



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

**DRAFT**

# Public Audit Committee

**Thursday 28 March 2024**

**Session 6**



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Pàrlamaid na h-Alba

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**PUBLIC AUDIT COMMITTEE**

**11<sup>th</sup> Meeting 2024, Session 6**

**CONVENER**

\*Richard Leonard (Central Scotland) (Lab)

**DEPUTY CONVENER**

\*Jamie Greene (West Scotland) (Con)

**COMMITTEE MEMBERS**

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

\*Willie Coffey (Kilmarnock and Irvine Valley) (SNP)

\*Graham Simpson (Central Scotland) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Kersti Berge (Scottish Government)

Roy Brannen (Scottish Government)

James Huntley (GEOAmeY Ltd)

David Jones (GEOAmeY Ltd)

Sue Kearns (Scottish Government)

Gavin Redmond (GEOAmeY Ltd)

Catherine Williams (Scottish Government)

**CLERK TO THE COMMITTEE**

Lynn Russell

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

### Public Audit Committee

Thursday 28 March 2024

*[The Convener opened the meeting at 09:00]*

### Decision on Taking Business in Private

**The Convener (Richard Leonard):** Good morning. I welcome everyone to the 11th meeting in 2024 of the Public Audit Committee.

The first item of business is a decision on taking agenda items 4 and 5 in private. Is the committee agreed?

**Members** *indicated agreement.*

### “Decarbonising heat in homes”

**The Convener:** The second item on our agenda is further consideration of the Auditor General for Scotland’s report on decarbonising heat in homes.

From the Scottish Government, I am pleased to welcome the director general net zero, Roy Brannen; Kersti Berge, director, energy and climate change; Catherine Williams, deputy director for heat in buildings delivery; and Sue Kearns, deputy director for heat in buildings policy. We have some questions to put to you. Before I get to those, I invite you to make a short opening statement, director general.

**Roy Brannen (Scottish Government):** Good morning. Thank you again for bringing us along today. As the convener said, I am joined by Kersti Berge, Sue Kearns and Catherine Williams, who I hope will be able to answer questions on policy, delivery and the overall strategy.

At the outset, it is important to say that the Scottish Government very much welcomes the findings of the “Decarbonising heat in homes” report. Audit Scotland acknowledges the scale and complexity of the challenge that we face but also recognises the positive steps that we have taken and the capacity that we have built in order to deliver against the ambitions of the heat in buildings strategy.

This year, 2024, represents a significant year for heat in buildings, as we take forward our proposals for a heat in buildings bill and associated regulation, following a recent consultation. In advancing that, we find the specific recommendations that were provided by Audit Scotland to be constructive and helpful. We have already made progress on our response to specific recommendations, such as programme governance, which is now well advanced, with work in many cases progressing in parallel with our engagement with Audit Scotland, which has been really positive.

Nonetheless, we fully recognise the challenge that is inherent in decarbonising heat in our homes in a way that is fair, just, practical and affordable. As the report stresses, the Scottish Government cannot do that alone. That is why we have placed such emphasis on activities that will integrate our input with that of others, such as the green heat finance task force, which was set up to explore ways to encourage private sector investment, and work with local authorities to develop local heat and energy efficiency strategies.

Those activities provide important foundations that we will build on in the years ahead. The report notes the urgency with which the next steps must be taken. We agree, but we suggest that the actions that we have taken in recent years have

put us in the best possible position to make further progress. As always, we will endeavour to answer the committee's questions and, if we cannot do that today, we will follow those up in writing.

**The Convener:** Thank you very much indeed, Mr Brannen. What I inferred from what you have just told us, but want to check for the record, is that you accept the recommendations of the Audit Scotland report. Can you confirm that?

**Roy Brannen:** Yes, we accept the recommendations.

**The Convener:** Thank you. I will turn to one of the issues that are of particular concern for us, as elected members of the Scottish Parliament. Can you tell us why the Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights has proposed revised timelines for new regulations on heat in homes that are simply not compatible with the Scottish Government's existing 2030 targets?

**Roy Brannen:** I will bring in Sue Kearns, who has done most of the work on the policy development. However, it is worth putting into context where the minister's thinking has been on the development of the proposals to go out to consultation and, based on the consultation responses, where that bill might take us as it enters Parliament. Considerations include the cost of living crisis, the price of energy, the scale of the challenge in making sure that we have the right skills and the right supply chain and ensuring that we take everybody with us. Therefore, being fair, affordable and feasible are the key elements of how the minister has determined what goes out to consultation and, depending on the feedback on that consultation, what goes into the bill. Sue, do you want to say more about that process over the past year?

**Sue Kearns (Scottish Government):** Yes—thank you, Roy. You are absolutely right. In working on the consultation for a heat in buildings bill, it became clear to us that it would not be fair, feasible or affordable to devise regulations that would be in line with reaching the target of decarbonising more than 1 million homes in the next six to seven years.

We need to be really careful, because the heat in buildings regulations will affect the homes of most people in Scotland, as well as businesses. Therefore, we looked carefully at the regulations and decided to go for a longer timeframe that would provide a smoother trajectory towards the target. Nearly half the homes in Scotland would have been touched. Given that we are at quite a low base at the moment, it would not have been fair to people in Scotland to adopt such a steep trajectory.

**Kersti Berge (Scottish Government):** I have a point to add. Although what is proposed

represents a slowing down compared with what we set out in the heat in buildings strategy in 2021, the Climate Change Committee, while emphasising the need for the measures to be implemented, has welcomed them as bold measures.

**The Convener:** Okay, but we are in 2024, and the Scottish Government declared a climate emergency back in 2019. I understand why you mentioned the need to be careful and the need for extensive consultation, but why, in 2024, five years after a climate emergency was declared, are your plans still out to consultation? Why are we still talking about the need to take people with us? Why is it taking so long?

**Roy Brannen:** I do not think that it has taken us that long to get here. The team has done a huge amount of work over the past few years, going back to 2015. We have consulted 23 times on different elements of the building blocks of our heat in buildings policy, which include aspects such as social housing, new-build standards, the various funding schemes and the reprocurement of the warmer homes Scotland programme.

As a country, we face a massive challenge in this regard, and it is one that requires all of us—not just the Government or the four of us who are here—to bring society with us on that journey. The building blocks that Sue Kearns, Kersti Berge and Catherine Williams have put in place over that period of time have got us to the point where we have received the feedback from the consultation, which will be put in front of the minister, who will decide what goes into the bill. That bill will provide the certainty that the industry and society are looking for. That is what came out of the consultation—people need to know what will be required of them by when.

I think that we have done everything that we could have done up to this point to try to remain on target to achieve the 2030 climate change targets. It is clear that the CCC's view is that reaching those targets by 2030 is no longer achievable. We have looked at the situation over the past year, have provided advice to ministers and have responded to ministers on the further challenges. We have got to a point at which, as the cabinet secretary said in the chamber two weeks ago, she is now considering all options, including legislation. I am sure that, in her own time, she will update the Parliament accordingly.

**The Convener:** You have said a couple of times that this is the point that we have now reached. I remind you of what that point looks like. The target was that 1 million out of the 2.5 million homes in Scotland would be converted by 2030, but, as I read the Audit Scotland report, the figure is not 1 million out of 2.5 million; it is 26,000 out of 2.5 million, which is about 1 per cent.

**Roy Brannen:** I am repeating myself, but the challenge that we face is an incredible one. I knew when I came into post that achieving the target of decarbonising 1 million homes was always going to be a stretch. The target that was set by Parliament of reducing emissions by 75 per cent by 2030 was always going to be stretching. By using the TIMES model, which determined the envelopes for each of the different sectors, it is possible to determine how many homes we need to convert by a certain point.

Reaching the target of decarbonising 1 million homes by 2030 was always going to be stretching, particularly when we are requiring people to walk towards that in a cost of living crisis. There will be a cost to the individual. We will do the best that we can to protect those who most need protection, but it is a big challenge to reach the target of decarbonising 1 million homes.

We are not alone in that regard. The United Kingdom Government has the ambition of decarbonising 600,000 homes by 2028. According to the most recent figure from the National Audit Office, about 55,000 of those homes have been done. Therefore, the scale of the challenge is massive, not just for us in Scotland but for everyone in the UK.

**The Convener:** Let me turn to another aspect of this, which is drawn out in paragraph 47 of the report, which tells us that the heat and building strategy progress report shows

“a spend of £170 million”.

Have you undertaken an assessment of the effectiveness of that spend?

**Roy Brannen:** I will bring in Catherine Williams on what we have managed to achieve for 2022-23. We are now monitoring the inputs—that is, the money that is apportioned in line with the strategy to deliver the outcomes that we are seeking—and what is achieved from them yearly across all the schemes.

As well as the annual monitoring report, at the start of this year we published, with the consultation, the monitoring and evaluation framework, which looks across one vision—to decarbonise our building stock by 2045—and three outcomes, namely, to reduce the energy that we use, move to a clean heating source and have a fair and transparent transition. If you have had a chance to look at the monitoring and evaluation framework, you will see that it is pretty detailed. It gives, by unit, exactly what we will measure, and we will publish that and make it transparent. That will be our ruler, if you like, between now and 2045.

Catherine, do you want to say a bit more about 2022-23?

**Catherine Williams (Scottish Government):** Yes. The specific outcomes of the domestic schemes are in the bullets in paragraph 47. What we have delivered for the domestic side does not represent the whole £170 million, which is the total of our capital spend and includes spending on social housing, the public sector, the heat networks and a number of other schemes.

Underneath each of those schemes, we have scheme-by-scheme outcomes and outputs. For example, in our warmer homes Scotland scheme, which covers a large proportion of fuel-poor households, we monitor bill saving and standard assessment procedure rating improvements—bill saving on warmer homes Scotland is about £150 a year for an individual who benefits from that scheme. Each of those schemes has detailed assessments, and they align to the objectives that we are trying to achieve in the heat and building strategy.

**Roy Brannen:** I want to build on progress. Last year, we saw the installation of 6,000 heat pumps in our properties. That number needs to grow significantly—that is recognised not just in Scotland but elsewhere—but it is a 113 per cent increase from 2020 to 2023 and a 20 per cent increase from 2022-23, so we are starting to see progress. However, the thing that has come out most in the consultation is that people just want certainty on questions such as, “When will I be required to do this?”, “How will you support me if I am one of the most vulnerable people in society?” and “What wraparound will you put in place?”

**The Convener:** I reflect again that 6,000 heat pumps out of 2.5 million households is way less than 1 per cent, isn't it?

**Colin Beattie (Midlothian North and Musselburgh) (SNP):** I want to pick up on something that the convener has talked about in relation to the numbers of heat pumps that have been installed. Do you monitor when the heat pumps have been deinstalled? I installed a ground-source heat pump; it was rubbish and cost a fortune, so I had to get rid of it. I know that many people have had the same experience—partly, because they have the wrong type of property. Do you monitor that, or is my heat pump still in your list as being installed?

**Roy Brannen:** That is a good question, Mr Beattie, to which I do not know the answer; I will ask colleagues whether they do. You have touched on an interesting point, which is that the advice to householders as we go forward on this journey together will be so important. We need to get to the point where we have accredited installers through the microgeneration certification scheme and where we have confidence in the suppliers so that we have products that are right and fit for purpose.

I believe that it is now the case in the country that we have good products that are being installed really well—I point you to Heat Geek, which is an organisation that does a great deal of work with OVO Energy. More generally, it is about trying to grow the network of individuals who can install heat pumps and provide the right advice to the owner.

I do not know your circumstances, but it requires quite a bit of calculation to get this right. In the early stages, quite a few individuals were probably trying to put in heat pumps not based on the required engineering and science to make them as efficient as possible. They are two and a half to five times more efficient than a gas boiler in producing heat if you get it right and if you do the calcs right, but that requires really good, solid advice.

I will bring in Catherine Williams on the specific question of whether we monitor extractions.

09:15

**Catherine Williams:** My understanding is that the MCS data will only monitor installations. The figure of 6,000 was for air-source heat pumps only; there is a separate figure for ground-source heat pumps, which is much lower. We talk regularly to stakeholders across the country, in different forums, and we understand cases such as the one that you described, so we are not unaware of some of the challenges that people have at times.

To reinforce the point that Roy Brannen made on the importance of advice, as the market grows and we increasingly look to people to take early action, we need to support them and ensure that there is an ecosystem in place that grows and provides them with advice. You mentioned Heat Geek, and there are other organisations in Scotland providing independent and impartial whole-house assessment advice. We are keen for that area to grow, and we are looking at how we can support it.

**Sue Kearns:** We have consulted on using a technical suitability assessment tool. We hope to develop that, because we think that it will be useful for people to understand the heat or energy efficiency that their house is capable of.

**Colin Beattie:** Mistakes made on such things are costly.

Let me move on to the key question that I want to ask, which is about governance. This committee has often considered governance, and on many occasions we have seen that it is deficient. The Auditor General's report said that there was concern about governance arrangements that had not been finalised. We understand that different

programmes and risk management is in place, and Roy Brannen touched on the fact that you had improved governance. Would you like to tell us a little bit more about that? Do those improvements cover all of the issues that the Auditor General raised?

**Roy Brannen:** I will bring in Kersti Berge in a moment. Last year, when I came to the committee, I spoke about governance in the overall climate change programme and how important it was for us to get that right. Heat in buildings is one element of that. It is one of the seven sectors that has to have its own governance structure, and it has got that. In large part, for the years that the convener mentioned, when we were working on the policy and strategy, Sue Kearns had a programme board in place. As we have moved from strategy and policy to delivery, Catherine Williams' board has also been up and running.

Recently, we have finalised a sponsorship group that sits above those, and we are happy to share the detail of that with Audit Scotland, if the team or the committee have not done so already. That group will include me, the director and a number of other deputy directors. It will bring the two programme boards together. We are running work on policy, the bill and strategy in parallel, and we are doing the same with work on delivery. Once we know what it is that we have to deliver and we have a clear plan, we will develop that plan for the end of 2024, and then the governance structure will monitor progress against it.

As well as that, and connected to the governance structure, we have engagement with enterprise agencies and local authorities. We also have a strategic group, which is effectively a critical friend, to keep a check on exactly how we are developing policy, strategy and future work.

**Kersti Berge:** Our governance has been evolving as the programme has evolved. Previously, there was more separation on the delivery schemes. Although they did their thing, because we did not have regulations driving that, and then we were working on policy development. However, in our new governance structure—which we will finalise in the next month or so—we will bring those two things together more. It was positive that Audit Scotland recognised the progress that we have made on governance and programme management. That is particularly strong in our work on heat in buildings, so I am pleased that Audit Scotland recognised that, and that we are setting ourselves up for a scale up in delivery.

Roy Brannen added that we have the strategic advisory group. We also have the two programme boards that sit under the cross-cutting senior responsible owner board, of which Roy and I are members. That sponsor group board feeds into



the global climate emergency board. Heat in buildings is one of the seven sectors that contribute to the climate change plan, so there is a direct line of sight into that and, indeed, into the Cabinet sub-committee on climate change.

**Colin Beattie:** So the overall governance arrangements are not yet in place and are still evolving—is that right?

**Kersti Berge:** They are about 90 per cent there, if not more. We need a couple of non-executives on the strategic oversight board, but the arrangements are pretty much there.

**Colin Beattie:** What progress have you made on the monitoring and evaluation framework for the heat in buildings programme?

**Roy Brannen:** I might bring in Sue Kearns in a moment.

We have published the framework, so we are looking at the things that we will start to monitor and evaluate, and we will get into a rhythm of regular reporting. The document is pretty detailed, and I encourage members to have a look at it if they have not already done so. It outlines the main mission; the three outcomes; a series of sub-elements that we will measure, including the number of installations, the contribution to energy efficiency, skills and support for people in fuel poverty; and a number of enablers—things that will need to happen—including an increase in the supply chain and in the number of qualified accredited individuals. That is all laid out in the report.

I do not know whether Sue Kearns wants to say a bit more about that.

**Sue Kearns:** Roy Brannen has covered most of the points. We published the draft framework in November, and the plan is to have the first report by October. The framework will evolve as we make progress with our strategy. The framework's design, which Roy Brannen laid out, is based on designs from the Climate Change Committee; we consulted it and the UK Government when designing the framework. It is about quantity, as Roy Brannen said, but it is also about quality, so we will measure some of the softer things around the numbers and use that information to track progress.

**Roy Brannen:** The framework will be an important tool for the committee because, once we get the proposed heat in buildings bill locked down, it will show a clear pathway outlining what we are going to deliver by when, which will determine the number of homes that we will deal with by certain milestones. We will use the monitoring and evaluation framework to track progress so that we can see whether, for example,

we are on track to do what we said that we would do in five years.

In relation to the National Audit Office report on the UK Government's position, the situation is similar. At the moment, the UK Government does not have the metrics to be able to track progress. Everybody is wrestling with the issue. Our framework is in a pretty decent state, and it will evolve over time. It is the starting point and will give us a guiding light that shows whether we are making progress.

**Colin Beattie:** The Scottish Government is developing a delivery plan for the heat in buildings strategy, which is supposed to be published by the end of 2024. Are we on track with that?

**Sue Kearns:** Yes.

**Colin Beattie:** That is a good answer. Thank you.

How are you ensuring that you have the staff and the skills that are needed to deliver the heat in buildings programme in the medium term? We hear all the time about huge shortages of people who are trained and skilled in this area, and that is certainly borne out by what we hear in the market. What is happening? How are you addressing that?

**Roy Brannen:** I will say a couple of things before I bring in Kersti Berge or another member of the team.

As I mentioned when I last spoke to the committee about overall governance, the Government does workforce planning to determine the right amount of workforce for the programmes that we have in front of us, given the pipeline and the available budget. That work continues—on Tuesday, the executive team had a session on workforce planning. There is always a tension between how much money we have, how many people we have internally and what they should be deployed to do. Ultimately, ministers decide what the pipeline priorities are.

Our directorate-general was intended to grow because of our work on key programmes, such as the agricultural reform programme, the heat in buildings programme and a couple of others. Kersti Berge's workforce planning last year determined how many people would be needed. At that stage, that was based on work on a million homes, so the trajectory was quite steep. Clearly, given that there will be a different proposition in the bill, we now need to re-evaluate to determine what will be needed.

At present, we have enough people internally to run the programmes that we have in place. Externally, Skills Development Scotland has indicated that uptake in skills is matching demand. That is a reasonable place to be, but if we ratchet

up demand, which we are clearly going to do, we will want the sector to ramp up accordingly.

We have a number of schemes in place that support young apprentices—for instance, we have a scheme for bolt-on qualifications to apprenticeships in heat in buildings installations at no cost. We have a mobile unit for heat installations, which is about to go up to Shetland at the end of the month to support people there on heat in buildings installations. We also have a scheme that supports installers to become MCS accredited.

We have a number of different elements in play to support that network to grow. There is a big prize at the end of this. As the Auditor General has said, more than £30 billion-worth of investment will be required. We want a large part of that to be recycled within Scotland, if at all possible.

**Kersti Berge:** Roy has covered a lot of the specifics of the support that we provide. I come back to why putting regulations in place is so important. Currently, people are a bit unsure, because they have watched what has happened in other parts of the UK in relation to the political commitment to progress with this. Once you get the regulations in place in a suitable form, that will send a clear signal to the market. Again, the Auditor General's report sets out that that is happening. We would expect a significant scale-up at that point, and we have a number of measures in place to support that scale-up.

I think that we have covered most of what we are doing, but you are absolutely right—if we do what we need to do with devolved powers here in Scotland, we will need to scale up, because demand will be much higher than it is now. Hopefully, the UK Government will come in on the back of that, because there is also a range of asks of the UK Government.

**Colin Beattie:** It seems that heat in buildings is one of the most complex areas because of the sheer variety of configurations and construction of buildings. There is no one-size-fits-all model. Solutions for blocks of flats and so on do not appear to be there yet, and it is not clear to me where that is going. Are we satisfied that we have people who have the skills and the ability to understand these complex problems and come up with solutions?

**Roy Brannen:** I will bring in Sue Kearns on how the bill deals with the variety of our stock. I think that 36 per cent of our total housing stock is tenements and flats—that is just a fact of Scotland's history. A large proportion—18 per cent—is pre-1919. There is a wide variety of stock.

New build is covered, as the new build standard is out. As of 1 April, any new build has to have a clean heating system installed if it is to go through

the planning process, but you are right that the existing stock will be the challenge. The regulations need to be able to accommodate those who can easily walk towards a solution quickly and those for whom it will be a bit harder. The green heat finance task force part 2 report will look at how to mobilise finance into a wider global solution for those properties, rather than having individuals trying to do it themselves.

Sue, do you want to add anything?

**Sue Kearns:** The proposals that we have consulted on are also based on exemptions and abeyances—we call them variations. Those give more flexibility to people according to their circumstances and to properties according to their characteristics. Those will be built into the regulations, so it will not be black and white that you have to do X by Y. There will be discretion and flexibility.

Tenements, which are characteristic in themselves, as Roy Brannen said, make up 36 per cent of the housing stock. We have a challenge there in relation to common works and different owners. An energy efficiency requirement will be part of the regulations for people living in tenements where it is technically feasible and cost effective.

In parallel, the Scottish Law Commission is working on a law reform project that is looking to set up compulsory owners' associations in order to carry out common work. That is a particular issue in itself on the heating side. Catherine Williams, do you want to talk about the practical solutions for flats and tenements?

**Catherine Williams:** It is right that certain technologies do not exist, but we are talking to and working with stakeholders who are looking at options for flats and tenements that are in between individual heat pumps being installed in one's home and large-scale district heating. Large-scale district heating will probably be suitable for about 20 per cent of Scotland—it is particularly suitable for larger urban areas—but we think that different technologies such as smaller heat networks will be suitable for flats or whole streets in other areas and for properties in rural communities.

As part of the transition out to 2045, a diverse range of solutions will be developed and deployed. There will not just be individual heat pumps in individual homes.

09:30

**The Convener:** The deputy convener, Jamie Greene, has some questions.

**Jamie Greene (West Scotland) (Con):** I have the cold, but I will try to struggle through this.

I want to take a step back and look at the bigger picture. The Scottish Government estimates that it will cost £33 billion to deliver its heat in buildings strategy. We know from the Auditor General for Scotland's report that around £1.8 billion of public funding has been committed, but I understand that £600 million of that is as yet unallocated and that around £0.5 billion of it is dedicated to supporting people who are in fuel poverty. That does not leave much for physical intervention. I guess that less than £1 billion of public money is going into physical intervention to move homes towards the strategy. My overarching question is: where will the other £32 billion come from?

**Roy Brannen:** I have said all along that the transition to net zero for all of us will involve a combination of public funds, individuals and the private sector. The Government cannot afford to do the entirety of it. We cannot afford to decarbonise 2.5 million homes, and nor would it be right for us to do so. The key element will be how we mobilise those funds to support the transition such that they see a rate of return for the investment. That is the purpose of the green heat finance task force, whose part 1 report looks principally at what the transition means for individuals. Where can people go to get the support that they need when regulations stipulate that they need to do something by a certain date? The second aspect of the report is how we mobilise large capital. We regularly hear that there is a lot of capital out there that people are willing to invest not just in heat in buildings, but across the net zero transition. How do we attract that, and what is in it for people who can make the journey happen?

As the Auditor General says in his report, the Government cannot do this alone. It needs a multitude of people to support it if we are going to get anywhere near it.

**Jamie Greene:** Let us look at those points individually. The Government has an ambition and Parliament has mandated it to achieve that. Public funds will be allocated to try to deliver it, and the Government will go as far as it can within the realms of public finance. I understand that. However, 2 million individual households are operating on mains gas, and many of them are in the sorts of properties that you have spoken about—antiquated and poorly insulated properties. I think that the last estimate was that around 35 per cent of those households are in fuel poverty. What is in it for those people? Is the Government taking a carrot-and-stick approach or is it coming along with the stick only and saying, "We've changed the law and you must now convert to a different type of energy."? Why on earth would people do that, or why should they?

**Roy Brannen:** The biggest question that the country faces is whether or not we believe in achieving net zero by the middle of the century. Do we believe in Scotland making its contribution to meeting the world's challenge on global emissions? Fundamentally, that is a matter for all of us. Unless we take the pathways that will be determined by our contribution to meeting that global challenge, none of us will get there.

It is not the case that the approach involves the stick only. The upside is cleaner, warmer and more efficient homes over time, with lower energy bills for individuals and the growth in jobs and opportunities that will potentially come about from the transition.

**Jamie Greene:** Would you not argue that that should be the case anyway? Even if we had no green energy targets and no net zero ambitions, we should be making our homes better insulated, warmer and cheaper to run anyway.

**Roy Brannen:** I agree 100 per cent.

**Jamie Greene:** Surely the Government could have been doing that over the past 15 years.

**Roy Brannen:** It has. Work has been done for many years through the warmer homes Scotland scheme and area-based schemes, which are there to support the most vulnerable in society and take people out of fuel poverty. That is where the investment has helped. I think that, since 2015, about £249 million has been invested in around 35,000 households, with an average cost of about £7,000 to convert those properties into low-energy-loss, high-efficiency homes, and I guess that that support will be on-going.

This is a matter for ministers, but I see the focus of the support going forward being on those who most need it in the transition. The rest of us will need to walk towards what the regulations stipulate, with sufficient time and safeguards to cater for those who are struggling to make that transition.

**Kersti Berge:** I will add two points to that. First, the Audit Scotland report was quite complimentary—actually, I should choose my words carefully: it said that we had made "good progress" on energy efficiency, on which there has been a big focus.

My second point relates to Roy Brannen's first point. Buildings account for about 20 per cent of our emissions. We know that, globally, in the UK and in Scotland, we need to reduce those emissions. It will happen at some point. Yes, the costs are challenging, but buildings will need to be decarbonised. Once that is done, the people who have undertaken those investments will know that their buildings will be more valuable, because people will know that buildings have to be

decarbonised, and theirs will already have been. However, that is not to underestimate the costs and the support that people need.

**Jamie Greene:** Absolutely. The 2.5 million occupied homes account for 15 per cent of Scotland's greenhouse gas emissions, using that phraseology. That is not the lion's share of our emissions as a country, and it sounds to me that we are asking those with the least to do the most in this scenario and that legislation will force them to do so.

Let me give you a practical example because, out there in the real world, people want to know what all of this means for their household. My flat in Greenock is in a Victorian tenement with six flats, most of which are poorly insulated. None of them is double-glazed, and all of them run on gas boilers—to various extents of success, I should add. In that scenario, when the Government says, "Right, we've changed the law and you're all going to have to move to some new green energy system, although we don't know what it is yet," the first question that all my neighbours will ask me is, "How much is that going to cost me, because I don't have any money right now?"

**Roy Brannen:** Sue Kearns can walk you through where the consultation on the bill is just now in terms of those steps, because we have set out quite clearly what has to happen to whom by when, and how people can get support.

**Jamie Greene:** Can you say what the Government will do to support people in the scenario that I have outlined? I do not know the answer to that question.

**Sue Kearns:** As proposed, there are two elements to the heat in buildings standard: energy efficiency and clean heat. The clean heat side of the standard involves there being no polluting heating after 2045, and the energy efficiency side involves there being a minimum energy efficiency standard for owner-occupiers by 2033.

The first thing to say is that the reason why we have energy efficiency as part of the heat in buildings standard is for fuel poverty mitigation, not for emissions reduction, primarily. The aim is to help people by ensuring that they live in a warmer home that is easier to heat. As Roy Brannen set out, the Scottish Government already provides direct support for that, targeted to those who need it most. If someone who is in vulnerable circumstances rings up the helpline to look for advice and support, they will be directed to the support that the Scottish Government can offer.

We are trying to make the arrangements for the minimum energy efficiency standard by 2033 as simple as possible. There will be two ways to determine whether the standard has been met. One way is a fabric efficiency measure, and the

other way—in my view, the simpler way—is through a list of measures that people can use to determine whether they have already got those things in their household and whether it is technically feasible for them to put them in. We have kept those measures within a certain cost threshold, so, in most cases, they are the ones that the data tells us will be fairly cost effective to put in and will bring a benefit to people in the longer term.

Support is in place, and what we are demanding from people—if it is a demand—is reasonable in terms of that simple list of measures.

**Jamie Greene:** That sounds helpful. I am not entirely convinced that there is good public awareness of the support that is currently available. As I have said, from chatting to my neighbours, I do not think that any of them would know where to go for support for insulation, for example, so there is a massive exercise to be undertaken there. However, the big, fundamental issue is that two million homes are still gas mains supplied. What are we asking them to do? Are we asking them switch off that gas supply? I am sure that the energy companies would have something to say about losing a million customers.

**Roy Brannen:** At the moment, 81 per cent of people are connected to gas and use gas for their heating; the rest use a variety of other sources. You are right that we want to move to a model that reduces emissions and therefore a model in which people use a more efficient and less carbon-intensive heating system. That is where we need to get to by the middle of the century—2045—if heating is going to play its part as one of the seven sectors on our journey to net zero.

**Kersti Berge:** The Audit Scotland report sets out quite well the range of different solutions. The main solutions will be heat pumps and heat networks, although there is a lot more around that. Nobody will be asked to switch off their gas before they have another heating system in place. There is a range of different technologies, but those are the two main ones.

I might hand over to Sue Kearns or Catherine Williams on this but, with regard to people understanding what will happen in their areas, local authorities are setting out their local heat and energy efficiency strategies, which set out the types of heating that are most suitable for different parts of their areas. That will be refined down to identify heat network zones that are clearly suitable for investment in a heat network.

I do not know exactly where you live in Greenock, but there could be a heat network zone there, for example. I am in central Glasgow, and it is very likely that that will be the case there.

A combination of approaches will be taken with regard to technologies—there are more than just heat pumps and heat networks—and there will be a geographical map of what needs to happen where.

I might have covered most of the things that Sue Kearns was going to say.

**Sue Kearns:** We are going round in circles now, because Catherine Williams can come in in a minute, but what is missing so far is saying when people will be required to act. We have already talked about energy efficiency and the 2033 target for owner-occupiers. However, for heat, the target date is 2045, unless you are asked to act as a result of an earlier trigger. The trigger that we have consulted on is property purchase. We think that that is a fair trigger, because when people move into homes, they are already looking for financial support and looking to do stuff to their homes so, when people are looking to buy a home, they could possibly build that in to planning for, say, a mortgage.

That is the first trigger, and that is what we have consulted on. If the regulations come into force before 2030, that will be the trigger that will apply. It will not stop people selling homes. The obligation will be on the purchaser of the property, and we think that that will give people time. There will be a grace period, so people will not move in and immediately have to rip out the existing heating system. We consulted on that and suggested a period of two years. We will be looking at the responses to the consultation to determine what we think should go into the bill. However, we think that that should be a good amount of time to let people think about how they can change their heating.

Again, exemptions will apply, and there will be flexibility. Therefore, if you are in a property in which it is difficult to change the heating system or if you are in a heat network zone and a heat network is coming to your area, you will not be asked to change your heating in the meantime.

**Jamie Greene:** The average price of a property in the streets that I am talking about is about £35,000. You will crash the property market in that area if you suddenly require people to put in five £10,000 heating systems.

**Sue Kearns:** Yes. A lot of work is being done on the impacts on the property market and, as I have said, we are looking at potential unintended consequences, including in the housing market. Therefore, we think that we will need to build in a degree of flexibility to that regulation.

**Roy Brannen:** Catherine Williams wants to come in but, on that point, the bill is in draft form—proposals are being consulted on. As parliamentarians, you will get the opportunity to

consider whether those provisions are fit, appropriate and right for your constituents. In effect, that is the key safety net. Over the past four or five years, we have consulted widely and taken expert advice on all the ramifications, and we continue to do so. We have put forward a proposal that meets the needs of our getting to net zero in the sector, but, ultimately, it will be for Parliament and society to determine whether that is something that we wish to do and the pace that we need to do that at.

**Willie Coffey (Kilmarnock and Irvine Valley) (SNP):** Good morning. I will continue the discussion about public participation. Roy Brannen said that we need to bring everyone in society with us. Let us be honest—the pace and the sea change that we need are not quite happening yet. Are the subsidy schemes that are in place enough to accelerate that process and drive it forward, or do both Governments need to do more to assist with that?

09:45

**Roy Brannen:** I am sure that members have all had a look at Home Energy Scotland's website. It has a really good tool for supporting individuals who are considering either improving the efficiency of their homes or changing to a clean heating system. It walks them through the process, provides a calculator and tells them exactly which grants and loans they would be able to receive.

I agree that we have more to do on engagement. At the minute, I do not think that it is in everybody's consciousness that we need to do that. In our approach to the bill, we published a strategy on communications, which explored how we could work together—not just within the Government, but across all stakeholders. It was not meant to be a public-facing document; it was more about how we, as a group of stakeholders and individuals in the market, could work together to mobilise society and point individuals in the right direction for getting the best advice, as we walk through the changes next year.

Significant support is currently available from both types of funding: loans and grants. Catherine Williams can say a bit more about what the average household could receive through that process. We have allocated £60-odd million this year. We will target the biggest chunk of the £300 million that is allocated for this year at the warmer homes Scotland scheme and the area-based schemes, for the people who most need support. The £64 million is targeted at the rest of us who would like to move towards clean heating systems and have more efficient homes.

**Willie Coffey:** The figures speak for themselves, do they not? We are doing 6,000

systems per year, but we need to do 166,000 per year. What will cause the massive acceleration that is needed for people to participate and engage with us?

**Roy Brannen:** The regulations will be the trigger to make that change happen.

**Kersti Berge:** The trigger will be the regs.

Willie Coffey asked who else we need support from: we need the UK Government to act in a number of areas. The Scottish Government can act only within its existing powers on controlling pollution from individual homes. We are working with the UK Government and are looking for it to take action on several fronts. For example, we have continually called for a rebalancing of electricity and gas prices, which could help significantly. We cannot control the policy on sale of gas boilers or requirements for manufacturers to have a certain proportion of heat pumps. The UK Government is now going ahead with the clean heat mechanism, which requires that proportion, so that will be helpful as well. However, we need it to set out more detail on its policies on phasing out oil and gas heating systems.

**Willie Coffey:** Could councils could play a bigger role? How are they getting on with replacing gas central heating systems in their housing stock? Could the wider public engage with that? Councils will get the benefit of economies of scale when they buy many units. Could the wider public perhaps tap into that and get cheaper prices? It is appreciated that the subsidy scheme is not delivering the sea change that we are after.

**Catherine Williams:** I will come in on that, then perhaps Sue Kearns can talk about the social housing sector, with which we work closely as stakeholders and which we are targeting with specific regulation.

I agree absolutely with Mr Coffey's point about economies of scale from delivering at pace, and using a social housing landlord or local authority to then roll out systems almost street by street. We would really like to see such a model being used. That approach could also bring in private finance and create an investable model. That is very much within the scope of what was explored for the green heat finance task force's part 2 report, as it considered how we could develop such models.

Social housing landlords already do that, and we work in partnership with local authorities through the area-based schemes to support some private owners. The approach therefore exists on a small scale, but we want to grow it. There is not an oven-ready package for exactly how to do that, but we are working through a number of prototypes and examples and exploring how we could overcome the barriers to deploying it, how the Scottish Government could create

interventions to support it with others in the wider market, and how we could come together through bodies such as the Scottish National Investment Bank to support that in the long-term future. Such a model is very much in our minds.

Sue, do you want to touch on social housing more specifically?

**Sue Kearns:** Social housing is not included in the heat in buildings bill proposal. It is being dealt with separately and according to a standard. The standard that the social housing sector works to is being reviewed. As a result, we have had a consultation on a new net zero standard for social housing, which will allow providers to build on their expertise in energy efficiency and to add planning to convert their properties to clean heat over the next two decades. We have had more than 100 responses to that consultation. We will consider them and will produce the new net zero standard later in the year.

**Willie Coffey:** Roy, it seems to me that if a home owner wants to make the transition for themselves, they are on their own. They do not have the benefit of tapping into a mass supplier and getting economies of scale. Potentially, there is a route through the local authorities, if they take the lead. Just last month, a House of Commons committee said that there could and should be a greater role for local authorities to drive the sea-change transition that we hope for.

**Roy Brannen:** I will let Sue Kearns talk about the local authorities' energy efficiency schemes and their work to categorise exactly what they have in their areas—what would benefit from networks and what would benefit from other types of solution.

**Sue Kearns:** We have worked with the local authorities to get them to produce local heat and energy efficiency strategies—LHEES. I am sure that you know that they now have a statutory duty to produce those. Eleven, I think, were produced by the end of last year, and we expect that about 22 will have been published by the end of March, which is coming up very quickly. Of the 10 that will then be outstanding, probably seven will be published over the summer, and we are chasing up the final three. So, I hope that by the end of summer nearly all the local authorities will have their local heat and energy efficiency strategies. The point of them is to look at opportunities for heat supply and heat demand in their areas. In particular, that is the basis on which they will then designate heat network zones, which will be a very important step.

Catherine—do you want to say a bit more about that?

**Catherine Williams:** Yes. The LHEES are very much designed as a vehicle through which we can

work with local authorities on moving from plan to delivery over the coming years and decades—in particular, with the larger-scale schemes.

As I said, we have thought hard about the matter and have been working with many stakeholders on the barriers to doing that, which often involve local authority capability and capacity. We have funded, until 2027, all the local authorities to have LHEES offices to support development of the strategies.

We also provide strategic support through things such as the Heat Network Support Unit, to help local authorities and others to develop feasibility studies, and we have recently expanded that activity to support the more strategic planning that is linked to LHEES.

That is the vein in which we need to think about how we, as the Scottish Government, can continue to provide support to allow local authorities to lever in the opportunities that are in those plans.

**Kersti Berge:** I have one more point to make on that. Heat networks offer an enormous opportunity for local authorities to co-invest with private sector partners. A good example is the project in Midlothian in which the local authority is partnering with Vattenfall, which is a very well-known energy company and heat network provider. Heat networks involve investment in a large piece of kit—a bit like what happens in electricity generation and electricity networking—which allows those who end up using that heat network to pay off the cost of assets over a relatively long time. The project in Midlothian is a good example; things are developing in other local authorities, as well.

**Willie Coffey:** My last question is on energy prices. The fact that energy prices in the UK are among the highest in Europe is probably beyond our control. However, electricity is four times dearer than gas. People know that, yet we are asking them to make the transition to an energy system that is four times more expensive per unit than what they use at the moment. How on earth do we overcome that and take people with us on that journey?

**Roy Brannen:** One of our requests of the UK Government is about shifting the balance of levies from electricity to gas in order to free up the abundance of renewable energy that is flowing into electricity to make it much more affordable. That is under consideration, but that needs to happen pretty quickly, along with the decision on hydrogen. The longer the process of considering the potential for hydrogen to play a part in the gas grid goes on, the more uncertainty is created about what people should do. The UK Government said that it would make a decision by

2026, but the NAO and, I think, the CCC have said that consideration needs to be given to bringing that forward in order to provide certainty for others in the system.

What will happen with the gas grid thereafter? As we transition off the gas grid, we will still have an asset—or a liability. Who will pay for that? How will that be compensated for as we move through to the final transition?

There is also the issue of a clean heat market mechanism, which involves the idea that if a company manufactures products such as gas boilers, it should also manufacture a proportion of clean energy systems to drive deployment and uptake of such systems. Again, responsibility for that rests with the UK Government. The teams are involved in a lot of work to make sure that those things happen as quickly as possible to support our ambitions, which are, in effect, the same as those of the UK Government. At the end of the day, we are all trying to get to the same place.

**Willie Coffey:** Do you think that electricity pricing is the key driver for the transition that we want?

**Roy Brannen:** At the moment, I think that that is the case, but Kersti knows more about the electricity market, because she came from the regulator.

**Kersti Berge:** Electricity pricing is a really significant factor. As you said, electricity is four times more expensive than gas. However, as Roy said earlier, heat pumps are becoming increasingly efficient: they now have much higher efficiency ratings, which means that the amount of heat that is obtained from a unit of energy is significantly higher—it is 2.5 to 5 times the amount of energy that is used. That helps to offset the running costs quite a bit. However, a heat pump is still more expensive to buy and install than a gas boiler. Therefore, overall, it is still slightly more expensive to have a heat pump, but not 4.5 times as expensive.

I come back to your point about the need to rebalance gas and electricity prices. Such a rebalancing will impact on electricity use not just in homes but in other sectors, including transport and industry.

**Roy Brannen:** I can provide a statistic that might be helpful. Recently, someone—I cannot remember who it was—did a calculation that was based on average household unit prices for March 2024, which used a seasonal coefficient of performance of 3, for heat pumps. That would be equivalent to cost parity with about 85 per cent of all gas boilers. If we can get heat pumps operating efficiently—this relates to Mr Beattie's point about installation—and get them working at the 2.5 to 3

performance coefficient level, we can pretty much get cost parity with gas boiler systems.

That would be the case provided that all the other measures, such as good insulation, zonal controls and 80mm insulation for tanks, are in place. Those are all things that we are advocating need to be done in order to obtain an energy performance certificate C level of good home energy efficiency. We are not talking about overly complex measures: 270mm loft insulation, 80mm insulation for water tanks and zonal controls are all things that should be manageable in most properties in the country.

**Willie Coffey:** Thank you for those answers.

**The Convener:** We have a final suite of questions, which will be asked by Graham Simpson.

**Graham Simpson (Central Scotland) (Con):** We have covered some really interesting ground and a number of excellent questions have been asked.

I want to pick up on some of the stuff that has been said already. We talk about setting a minimum energy efficiency standard for homes, but how can we measure that? Jamie Greene mentioned his flat. Nobody knows what I have in my house—you do not know what insulation I have. Even I do not know how thick the insulation in my house is, so how on earth can we measure all this?

10:00

**Roy Brannen:** I will bring in Sue Kearns to talk about the complexities of EPCs.

We need to get to the point at which homes use about 120kW per square metre per year—anything less than that means that the home is well insulated. We can work things out by proxy. By looking at the type of system and the floor area in the average house and at whether it has any other measures, we can make a rough approximation. However, assessors can do that work for us. For our warmer homes Scotland scheme and our area-based schemes, assessors look at a home's EPC at the start and the end of the process to see whether it has changed as a result of installing various types of measures. There are people who are well versed in trying to support individuals.

**Sue Kearns:** We have tried to remove the issue relating to the minimum energy efficiency standard by having a list of measures. If you have those measures, such as insulation and draught proofing, that is fine. If you have not got them and it is not feasible technically for them to be done, that is also fine. That makes things easier.

An alternative method involves looking at fabric efficiency, which is linked to energy performance certificates. As most people here will know, we do not think that the energy performance certificate system, as it stands, is fit for purpose. When we consulted on that last year, we got quite a lot of responses. We will be finalising what we will be doing in that regard later this year.

As it stands, the energy performance certificate is based on cost. Someone could improve their EPC by installing a gas boiler, which would obviously not align with the net zero policy, so we propose to add extra metrics on the fabric efficiency of the building and on emissions. That will help, too.

There will be two ways of looking at energy efficiency. There is the EPC, which looks at fabric efficiency at a high level, and the list of measures. In addition, as I said, we have consulted on producing a technical suitability assessment tool, which will be more tailored to the individual house or property. I think that that will be very useful for people.

**Graham Simpson:** The point that I am getting at is that, if you set in law regulations that say that householders need to do X, Y or Z, how on earth will you make me do anything to my house without coming into it?

**Sue Kearns:** Obviously, we are looking at compliance and enforcement, which are very important. That is the stick part, if you like, of the regulations, and there is a lot of work to do on that. I know that the Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights wants enforcement measures to be seen as a last resort and does not want them to be in place during the early stages following the regulations. Obviously, we want people to understand the benefits of taking such steps before we go to enforcement, but we are looking at that.

**Graham Simpson:** Describe the "stick part" in a bit more detail, please. For a lot of people, this will just pass them by. If the Parliament passes a bill on heat in buildings, that will all be very interesting, but most people will just get on with their lives and will not do anything unless—I do not like this—you force them to do something. How will you force people to do these things?

**Sue Kearns:** That will be decided by ministers; it is not for me to say how that will be done. The issue will be consulted on.

**The Convener:** And by members of the Scottish Parliament, I presume.

**Sue Kearns:** Absolutely.

**Graham Simpson:** Well, indeed.



**Roy Brannen:** The first trigger point will be the point of purchase, and there will be a grace period. As is the case when people go through the conveyancing process, those who provide legal support will bring to people's attention whether the property complies with the regulations. There will be points in time when it will become normal to say, "I want to buy the deputy convener's property. He doesn't have anything in place in that respect, so I'll offer a lower price, because I know I'll have to do that as we go forward into the grace period." I think that that will become a normal activity as we start to go through the cycle of properties coming in and out of the market.

**Graham Simpson:** People want to make their homes more energy efficient and to see their bills come down as a result. Do we need to create a place that people can go to to get impartial advice and maybe help with arranging work?

**Roy Brannen:** That is the role of Home Energy Scotland, in effect. We have built a really good organisation that gives brilliant advice and has great assessors, and people who phone it will be talked through what type of property they have and what would help them. I guess that my biggest concern is that it is clear that we have more work to do to make sure that everybody knows about that. Last year, we supported about 135,000 calls to the service, but that could triple, quadruple or increase by a factor of 10 if we get the word out that people can go and get advice from the service that is sitting there.

**Catherine Williams:** I mentioned how people can get specific advice on their homes and on plans for whole buildings. There are organisations out there that take what we call a retrofit co-ordinator role, which is a valuable skill set. As we think about future requirements for skills and the supply chain, we need to think about how we can grow that skill set. It exists in places, and organisations are thinking about how they can invest in it and roll it out nationwide. However, we want to understand the different models for that and how we can support organisations to develop that throughout Scotland.

**Roy Brannen:** We want to move towards what is now recognised as the standard that we will need post-2035, which basically means that we look at the fabric of the building first and that we build tight and ventilate right. If we get those three things happening more regularly in the coming period through the work of installers and retrofitters, we will no longer have properties—I mentioned the 18 per cent of properties that are pre-1919—that are not fit for purpose in terms of energy efficiency.

**Kersti Berge:** There are two steps. The first is that people need to know where to go for advice, and the second is that they must get good advice

when they go there. On the first step, we have recently scaled up our marketing and public awareness campaigns. You might have seen our knitted caterpillar, which is increasingly appearing in places across Scotland. However, it does not matter what the image is—the important thing is that people start to recognise it and know that they can go to Home Energy Scotland and get advice. When they do that, they get good advice.

**Roy Brannen:** We had 1,700 responses to the consultation, which is a pretty big response to a consultation on something that, as Mr Simpson said, is possibly not in everybody's sight at the moment. It can feel as though it is decades away rather than in the near term, but that was a big response and we have a lot of great content that will help to shape the next steps as we go through this year.

**Graham Simpson:** Okay. There was mention of councils producing local heat strategies. What is the level of detail in those? Do they set out when certain things will be done? I presume that they will identify areas that councils believe are suitable for district heating. Do they set out timescales for when that could come in?

**Catherine Williams:** I see the local heat and energy efficiency strategies as the first cut. Local authorities have procured consultants and the initial documents are detailed pieces of work, but they do not represent detailed delivery plans. Local authorities have published delivery plans alongside them, but they tend to focus on how feasibility studies and business cases will be developed, because the zones are often indicative and further work may be needed to understand the heat demand in the area and how what is proposed would work. They may say that there will be a heat network zone by a certain date and set out the steps that need to be taken to move towards that.

For example, if you look at Glasgow's LHEES, you will see a lot of detailed mapping and identification of zones, and one of Glasgow's next steps is to look at how it is going to procure a joint venture partner to work with it. Its delivery plan focuses on that, because that is how it sees that it can bring the heat network zones through over the coming decades.

**Graham Simpson:** Who takes the lead? Is it the council?

**Catherine Williams:** It will vary. Glasgow City Council is actively taking the lead on that. We would expect local authorities to take the lead, but they have different skill sets and capabilities and they will need more or less support. We already provide support for heat networks through the Heat Network Support Unit, which is supporting a range of councils. We look to have a tailored offer

and to work with councils to understand their needs and support them in different ways, including through regional procurement models and bringing councils together. There is a very active group of councils in the north-west that have come together to think about the net zero agenda and develop plans.

**Graham Simpson:** According to the Auditor General, 34,000 homes are connected to heat networks, most of which are fuelled by gas. How are we going to move away from that and ensure that neither the current heat networks nor new ones are fuelled by gas?

**Kersti Berge:** Heat networks are quite neat in that you can change the source of the heat or the energy and add bits of kit. That simplifies things a lot. It is not easy to add a bit of kit when you have to dig up the street, but the networks are quite flexible. If there is a requirement to decarbonise heat, you can change the heat source.

**Catherine Williams:** We often see heat networks in new-build developments, which are subject to the new build heat standard. The Shawfair example that was mentioned—the joint venture with Vattenfall—is focused on a new-build development. In a few days' time, all new builds will be required to have clean heating building warrants. That will prevent new gas heat networks from being developed. The focus will be on clean heating that is aligned with our heat in buildings regulations and the wider building standards and other regulations that sit alongside them, which will support the transition to clean heat.

**The Convener:** Thank you very much indeed for that evidence session. It has been very useful. There might be some issues on which we need to follow up, but I think that you have furnished us with comprehensive answers to the questions that we have put to you. I thank Sue Kearns, Catherine Williams, Kersti Berge and the director general, Roy Brannen, for their time this morning.

I will suspend the meeting to allow for a change of witnesses.

10:12

*Meeting suspended.*

10:17

*On resuming—*

## **Section 22 Report: “The 2022/23 audit of the Scottish Prison Service”**

**The Convener:** Welcome back. The second public evidence session this morning is on the Auditor General's section 22 report “The 2022/23 audit of the Scottish Prison Service”, one dimension of which is consideration of the operation of the contract that is run by GEOAmeY. I am pleased to welcome our witnesses, who are from GEOAmeY. We are joined by David Jones, the managing director; James Huntley, the commercial and finance director; and Gavin Redmond, the account director for the Scottish court custody and prison escorting service. You are all very welcome.

We have some questions to put to you but, before we get to those, I invite Mr Jones to make a short opening statement.

**David Jones (GEOAmeY Ltd):** Good morning, and thank you, convener, and members of the committee, for giving me the opportunity to address matters that the Auditor General raised—in what I must say was a balanced and accurate section 22 report—regarding GEOAmeY's delivery of the Scottish court custody and prisoner escort services contract. I also thank and acknowledge His Majesty's chief inspector of prisons for her insightful remarks on the delivery of the services when she gave evidence to the committee two weeks ago in support of your work.

The post-pandemic period has been an incredibly difficult and challenging time for all criminal justice partners and for GEOAmeY. Several factors have coalesced and impacted our ability to perform to the standards that both we and the criminal justice partners expect. Those factors were largely, but not entirely, outside of GEOAmeY's control and, as the Auditor General mentioned in his report, they relate to the changing conditions since the contract award. That has resulted in GEOAmeY being unable to insulate the partners in the way that we would have wanted from operational difficulties that have led to the well-documented and much-publicised impact on the criminal justice system in Scotland.

We have clearly had issues, and I take this opportunity to acknowledge and apologise fully for the role that we have played in the disruption to the criminal justice system in Scotland. That includes the Scottish Prison Service, Police Scotland, the Scottish Courts and Tribunals Service, the Crown, members of the judiciary, court users, victims, the national health service

and those in our care who have had to endure delay and frustration—there is, after all, a human impact to every delay. That said, I am incredibly proud of the extraordinary work of my officers and management team in Scotland. They have done all that they can, every day, to minimise disruption and delay as far as they have been able to, while caring for some of the most vulnerable people in our society.

I sincerely hope that all parties are now seeing the very early results of our efforts to improve the contract's performance as the effects of the work that we have done with the SPS and the multi-agency liaison group start to yield positive results. I put on record that I acknowledge the steps that the criminal justice partners have taken in starting to address some of the inherent system-wide issues.

Finally, I wish to state GEOAmeys commitment and determination to play our part in making the SCCPES contract a success. The contract is difficult and challenging, but it is not impossible, should all parties recognise that it will need a multi-agency approach rather than stand-alone efforts of any individual organisation. Thank you.

**The Convener:** Thank you for that very clear opening statement. I will turn straight to the deputy convener, Jamie Greene, to ask the first questions.

**Jamie Greene:** Good morning, gentlemen. Thank you for your frank opening statement, Mr Jones—we do not often hear one of those in committees. However, having said that, I want to ask you the following. You have just repeated the phrase that you treat the Auditor General's report as "balanced and accurate". The report's opening gambit is that

"The ongoing poor performance of the contract is resulting in delays and inefficiencies across the justice sector, impacting on policing, prison services and the courts."

Is that a balanced and accurate description of your operating performance?

**David Jones:** It is. I will bring in Gavin Redmond on this point in a minute. It is a fair, balanced and accurate report on our operation and the performance of the services. In turn, I have to balance that by saying that the Auditor General goes on in his report to say that a number of the causal factors relate to the changes in the operating environment since contract award. Those factors were never contemplated as we bid for the contract, modelled the contract and put our solution in place. Having to adjust mid-contract to what is, in effect, a new way of working has given us a number of difficulties.

The Auditor General talks extensively about the interdependencies across the system and the need for multi-agency working to overcome the

changing environment that we are dealing with today. I have to say that the changing environment is not just internal to the contract operation; it involves the wider external factors that I talked about in my written evidence to the committee, such as the socioeconomic factors that we have had to deal with since the pandemic has come to an end.

It is a fact that there are fewer people looking for work and that most organisations find it incredibly difficult to fill vacancies. Public and private organisations are in exactly the same position in many sectors across the United Kingdom. The description in the report is right, but other balancing factors need to be considered.

**Gavin Redmond (GEOAmeys Ltd):** I reiterate what David Jones said. The Auditor General referenced not only the conditions in the contract that have changed but the fundamental point that the environment is now quite different.

There are two reasons for GEOAmeys failures in service. One is that we have a lack of operational officers to fulfil the tasks and the services, and the second is the change in our operating environment. Following the Covid-19 pandemic, we are operating 38 per cent more High Court docks than we did prior to that period, and 44 per cent more solemn cases in Scotland. That has a huge impact on our resource. If we shift to looking at settings outwith the courts, we are managing 35 per cent more bed watches, which is a different area of service that we facilitate. When we look at the operation in the round, therefore, it is a very different one with a very different level of demand.

**Jamie Greene:** Let us look at some of that in the context of the fact that GEOAmeys has received £4 million of financial penalties due to its performance issues. Since 2021, it has been served with five improvement notices on specific issues. That is the backdrop that we are working against here.

You have just responded by saying that there are two reasons for that. One is the one that you are leading on, by selectively quoting from the Auditor General's report, which is the changing operating environment that you work in. I do not underestimate how challenging that is for you. However, for me, the main driver seems to be staffing issues, which we will come on to later in more detail. Surely, as a company that operates in the service industry, working with public sector organisations, you also operate in other jurisdictions. It sounds to me a little bit as though you have gone into the contract here in Scotland with your eyes wide shut. Surely the challenging changes of scenario in contract terms that you operate in would have been known to you at the time of entering into the contract. It sounds to me

as though you are saying that the failures are everyone else's fault but your own.

**David Jones:** I have to refute that. The changes that we see in our operating environment today are so fundamental that there is no way that they could have been contemplated in the commissioning, the specification or the running of the contract.

Gavin Redmond has just given the committee some numbers. There has been a 35 per cent increase in bed watches, which is huge. We are not talking about an increase within the margins or a 5 or 10 per cent flex of the resource; there has been a simultaneous increase of 35 per cent in bed watches. On High Court business, there has been an increase of 38 per cent and, on solemn and jury cases, it has been 44 per cent.

Those substantial changes are coupled with the situation on non-court hospital appointments: 60 per cent more people are involved than was the case prior to the pandemic as regards the number of crews and people going to hospital. On reflection, or with the benefit of hindsight, you could say that the prison population was always going to age. However, when the contract was commissioned, I am not sure that it was anticipated that the population was also going to grow.

If we put all those factors together, at the same time, it leads to an operating environment that we could not have contemplated and that the contracted model that we went through certainly could not have accommodated in any way.

**Jamie Greene:** The contract said that you needed between 650 and 700 officers but, at the lowest point, you had only 510, so of course that will put pressure on your ability to deliver services. That is not anyone else's fault but your own.

**David Jones:** You are right. I opened by saying that we have had difficulty recruiting people. There is no question about that. Gavin Redmond made it clear that there are two factors here. We have not had enough people to fulfil the service demands. That is a matter of fact. I put that in my written statement, and I acknowledge it fully. Please do not think that I am trying to ignore that, because I am not.

10:30

However, the factors surrounding that have been largely outside our control. Since the pandemic period ended, we have struggled to compete with an incredibly competitive employment market. We have had to effectively compete with other agencies within our sector that have more attractive packages, which is quite rare, and larger organisations that have greater

and more structured career paths than we do. Not everyone wants to work in this sector and, if the people who do can go to alternative parts of the sector—the police, the courts and the prison service, as well as the immigration service—that all pay considerably more than the prisoner-escorting contracts have ever done, they will go to them and we will struggle. That is the environment that we have found ourselves in.

**Jamie Greene:** Of course, the obvious solution to that is to improve the package that you offer your staff. Retention would surely improve off the back of that, although that might come at a cost to your profit margin. Do you get the impression that you have bitten off more than you can chew with this contract here in Scotland?

**David Jones:** No, I would not say that, and I will tell you why. Leading up to the beginning of the Covid period in March 2020, we were getting to the right level or thereabouts in terms of the performance of the contract. We had a difficult transition period, which was the period when we went live after mobilisation. It took some time to bed down the contract. I would put that down to typical teething issues—we were adjusting to the workforce, adjusting to the new ways of working and adjusting to the contract.

However, in quarter 4 of 2019—months 7 to 9 of the contract—we were approaching the service performance that was expected under contract, and, in the January and February before lockdown, we were at contracted levels of service. If we did not have that experience, the premise of your question would have more validity. However, given that we operated to the required level in a period in which the contract was not affected by these operating changes, I think that we did not bite off more than we could chew.

**Jamie Greene:** I know that others will want to come in, and we have lots of questions for you today. First, however, I will say that I spent two years on the Scottish Parliament's Criminal Justice Committee and I know that, although the majority of stakeholders in the courts and in the prisons whom the committee met when we visited those places in person spoke very highly of the individuals who work in your organisation—it is important to put that on the record—they had very few positive comments to make about the company in general.

To go back to my first question, GEOAme is an experienced organisation in the public sector, with large contracts in other jurisdictions, so why on earth did you go into a contract that was so tight that it did not allow you the flexibility to change the contract terms or operating model as the environment that you worked in changed? Clearly, it has changed substantially—in your view, it has changed more than it should have, according to

the contract that you went into. You must employ some pretty decent solicitors to help with the contract wording and commercial negotiations, so why does the contract not allow for those substantial changes in the environment that you work in?

**David Jones:** The contract allows for a degree of change. For example, if the number of routes were to change by 10 per cent, up or down, we could sit down and renegotiate with the SPS based on the effects of that.

There are change clauses in the contract. For example, if the SCTS wishes to open a new High Court, we would enter a period of negotiation to see what that means. That would give us the opportunity to recruit accordingly and to understand the effects of those changes on the operation.

There are change clauses. However, the scale of the changes that occurred in a relatively short period led to a changed operating environment. It is not just me who thinks that; that has been stated by the customer—SPS—and the Auditor General in his report. I stick with that. There is no contract that could possibly have contemplated the scale of the changes that we are talking about.

**Jamie Greene:** It sounds as if you have unfortunately found yourself in a perfect storm.

**David Jones:** Absolutely, but I did not want to use that term.

**The Convener:** We will move things along. I invite Colin Beattie to put some questions to you. Mr Huntley, I do not know whether you were preparing to answer one of those questions, but perhaps you could respond to Mr Beattie's questions.

**Colin Beattie:** I would like to explore the original contract. GEOAmev was the sole bidder; is that unusual in these circumstances? Were there other providers in the market that chose not to bid?

**David Jones:** GEOAmev was the sole final bidder. Two other organisations bid for the contract in the initial phase. It was a two-part procurement process of initial bids and then final submissions, or the best and final offer—BAFO. GEOAmev was the only organisation to submit a final bid. Is that unusual? For example, I understand that Serco was the only bidder for the southern lot in the HM Prison and Probation Service contract. Out of the two contracts that have been procured since 2019, one contract had two bidders and two contracts had a sole final bidder, so two out of the three have had only one bidder.

**Colin Beattie:** Did the other two organisations that were initially interested withdraw or were they

eliminated on the basis of cost and ability to deliver?

**David Jones:** Perhaps Gavin Redmond can comment on that. I am not sure what decision-making process G4S or Serco undertook when they were evaluating whether they should make a final bid for the SCCPES contract. From a GEOAmev perspective, and going back to Jamie Greene's point, we had an extensive team of lawyers working on the bid, and we have extensive bid experience. Going into the SCCPES bidding process, we believed that we had a compelling offer and that we put forward a strong solution.

Incidentally, we still believe that our solution will ultimately deliver the results that our criminal justice partners expect. It is fair to say that we have been knocked off course a little by the events of 2020 and, certainly, 2021.

I am afraid that I have absolutely no insight into what happened within those other two organisations, what they saw or their decision-making process.

**Gavin Redmond:** I am conscious, Mr Beattie, of a conflict of interest from my previous role. However, I do not have any understanding of the commercial factors that resulted in those two organisations withdrawing at the final stage, although I know that it was very late in the day.

**Colin Beattie:** Did they withdraw?

**Gavin Redmond:** They did not submit a final bid.

**Colin Beattie:** Were they eliminated as part of the sifting process?

**Gavin Redmond:** There would have been an economic and technical evaluation of each bid, but there was no elimination. That is publicly available information.

**Colin Beattie:** When you put in your bid, were there any concerns at all about the affordability of the contract or your ability to deliver?

**David Jones:** There was no concern. We believed that it was costed correctly, and that the solution was good and compelling. There were concerns about the data. There were some gaps in it where we had to make assumptions. It surprised us that the data regarding the times of non-court appointments was not available, so we had to make an assumption on that. There was a lack of data regarding a new element of the services for generation 3 of the SCCPES contract, which was the application of the rule that there should be two officers in certain cases, and because it was a new part of the service, there was no retrospective data. We had to make an

assumption about the number of officers that we would need for that part of the service.

**Gavin Redmond:** A good example is that, based on the operations that we deliver in other jurisdictions, we assumed that medical appointments, for example, would be scheduled for after the court-arrival phase. That was our assumption, based on the fact that all parties are focused on delivering justice. However, the operational reality is that 46 per cent of medical appointments are scheduled before 10:30. That means that the resources that are dedicated to taking people to court are reallocated and redeployed to those medical appointments. That points to a very difficult strategic issue: is the priority for GEOAme resources the delivery of the court recovery plan, or is it the medical requirements of the ageing and increasing prison population? That is a good example of the change in environment that the Auditor General referenced in his report.

**Colin Beattie:** The contract started in January 2019, so you had a year or so before Covid impacted to bed it in. How did that first year go?

**David Jones:** It was a difficult mobilisation and transition period. It is a challenging contract—a very challenging contract. The issues that we had were not unusual at all. We had issues surrounding training, using our new systems and our officers getting their heads around going from the G4S system to the GEOAme system. There was a bit of a backlog as a result of that, and we needed to do some catch-up work on the data.

Our systems found it difficult, from a planning perspective, to accommodate all the different elements of the service. The other contract that we manage is more focused on court, as opposed to the additional activities that are associated with non-court and bed watch services. However, we overcame them. As I said, going towards quarter 4 of 2019—October, November and December—and into the two months of 2020, before Covid, I would not say that things were completely bedded down. However, we were there or thereabouts with the contractual performance, and we were there or thereabouts with the results from the contract. Then, obviously, everything changed completely.

**Colin Beattie:** Do you have one other contract, south of the border?

**David Jones:** That is correct.

**Colin Beattie:** You seem to be telling us that south of the border the service involves court cases and court attendance only, whereas the contract that you took on in Scotland includes hospital appointments, funerals and all the things that go with those. Is that right?

**David Jones:** That is correct. The contract is much broader in Scotland, and its terms are much tighter.

**Colin Beattie:** Presumably, when the contract was being drawn up, you took all that into account.

**David Jones:** Absolutely.

10:45

**Colin Beattie:** At what point did you deduce that things were going badly? In other words, when did the impact of Covid hit, initially, and how did you respond to that?

**David Jones:** In effect, our people were regarded as essential workers. They did not have time off.

A number of adjustments were made to the operating model throughout Covid. Prior to the Covid period, justice was purely physical. People appeared in court. Very quickly into the Covid period, we moved to virtual court hearings. We moved from the physical to the virtual. As the Covid pandemic extended, we started to do more physical delivery. At that point, we were operating a dual approach to our services: they were both physical and virtual. As we came out of the pandemic—certainly, into the end of 2022—we were, in effect, back to 100 per cent physical. Throughout that period, my team of people was as affected by Covid as everybody else.

**The Convener:** Before I turn to Graham Simpson, I reflect on something that Gavin Redmond mentioned: the unforecast rise in the number of medical appointments and the strain that that brings. In opening, Mr Jones, you mentioned that you had watched—or read, anyway—the evidence that was given to the committee a couple of weeks ago by His Majesty's chief inspector of prisons. She told us about potential risks through human rights-based challenges, because of the denial of people's basic human rights, including to things such as access to medical services. Have you as a company considered that? For example, do you consider that you as a corporation could be at risk as a co-nominee in any challenge that is based on human rights?

**David Jones:** We have looked at that, of course, but we do not believe so. I put that on the record. Clearly, it is an emotive issue. We understand that fully. We accept that we need to do better in ensuring that transportation is available for people who need to go to hospital.

I point you to some of the recent improvements that have been made since the intervention and the recalibration of the contract in Q3 last year. Effectively, we have moved our percentage on non-court punctuality from the low 60s to the low-

to-mid 80s. I say very clearly that even one appointment failure is one too many. I concede that and accept it fully. However, we are trying to address the operating environment changes that we have talked about extensively since I opened my evidence. There is a need to recruit more people. It is going to take us a little more time to get there. While we have all those competing factors and reduced officer availability, it will be some time before we are at an acceptable level—which means not failing in any hospital appointments.

**The Convener:** You appear to concede that there may be a human rights-based case, but your position is that, as a company, GEOAmeY has no liability. Is that correct?

**David Jones:** I am not sure that I concede that. I said that we do not believe that there is a case to be had. The reality is that we are not a state actor. We indemnify the SPS against a number of failings, but that indemnification is monetary. The human rights obligation sits with the state actor, not the private company.

**The Convener:** Okay. We are not going to rehearse a court case here, so I will move on.

**Graham Simpson:** Mr Jones, you say in your letter to the committee that GEOAmeY is making a financial loss on the contract. How much of a loss are you making?

**David Jones:** If I may, I will bring in James Huntley on that question. In the five years for which we have operated the contract, we have made an operating loss of £7 million.

**Graham Simpson:** Gosh! How is that sustainable?

**David Jones:** It is not sustainable. James—would you like to come in?

**James Huntley (GEOAmeY Ltd):** Thank you.

As David Jones said, during the first five years of the contract, there has been a loss of circa £7 million and a negative cash flow of £11 million. As was referred to in the report, the SPS acknowledged that the contract was not financially sustainable, which is why we entered into negotiations to try to put it on a solid footing in order to give us the opportunity to deliver the service that we want to deliver. That has brought things to a better position. It is still a loss-making contract, although that is the case to a substantially smaller degree. We are only a few months into the new arrangements, but the run rate is more like £1 million a year. I say that as though £1 million is not a substantial amount of money: of course it is, but that is a much better position than we were in previously. That is a step forward, but there is still a challenge.

There are two elements to that, for us. One is that we ensure that we are able to cover our cost base and pay our officers, and the other is that we deliver the service such that we meet our contractual obligations and avoid service penalties. The deputy convener referred to the amount in penalties that we have incurred so far on the contract.

**Graham Simpson:** No company can continue making those sorts of losses.

**James Huntley:** No, absolutely—which is why we had extensive discussions with the Scottish Prison Service about what we could do to address the problems. However, as my colleagues have referred to on a number of occasions, the solutions do not sit with one organisation. We have to come together with the SPS, the Crown Office and Procurator Fiscal Service, the SCTS and the police to come up with the right solutions.

The starting point for us is to ensure that we deliver the service. At the same time, in the background we need to improve some contractual matters. Our approach as a company is that we deliver the service and that, on the back of that, the contract should perform better from a financial point of view. However, we must address some intrinsic issues, such as competing demands and the situation in which the same resource is needed for two things at the same time; that is, Gavin Redmond and his team having to make impossible decisions about whether to fail to get a person to a medical appointment or deliver a person late to court, because they do not have staff to do both.

**Graham Simpson:** Could you see yourself getting to a point where you say that you cannot continue with that?

**David Jones:** I cannot see that.

**Graham Simpson:** You cannot see that.

**David Jones:** I cannot see that, Mr Simpson, no. There is a degree of confidence that we will get the contract back into a marginal profit situation this year. In effect, we have two years left of the contract.

**Graham Simpson:** In your letter, you say:

“It is, therefore, our firm belief that we can deliver prisoner escort services to a high standard”

You go on to say that that will be

“when the environment is supportive, and system-related issues are resolved.”

What are you basing that on, given what we have already heard and that you are making colossal losses?

**David Jones:** We are basing that on the fact that our losses are less than they were. Our forecast is that the situation will improve further as

the year goes on; the indications are that that will be the case. We are still paying substantial penalties, because we do not have enough staff to cover all the services. As our staffing profile improves and officers are available to fulfil the demands of the criminal justice partners, the costs that we are incurring, which are, in effect, equivalent to the losses that we are making, will disappear.

**Graham Simpson:** Okay.

**David Jones:** We are confident about that.

**Gavin Redmond:** I am sorry—I will take a slight side step, if I may, and provide technical operational insight. This is not a technical issue for GEOAmeY. We deliver the services to an exceptionally high standard. In another jurisdiction where we operate, 98 per cent of people get to court on time. We are using the same operating model, the same competency of people, the same fleet and the same systems. This is not a technical issue; the big difference in the environment is the multi-agency approach that the Auditor General referenced in his report.

**James Huntley:** I will add one point in support of Gavin's response to the deputy convener in respect of staffing being a key issue. We have had staffing challenges with our other contract, as well. I acknowledge that that has not happened to the same extent, but we have been significantly below our target operating model. At the same time, we have had volumes of work at about 120 per cent of what we expect. However, our service, with the exception of a couple of small periods of challenges, has been really strong, as Gavin mentioned.

We know what we are doing, and we have the competency, skills and systems to deliver. However, if we are being asked to deliver three tasks for the same person at the same time, that is an impossible situation for us to be in. That is the critical thing, from our point of view.

**Graham Simpson:** We have touched on staffing, which is clearly a key issue. We have also mentioned pay and the pay gap between what you pay and what others pay. Are you seeking to rectify that? Do you think that you will have to increase your levels of pay?

**David Jones:** The accommodation that we reached last year with the SPS helped enormously; there is no question about that. Our low point was quarter 3 of 2023. The chief inspector of prisons for Scotland actually used the term "shocking" when she referred to that in her evidence to you. Unquestionably, that was the low point, and it coincided with staffing numbers reaching their nadir. Around September last year, there were about 515 officers. That coincides with

what the chief inspector saw with regard to the level of services.

I make it clear that, since the injection of additional funds from the Scottish Government, every penny has flowed through to the officer community of GEOAmeY. We have had an uplift in our officer availability. In a relatively short period, we have gone from that low of 515 officers to more than 600 officers. Our projections are that, come Q3 this year, we will be at around the 650 or 660 mark, so we will be at, or close to, our target operating model of 670.

We have just concluded the pay negotiations with the Community trade union for a further uplift in officer pay from 1 May, which we expect will act as a further boost to our recruitment efforts and market attractiveness. That will sustain the increases in officers that we are recruiting into the business and get us to the numbers that I have just shared with you for Q3 this year.

**Graham Simpson:** What is the pay rise?

**David Jones:** It is an increase of 6 per cent, which takes the wage to £13.25 an hour.

**Graham Simpson:** There will still be quite a gap between what you pay and what others pay.

**David Jones:** There will still be a gap. Irrespective of whether the SPS, Police Scotland and other members of the criminal justice system have more attractive pay offers and larger packages than those that GEOAmeY can offer, not everybody wants to work in a prison wing—not everybody wants to do that job. However, we did a survey in 2022 of our officer community and everybody who was asked said that, despite the challenges that we have had, they love their job. Across the GEOAmeY officer community, there is an enormous amount of pride in supporting the criminal justice system, and I take great heart from that.

11:00

**Graham Simpson:** Your opening statement was very honest, and you apologised to everyone, but it is probably worth reading out some of the evidence that we have received. I do not know whether you have seen it—*[Interruption.]* I see that you have.

I was struck by the letter from Jennifer Harrower, the deputy Crown Agent, who describes a situation in which

"there were 16 family members or nearest relatives in attendance for a murder case which was due to call at 9.30 am. The accused was not delivered until approximately 5 pm. This had a significant personal impact upon them."

That is just one case.



We have also heard about people not turning up for video identification parades. The chief constable refers to that in her letter, but that particular murder case sounds absolutely dreadful. I presume that the case did not even go ahead, because the accused was delivered so late.

You are keeping people who will be in an emotional state hanging around all day. That is just not acceptable, is it?

**David Jones:** You referred to my opening statement, which was purposely worded to recognise the human impact of the delays that we have caused in the system. All that I will say for the committee's consideration of the causes is that it is the case that we have not had the appropriate number of people, but we are also having to deal with an operating environment in which there are conflicting requirements on our resources.

To give you an insight into that, I point out that every single day we have to collect between 300 and 500 people in a two-hour window to get them to court. That involves arriving at the establishments, going through the security protocols and ensuring that processing of the individuals whom we are collecting is correct. There is a formal transfer of responsibility for legal custody from one agency to another. The vehicle departs, and the individuals are booked into the court process, all within a 120-minute window.

As Gavin Redmond said, we now have conflicting demands in that we are, in effect, being asked to deliver 45 per cent of all hospital appointments at exactly the same time as all that other activity is going on. Those 300 to 500 people are going from all the prisons and police stations to all the courts across Scotland. That is an enormous undertaking in a very small window of time. I am afraid that we have, because we have not had enough resource, had some slippage, which has led to the catastrophic delays.

I am pleased to say that those delays are no more. I am not saying that we are perfect by any means from an arrivals perspective, but, fortunately, such incidents are very rare.

**Gavin Redmond:** It is important to recognise the example that Mr Simpson gave, which was, frankly, horrific. I can give you the assurance that my team and I are focused on the people element of this; even with all the logistics complexity, we are not losing sight of the people element that is attached.

David Jones referenced the length of delays. Similarly, I can give you assurances that delays of that magnitude are not inherent, as they once were.

Similarly, we have gone from facilitating roughly 40 per cent of VIPERs in November 2023 up to 96

per cent in this quarter of 2024, which means that the vast majority are being facilitated. We have a long way to go—there is no question about that—but we are trending in the right direction.

**Graham Simpson:** I will ask about one more thing. In your letter, you appear to suggest that part of the problem is that prisons do not have prisoners ready on time for you. In other words, you are blaming the prisons. Is that correct?

**David Jones:** That is correct. That is, as the Auditor General states, part of the requirement for a multi-agency approach to dealing with issues and resolving the problem. We experience delays in prisons daily. People are not ready when we require them to be ready: that is a matter of fact. Indeed, only a couple of weeks ago, we recorded 60 hours of delays due to prison establishments readiness being outside our collection windows. The impact is not insignificant.

However, I am going to balance that view completely. There was a time when our punctuality was such that people in prisons were ready but our vehicles were not there. We have to build up a degree of dependability for prisons to have the confidence that our vehicles will turn up when we say that they will turn up. I have to say that that is more and more the case now, but there is a lag, and we are in discussions with the SPS about closing that gap.

Given the relatively small window that we have every single day to get all those people to where they need to be, it is incredibly important that there are no delays in the system. There is no space for delays. The complex logistical challenge that we undertake each day must be accommodated and facilitated by the people who are responsible for having the prisoners ready—that is, the police and the Prison Service.

**The Convener:** Mr Jones, I want to ask you about another piece of correspondence—the letter that was sent by Cat Boyd of the Public and Commercial Services Union to the Cabinet Secretary for Justice on 14 December. I am going to go into a new area that we have not covered, because I am looking for your response to what is said in that letter.

The bit that I want to concentrate on—I am sort of looking at Mr Redmond here—is the communication element. In her letter, Cat Boyd from the PCS, on behalf of her members—that is, people who work in the court service—makes criticism of the

“Lack of communication/accurate communication. If custody hasn't arrived in the building it is very difficult to find out where they are”

or an estimated time of arrival. She also says in the letter:

“GEOAmeY will unilaterally put courts down when they do not have enough staff to cover them. This is usually done without consultation”.

How do you respond to those charges?

**Gavin Redmond:** I acknowledge the sentiment and emotion that are attached to the letter. For what it is worth, I share my officers’ sympathies on a lot of what is covered in the letter; they have been put under an incredible amount of pressure and duress.

Given the dynamic nature of the operating environment, which we have discussed, and the low number of vehicles and officers that are available to transport people, we are in a horrible situation in which the capacity of our fleet and people does not meet demand. That is creating this horrible logjam, which is making it difficult to predict when people will arrive at court. I absolutely agree with the correspondence, in that respect.

As for our making unilateral decisions to “put courts down”, I have to respectfully challenge that. Indirectly perhaps, the lack of GEOAmeY resource can lead to business being delayed or having to be heard without GEOAmeY officers.

Nevertheless, I think that it is important to acknowledge the sentiment in that letter. As I have shared, I have similar sympathies with my own people, who are being put under incredible pressure and are having to work longer.

**The Convener:** Is it up to individual crews to phone ahead to the court and say, “We’re going to be eight hours”, “We’re going to be two hours delayed” or “We’re not going to make it today at all”, or do you have some kind of central operational hub from which you make those calls?

**Gavin Redmond:** It is a bit of both. In periods of difficulty and real stress, communication is often something that falls behind as people focus on operational delivery. I acknowledge the need to communicate better; indeed, that is something that I would absolutely commit to going away with and taking up with my management team. If we are delayed or we are not meeting expectations, the least that we can do is front that up, communicate it and give some kind of idea of when things will get back on track. I would accept that.

**The Convener:** Okay. You will see—and I will direct this question to Mr Jones, too—that this is fomenting a view, certainly among PCS members, that GEOAmeY should not be part of the equation at all.

**David Jones:** I understand that fully. On that particular point, perhaps I can expand on what Gavin Redmond has said. You are right: there should be a blend here, with people phoning in. There are no—absolutely zero—excuses not to

communicate. That is just not right, and I am sure that Gavin Redmond will deal with that.

Just to support that, we are making further investment in our systems and upgrading what is called our Microlise system so that it effectively automates messages about arrivals not just for courts but for all members of the system. I hope that that particular item will be supported by a level of automation going forward.

I absolutely accept that members of the PCS—members of the criminal justice system—will have a view that we should not be part of the equation. What I would say in response is that we are the face of failure. It is a GEOAmeY officer who turns up late, his badge is emblazoned on his uniform, and all the people who are receiving the service can see that that organisation is failing.

What I have done is try to explain—I hope that we have set this out in our written evidence and in today’s oral evidence—that things have changed to such an extent that it is very difficult for us to perform to the required level. There is widespread recognition that a multi-agency approach will be needed to fix some of the inherent issues that we have talked about—for example, the prioritising of non-court appointments simultaneously with and at exactly the same time as the peak activity in courts. Delays with collections happen mainly in prisons, but also in police stations.

Those kinds of issues need to be ironed out to give us a fighting chance of getting somewhere close to our operating model and the number of available officers performing to the required standard. If we get to that position—and it cannot come a day too soon from my, and our, perspective—we can start to work on our reputational issues across the criminal justice system, and people can start to see what we can do. As I have said—and as I think that we have conveyed—we do this sort of thing very well elsewhere. We have the skills, technical competencies and systems to do it here, too.

**The Convener:** I have a couple of quick questions before I invite Willie Coffey to wind up the session.

In answer to Graham Simpson’s questions, you mentioned that the new hourly rate of pay from 1 May this year would be £13.25. At the point at which the chief inspector described the situation as being “shocking”—that is, presumably prior to October 2023—these heroic front-line staff would have been working through the pandemic. What was the hourly rate of pay back in 2020?

**David Jones:** I think that it was £10.76.

**James Huntley:** In 2020, the hourly rate was £9.85.

**The Convener:** Wow.

11:15

**James Huntley:** I will provide some context for our pay. As you can imagine, there are contractual terms around indexation each year. In the first four years of the contract, cumulatively, we passed on more to our officers than we got in receipt from the customer in order to support the pay as much as we could. Obviously, we all know that there has been a dramatic increase in the level of the national minimum wage and the Scottish real living wage. If we paid staff as per the contractual index, we would be paying them below the Scottish real living wage, which would not meet the Scottish Prison Service's requirements. The rate would be only about £11.84. That is why the recent injection has been so valuable.

However, there is still a significant gap between our pay and that of the Prison Service. The inspector of prisons referred to the fact that we face challenges in retaining staff when Police Scotland and the Prison Service go through recruitment periods. We are very aware of that. In our written evidence, we mentioned that there is a gap of circa 40 per cent between our pay and that of the Prison Service.

I want to take the opportunity to clarify the basis for that calculation. We looked at the specifications for the roles at band C and band D in the Prison Service. Given that he has some hands-on operational experience, Gavin Redmond helped with that. We have discussed the issue with the SPS over the past 18 months or so, and it is our general feeling—the SPS might have a different view—that the role of our officers combines the skill sets of a band C role and a band D role, so we pitched the pay rate in the middle of the range between the two bands. Therefore, the 40 per cent gap relates to the third-year pay rate for a blended C and D band. The exact number is 43 per cent, but we did not want to be too explicit in our written evidence.

**The Convener:** Okay, but you have said that, back in 2020, the hourly rate of pay for your officers—throughout today's proceedings, you have called them "officers", which conveys a certain level of status to them—was less than £10. You might be surprised, but I am not surprised, that people would leave in droves if they were given opportunities to find work that paid more than that, given the kind of job that this is.

I presume that, when you put in your tender document, it was based on a forecasted hourly rate of pay, which, at the time, I can only assume, was also less than £10 an hour.

**James Huntley:** Correct. The bid would have been based on information about what the pay rates of the previous incumbent were when the staff were transferred across under the Transfer of

Undertakings (Protection of Employment) Regulations. We would have based it on that data.

In relation to pay rates, it is important to note that, when we entered the pandemic, we had circa 700 officers, so we were above the level of our target operating model. We came out the back end of the pandemic with fewer than 600 officers. Our officers have to go through a challenging six-week initial training course, which includes control and restraint training. Obviously, that involves physical contact. During the pandemic, when there was social distancing, that was not able to happen.

We recognised that challenge, but, after the pandemic, two things happened—in fact, three things happened. First, we had the cost of living crisis, which everyone was impacted by. Secondly, it was generally expected that one impact of the pandemic might have been substantial unemployment, which would have meant a greater availability of people in the employment market. In fact, exactly the opposite happened, and the number of vacancies now outweighs the number of candidates. In addition, there has been an unprecedented increase in the level of the national minimum wage. All those things have combined.

As Dave Jones has said, we are exceptionally proud of the work that our officers do, and we recognise that the rate is not what it should be for the role that they have. However, the difficulty that we have—Mr Simpson referred to this earlier—is that, although we have tried to do our best by paying above what we get back in, we cannot bridge a gap of £5 million, £6 million or £7 million in the pay rate. We are not able to facilitate that, and I do not think that anyone would expect us to, either.

**David Jones:** May I add just a little?

**The Convener:** A little.

**David Jones:** I am very conscious of the time—I really am.

Over the nearly eight-year period in which G4S had stewardship of the contract, the pay rate went up by £1.08, I think. Without the injection of the money from the Scottish Government last year, we doubled that in the four years of the contract up to that point. We have done our damndest.

**The Convener:** Okay. I will ask you one quick question, to which I hope to get a quick answer before I bring in Willie Coffey.

**David Jones:** I will do my best.

**The Convener:** It has been a bone of contention, certainly in the past, that your rates of pay on the contract in England were more than your rates of pay on the contract in Scotland. Is that correct?

**David Jones:** It is correct.

**The Convener:** What is the current position?

**David Jones:** The current position is that there is parity.

**The Convener:** Okay. That is fine.

**Willie Coffey:** Good morning to—

**David Jones:** I need to clarify that. Both are out to ballot, so I may be giving you the impression that it is a done deal.

**The Convener:** Okay. I take it that staff do not have a no-strike clause.

**David Jones:** They do not.

**James Huntley:** Also, the parity refers to the average rate. There are a couple of different rates in England and Wales.

**The Convener:** Okay. Fine. If you want to furnish us with more details on that in writing afterwards, that would be helpful.

**Willie Coffey:** I have a few questions. I want to go back to the contract for a second. David Jones, you told us that some of the challenges that you faced meant that you were taking 38 per cent more prisoners to the High Court, 44 per cent more prisoners to solemn cases and so on. Were the numbers of prisoners that you were dealing with not specified and agreed in the contract itself? If you are being asked to deliver more and more, without agreement, how can that be regarded as a contract failure?

**David Jones:** You are correct, Mr Coffey, that one of the difficulties with the contract is that, in effect, demand is uncapped. From a contractual perspective, that is correct. From the perspective of operational reality, it is impossible to operate a contract with such an unlimited position. It simply was not contemplated in our negotiations with the SPS—although this is not reflected in the contract—that we would have a situation in which there would be numbers of the order of magnitude that we have described this morning that would change the operating environment to that extent.

**Willie Coffey:** Nevertheless, your company was fined—we call them “service credits”—for not being able to deal with huge increases in the numbers going to court.

**James Huntley:** That is correct.

**David Jones:** In a nutshell, yes.

**Willie Coffey:** Are those numbers tailing off post-Covid?

**James Huntley:** Do you mean the penalty numbers or the numbers going to court?

**Willie Coffey:** Both.

**David Jones:** The penalty numbers are tailing off. The numbers going to court are not.

**James Huntley:** There has been some recognition from all the parties that, with the increase in the volume and the challenges that we have with staffing, we are looking at the targets that we have for on-time delivery to taper up across a period. However, the tapering up of a commercial target or a contract target just means that we either hit or miss our contractual target. The most important thing is that we actually improve the underlying service to our partners—to SCTS in this case. The key thing is that we work together with our partners—the Prison Service and other partners—to ensure that we get more than one in two people to court on time every single day. That is the most important thing, so that we can help to be part of an efficient service. That is what we want to achieve.

**Willie Coffey:** Those additional numbers have had a huge impact on you. Did you try to vary the terms of the contract at any point, given that it is quite clear that what you have been asked to do has far and away exceeded what we might reasonably have expected you to do?

**David Jones:** From mid-2022 through to October last year, we were in extensive and intensive discussions with the SPS—and, by proxy, our criminal justice partners, because the SPS represents partners in the multi-agency liaison group—about difficulties concerning the contract, its sustainability and what needed to be done to ensure that we could see out the remaining term of the contract and have a fighting chance of delivering the level of service that our criminal justice partners expect.

**Willie Coffey:** Did that involve agreeing what the numbers might be, with some variation above and below that level, rather than nothing being said about the matter and just having to cope with the numbers?

**David Jones:** That is correct. The contract has been recalibrated—that is the term that has been used.

**James Huntley:** I will give a practical example. There is no expectation or understanding that there will be a cap on court demand, because that obviously depends on what happens, but one term of the new recalibrated contract is the cap on our bed watch obligation. Bed watch is a very labour-intensive service that we provide. Our obligation is currently at 13, and the cap is at 14, in relation to our headcount numbers.

Why is that important? Previously, there was no cap in the contract, so if we were sat at 16 bed watches—the number could be higher; it could be 20—in addition to having to staff more bed watches, we had to keep aside extra staff in case the number went to 17, to 18 or higher. That meant that six to 10 crews were kept aside for that potential increase when they could have been

deployed for a hospital appointment, for example. Now that we have the cap, we do not have to keep people on the substitutes bench to bring in, if required. That relatively small change has had quite a material impact on the service.

**Gavin Redmond:** The cap on demand for bed watch, which James Huntley has described, has been a fantastic help—there is no question about that—but there is no cap in any other area of service. It is really important to clarify that. In the negotiations, we tried to get that cap for reasons of reasonableness, as you would expect, so that we could meet expectations. That is the key point. As things stand, such caps are not prominent in contracts.

**James Huntley:** We understand that court activity cannot be capped, because justice has to be served, but it would be exceedingly beneficial if we could smooth the demand for non-court appointments. If there is a really high number of non-court appointments, such as hospital appointments, on a Monday, which is our busiest day for moving individuals to court, we are just exacerbating the problem. If we cannot have a cap, let us work together to try to smooth demand, which would mean that we could deliver a better service for everybody.

**Willie Coffey:** I think that I understand that.

Financial support has been mentioned a few times. The SPS gave GEOAmev £6.3 million between April 2020 and June 2021. Was that for furlough support or for wages?

**David Jones:** It was for wages. The SPS was keen for us to ensure that our officer community would be available when we came out the other side of the pandemic, whenever that would be—of course, at that time, nobody knew when that would be. That was coupled with the fact that we were regarded as essential workers, so people were still working. That level of support allowed us to bridge the gap between our costs and the revenue that we received from undertaking what little services we provided at that time.

**Willie Coffey:** That was, in effect, a one-off payment, was it not? That is not sustainable.

**James Huntley:** During the pandemic, we had a couple of different mechanisms in place. Fundamentally, we wanted to ensure that, when volume dropped, we could still pay our direct officers and first-line managers and could cover their costs. The new recalibrated contract includes different terms, but it is on a similar basis. That means that we will not be penalised if volume moves and the contract no longer reflects the current environment.

**Willie Coffey:** Did GEOAmev pitch in with any additional financial support for wages, or was it just the Scottish Government?

**James Huntley:** The money for the uplift and the rates that we referred to in relation to the increase to £13.25 an hour, subject to ballot, came directly from the Scottish Government. As David Jones said, every penny of that has gone to the officers, and there are mechanisms in place for the SPS to have the data to support and audit that.

Specifically on the labour rates that we are talking about now, no, they are not sustainable, but we have made additional investments—you will have heard me speaking previously about pay rates above the indexation on the contract. We also invested in some additional layers of first-line management, which involves not back-office people but people on the ground in the court complex, in order to provide more support to our operation. We have spoken about the challenges in the employment market. We have made quite a heavy investment in recruitment teams in order to try to address the issues that we have in staffing.

**Willie Coffey:** I have one final question. David Jones, can you tell us what your current level of performance is and whether you consider that that is having a more positive impact on service delivery in the justice system?

**David Jones:** There is no question but that our service performance has improved over the past few months. It improves in direct proportion to the number of officers that we have available, so we expected that to happen. However, we are nowhere near what the base contract level performance needs to be. Our performance on arrivals is in the low 70s, which represents a rise of 10 per cent; for VIPERs, which we have given you some numbers on, it is in the low 90s; for hospital appointments, it is in the low to mid-80s, so we have a long way to go on that one; and for bed watches, it is effectively at 100 per cent, for the reasons that we have discussed. There has been tangible movement on virtually every element of the service apart from one that will not be felt as an improvement on service, which is the arrivals for SCTs. I think that it is fair to say that that is the only part of the service that is yet to receive a tangible improvement, and that is what Gavin Redmond is currently working on.

**The Convener:** Thank you. We are right up against the clock, and I think that we have broken any cap that we might have set ourselves, so I will draw proceedings to a close at that point. I thank David Jones, James Huntley and Gavin Redmond for their evidence and for making themselves available today; we very much appreciate that and wish them well in the future.

We will now move into private session.

11:32

*Meeting continued in private until 11:36.*



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