian Chamber of Commerce, who said:

“no one is going to come in and pick up things like floating offshore wind, hydrogen, carbon capture, etcetera, because right now it is not commercially viable.”

How do we ensure a just transition? How do we manage the move from oil and gas to renewables? What support is required from either the Scottish or UK Government?

Dr Shapovalova: Something that we often see, not just in Aberdeen but in other energy cities and regions, is this perception and narrative that we are moving on from oil and gas and that the only industries that we can focus on are carbon capture and storage, hydrogen and sometimes, as in our case, offshore wind. More can definitely be done to support the development of those industries. Over the past few years, funding for carbon capture and storage has been on and off the table; indeed, that has been the experience with the Acorn project. Moreover, we saw, with contracts for difference, a very good experience in the first few rounds, with a lot of uptake and a reduction in the strike price for offshore wind. However, the strike price is now so low that the latest round attracted no bids at all from offshore developers.

We need continuous monitoring and evaluation of policies to ensure that they are actually delivering the outcomes that we would like to see. Importantly, though, we need a cross-nation and cross-party coherent energy policy, because that is currently lacking. In the UK, the two major political parties have taken wildly different stances on the future of the energy sector, while in Scotland, the fact that the energy strategy has been delayed by two years does not instil confidence either in the oil and gas sector or in the renewable energy sector. There is therefore a need for a more unified, climate science-based and economy-based approach to energy strategy that is clear to the public and the industry.

Gordon MacDonald: Thanks very much.

The Convener: I have a final question that, unfortunately, brings us back to data. The Scottish Government has put in place, I think, a 10-year fund, so it is quite long term, and under the indicators that you have established, we might not see any progress until quite far down the line. Do those long timescales present any challenges with regard to holding Governments to account and ensuring that they show that progress is being made where it should be? Will there be any flexibility in that respect? Do you anticipate our needing to refresh indicators or to look at different ones as we move through the time period?

Dr Shapovalova: Absolutely. After all, the Government’s planning for just transition is built on constant monitoring and evaluation, and I would say that, in the past 18 months, we, too, have changed our approach and scope significantly. My

answer, therefore, is yes, there will be a need to evaluate and update all this.

I will pass over to John Bone, because I see that his hand is up.

Dr Bone: On this question and, indeed, the previous question on gaps in data, a lot of the data on just transition relates to numbers and measurement. However, one of the things that we have been talking about is the need to bring in marginalised communities and so on, and there is a need for lived-experience data on what is happening to groups that are normally underrepresented, how they can be carried through the process and how it is affecting them. That sort of lived-experience data is going to be as important as quantitative data, and it should be collected on an on-going basis to find out what is happening to communities. As we discussed earlier, the question is whether people have trust in the process and whether they see the future that is being produced for them in a positive way.

11:45

The Convener: Douglas Lumsden, did you want to come in?

Douglas Lumsden (North East Scotland) (Con): On the back of the previous question, I would just note what has been said about the just transition plan having not yet been published and the convener’s comment about money having already been committed. Indeed, quite a lot of money has already been spent. How can we get assurance that it is being spent effectively and that it is already feeding into the just transition?

Dr Shapovalova: Thank you for that very important question. It would be very useful to see some evaluation of how the first round of the Scottish Government just transition fund has performed. I am not sure that that has been done or published yet, but it would be very useful to see that continuous evaluation, which has supposedly been embedded in the process.

I think that my colleague Tavis Potts has some thoughts on this, too.

Professor Potts: It is a good question. First of all, it is really good that things such as participatory budgeting are being done. It is unleashing a whole range of local projects in the north-east, which is really positive.

There are concerns about how the just transition fund has been allocated, particularly, if you look at year 1 funding, the overall balance between commercial projects and community projects. We need some sort of formal public evaluation process of how things are going. That is why it is critically important to develop indicators; we need to be able to measure, for example, the

investment from the fund over time and link that with how the indicators are picking up on the various aspects that we have been covering today across the north-east. Linking those two things is really important.

Fundamentally, though, we need to look at how quickly we are diversifying the economy and, indeed, how quick our planning responses are. At the moment, they are not quick enough for just transition funding. The delay in the draft energy strategy needs to be looked at and the strategy itself brought forward. We also need to look at how we are building capacities in communities, industries and partners for these things. All of these things are being picked up by the indicators, and it is really important that we are able to assess how we are going, make such assessments publicly available and share the knowledge of what is happening across the projects, too.

Douglas Lumsden: Thank you.

The Convener: That brings us to the end of our evidence-taking session. I thank the witnesses very much for their contributions this morning.

11:47

Meeting continued in private until 12:06.

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