

COMMUNITIES COMMITTEE

Wednesday 10 November 2004

Session 2

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COMMUNITIES COMMITTEE

27th Meeting 2004, Session 2

CONVENER

*Karen Whitefield (Airdrie and Shotts) (Lab)

DEPUTY CONVENER

*Donald Gorrie (Central Scotland) (LD)

COMMITTEE MEMBERS

*Scott Barrie (Dunfermline West) (Lab)

*Cathie Craigie (Cumbernauld and Kilsyth) (Lab)

*Linda Fabiani (Central Scotland) (SNP)

*Christine Grahame (South of Scotland) (SNP)

*Patrick Harvie (Glasgow) (Green)

*Mr John Home Robertson (East Lothian) (Lab)

*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE SUBSTITUTES

Shiona Baird (North East Scotland) (Green)

Christine May (Central Fife) (Lab)

Mike Rumbles (West Aberdeenshire and Kincardine) (LD)

John Scott (Ayr) (Con)

Ms Sandra White (Glasgow) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

Kay Barton (Scottish Executive Development Department)

David Bookbinder (Scottish Federation of Housing Associations)

Malcolm Chisholm (Minister for Communities)

Nick Fletcher (Chartered Institute of Housing in Scotland)

James Hynd (Communities Scotland)

Derek Logie (Rural Housing Service)

Mike Neilson (Scottish Executive Development Department)

Ken Ross (Homes for Scotland)

CLERK TO THE COMMITTEE

Steve Farrell

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Jenny Goldsmith

LOCATION

Committee Room 1

Scottish Parliament

Communities Committee

Wednesday 10 November 2004

[THE CONVENER *opened the meeting at 10:00*]

Items in Private

The Convener (Karen Whitefield): Good morning and welcome to the Communities Committee.

Agenda item 1 concerns the committee's approach to its report to the Finance Committee on the Scottish Executive's budget for 2005-06. Committee members are asked to consider whether to take item 4, as well as items on the draft report at subsequent meetings, in private. Are we agreed?

Members *indicated agreement.*

Subordinate Legislation

Sale of Spray Paint (Display of Warning Statement) (Scotland) Regulations 2004 (SSI 2004/419)

10:00

The Convener: Agenda item 2 is subordinate legislation. Committee members have been provided with copies of the Sale of Spray Paint (Display of Warning Statement) (Scotland) Regulations 2004 (SSI 2004/419) and accompanying documentation. The regulations relate to sections 122 and 123 of the Antisocial Behaviour etc (Scotland) Act 2004, which make it an offence to sell spray paint to a person under the age of 16. They introduce a requirement for retailers to display a warning notice to publicise the ban. Committee members might wish to know that the Executive published "Guidance on Ban on Sale of Spray Paint to under 16s" in October.

Is the committee content with the regulations?

Members *indicated agreement.*

Linda Fabiani (Central Scotland) (SNP): I am delighted with them.

The Convener: I am delighted to know that you are so excited by the regulation of the sale of spray paint.

The committee will not make any recommendation on the regulations in its report to the Parliament, other than to note how happy it is. I ask members to agree that we report to the Parliament on the regulations. Are we agreed?

Members *indicated agreement.*

Budget Process 2005-06

10:02

The Convener: Agenda item 3 is the budget process 2005-06. At its previous meeting, the committee decided to take evidence on objective 1 of the communities portfolio, with a specific focus on affordable housing. Therefore, we will take evidence today on affordable housing from two panels of witnesses.

I welcome the first panel and thank them for joining us. Nick Fletcher is the policy and public affairs officer at the Chartered Institute of Housing in Scotland, and David Bookbinder is the policy and practice co-ordinator for the Scottish Federation of Housing Associations. We look forward to hearing your comments and we are grateful to you for your written submissions, which members have had an opportunity to look at.

I will start with some general questions. As you know, the Scottish Executive has revised its targets and objectives for delivering warm, good-quality, sustainable and affordable housing for everyone. You have been campaigning for some time for 10,000 houses to be built each year, and the Scottish Executive has increased its target to 8,000. Are you satisfied with the Scottish Executive's adjustment or do you believe that it could do more?

David Bookbinder (Scottish Federation of Housing Associations): It is a first step towards a significant increase in provision and the most significant increase for a considerable period. It is worth clarifying that the SFHA's calls for around 10,000 new homes a year to be built relate to affordable rented provision. The welcome figures that the Executive has announced in the past few weeks will result in around 6,400 rented houses a year being built by 2007-08, from a figure that is well below 5,000 at the moment. That is a real step increase.

In welcoming that increase, we have expressed the hope that it will be the beginning of an upward trend that will continue beyond that period, given the demands that have been created by existing backlogs and by factors such as the radical legislation on homelessness that was enacted in 2003 and will be implemented in the coming years. The increase is significant and the SFHA was very pleased with the announcement.

Christine Grahame (South of Scotland) (SNP): On the day that the announcement was made, you issued a press release, which stated:

"Today's announcement will not help the Scottish Executive to address the backlog of housing need in Scotland. In 2003 there were over a quarter of a million

households on local authority and housing association waiting lists who cannot get a home because of a shortage ... An investment programme of an average of 5,500 houses per year will do little to help them. It is also looking like the Scottish Executive will not meet its current target of delivering 18,000 homes by 2006. We estimate that it will miss ... by well over 2,000 homes. It will not be able to give all homeless people the entitlement to a permanent home by 2012—one of their flagship policies."

That is a little bit more severe than what you have just said. Do you stand by those comments?

David Bookbinder: I will allow Nick Fletcher to comment, because that press release was from the Chartered Institute of Housing in Scotland.

Nick Fletcher (Chartered Institute of Housing in Scotland): The press release came from us. Our position is slightly different from that of the SFHA. We welcome the extra investment that is coming into affordable housing; it would be churlish of us not to say that, because the investment is significant. Our concerns arise when we look at the number of houses that that investment will deliver.

We have done some work with the Scottish Council for Single Homeless on mapping future need, in order to establish what will be required to meet some of the Executive's commitments on homelessness. Our conclusions were that we will probably need about 7,000 extra affordable rented homes to be delivered per year. When we looked underneath the Scottish Executive's comprehensive spending review announcement, we found that it would lead to the delivery of perhaps just over 1,000 extra affordable social rented houses per year. Our concern is that that will not be enough for us to meet future need, especially given the greater commitments that are on the way as a result of the Homelessness etc (Scotland) Act 2003. Those commitments mean that, by 2012, all unintentionally homeless households will be entitled to permanent accommodation. Our concern is that if we do not start investing now to build the houses to meet that demand, we will fail to deliver on that very important piece of legislation.

Christine Grahame: So you stand by the comments in the press release.

Nick Fletcher: Yes.

The Convener: I was going to ask a similar question. I know that many committee members have an interest in the matter.

You are correct to flag up the need constantly to build new homes. Do you think that the Executive has accepted the scale of the task that lies ahead of it? Do you think that, by increasing the number of homes that it aims to build each year, the Executive has shown that it appreciates the consequences of the radical legislation on

homelessness and that it will be able to work towards full implementation of that legislation to ensure that people have homes?

Nick Fletcher: The Executive clearly recognises that there is an issue about the supply of affordable housing. That is shown by the fact that it has been conducting a review since about last October, the interim findings of which were produced in July. I believe that the final findings are expected to be produced fairly shortly.

We have relied heavily on some of the research that the Executive has commissioned, in particular the report by Professor Glen Bramley, which tried to identify the level of housing need throughout Scotland. Although Glen Bramley's work is very important, our concern is that it contains a number of caveats and assumptions that the Executive has perhaps not taken on board. The Executive has taken Professor Bramley's initial findings and used them, to some extent, as justification for the level of affordable housing that is required in Scotland.

We would like to encourage the Executive to make more of local authorities' housing strategies, which try to map out local levels of housing need. Local housing strategies should be the important vehicle for driving forward the way in which we meet housing need across all sectors, not only the social rented sector but the private sector and the owner-occupied sector. We are concerned that too much emphasis has been placed on some of the initial findings of the affordable housing review. That is a starting point.

We have an increase in investment and a few more houses are being delivered, but we need to start casting forward to 2012. Professor Bramley's report did not take into account the changes in homelessness legislation or the gradual step towards the eradication of priority need. On that basis, perhaps the Executive has not properly picked up on those factors either. That is why we did a piece of research, which I think all members of the committee have, called "Is Anyone Home?" That report tries to model what will happen in 2012 and beyond and considers the implications, for local authorities and housing associations, for the delivery of the Homelessness (Scotland) Act 2003 if we have the current level or an increased level of housing supply at that time. It considers the consequences for homeless people and other people who are on housing waiting lists.

Without extra investment, we foresee a difficult position in which local authorities and housing associations will not have enough stock, or turnover of stock, to be able to deliver the 2003 act and to house people who are on the waiting list. There are potential consequences for people in housing need, and the Executive has not got that quite right yet.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): You have made your position clear. Given that you do not agree that the level of investment that the Executive has set aside for affordable housing will be sufficient to meet the demands that you forecast, what level would be required to meet the affordable housing target that the Chartered Institute of Housing in Scotland has set?

Nick Fletcher: In our submission to the comprehensive spending review, we examined the number of extra houses that we are likely to need. As I said, we are looking at about 7,000 additional houses, on top of what is being built. It is difficult to get behind the figures because figures are not easily available from the Scottish Executive and Communities Scotland, but we did a number-crunching exercise using what figures there are and we reckon that an additional £331 million per year should go into the affordable housing budget. That is significantly more than the Executive has been able to make available.

We accept that the Executive has to work within budget constraints, but perhaps we need to make a stronger case to it on why more money needs to go into affordable housing to enable it to deliver the Homelessness (Scotland) Act 2003, which is probably one of the best acts in western Europe on tackling homelessness.

Cathie Craigie: When we passed the 2003 act, it was recognised that resources would have to go with it if we were ever to meet the demands that would be generated. It is easy to sit around this table and say that we need more money and more houses to be built. It is easy for you to say that as well, but, with respect, the communities budget is huge. What do you suggest to us, as a committee, that we should cut or transfer from the budget to achieve the level of affordable housing that you suggest? It is clear that the matter is about money and resources.

Nick Fletcher: The matter is about money and resources. We should not cut the communities budget or shift things within it. As Shelter Scotland said, in real terms there has been a £100 million cut in the communities budget for the next three years. Shelter Scotland has not been able to get behind where that cut is, although to some extent it is down to the changes in the supporting people funding. We would like the underspends in other parts of the Executive's budget—which always happen, because not all budget headings achieve their full spending plan—to be transferred to the affordable housing budget so that, in time, we can deliver more affordable houses. That applies particularly to underspends on health and education, because housing has a big impact on those areas.

Cathie Craigie: Would that be sustainable? If we want to make a substantial difference, should

we rely on underspends? Should you not be looking for greater commitment rather than relying on money that might not be spent by other departments?

Nick Fletcher: We would like greater commitment, but to be realistic we will have to wait until the next spending review to get that—the Executive will not change its position now. However, where there are opportunities to bring extra money into affordable housing let us take them, because we want to deliver more affordable housing so that the 2003 act can be delivered. Unless the Executive goes back and looks again at its comprehensive spending review, we will have to work with what we have and work towards the next review, making a stronger case to ensure that we get even more investment at that stage.

Cathie Craigie: I imagine that the Scottish Executive has taken account of the market, including what land is available and what trades are available to build new houses. Have you done any research with the industry to find out whether it can meet the targets that you would like to see being set?

Nick Fletcher: That is an important point. There are limited trade skills out there to deliver on the targets. We need to look at the overall number of houses that are being built in Scotland—I am not sure what the figure is, but it is around 19,000 to 21,000—and then to look at the proportion of those houses that are in the affordable rented sector. We could then redistribute the skills that are being used on building housing at the upper end of the market, which is not necessarily quite as important as housing at the lower end of the market is. There may be a need to redistribute skills and to look at how the sector approaches the housing market as a whole.

10:15

Mary Scanlon (Highlands and Islands) (Con): I read in your submission that

“by 2017/18 the total number of homeless households eligible for a home will be close to the total number of lets being made per year.”

You did not quite cover that point in your opening statement, when you spoke about the situation up to 2012. Are we going to reach the point at which—as your forecast said—unless someone is homeless they will not be able to rent a house? Is that the case?

Nick Fletcher: That could be the case. We drew that scenario from a piece of work that we undertook to look at a range of housing indicators on the level of supply and levels of housing need. Based on the modelling that the CIH announced, by 2017, we could get to the point at which the total number of households in priority need would

not be much lower than the total number of lets that were coming on stream each year. The scenario raises significant questions about how we deliver affordable rented housing and how we meet housing need in the future.

Mary Scanlon: In talking about budgets, it is easy to talk about a few million here and there. What would be the most effective way of spending the budget in order not only to supply affordable housing for the homeless but to meet demand?

David Bookbinder: We are presented with the problem of not having unlimited budgets on which to call. When we look as far ahead as we have discussed in the past few minutes, it is important to consider other ways of increasing supply that may have less or even nil cost.

If we are asked to look that far ahead, the SFHA is bound to suggest that we should look at the continuing effect of right-to-buy sales. The abolition of the right to buy has the potential to increase supply, although I stress that I am talking about the abolition in relation to new lettings only and not about taking away the right to buy from people who already have it. The abolition of the right to buy would be one important element of increasing supply in the longer term.

Mary Scanlon: My question was about the allocation of expenditure in the budget.

Nick Fletcher: The expenditure should be going into the provision of affordable housing by way of housing associations developing affordable housing. Before we came into the meeting, David Bookbinder and I were discussing the fact that we do not make enough of the point that the public subsidy that goes to housing associations or registered social landlords also brings in private finance. That makes it quite an economical way of delivering housing.

For a subsidy of about 60 to 70 per cent, we get 30 to 40 per cent of private finance to build affordable housing in Scotland. We should make more of the point that the money that is used to deliver those projects is not all public money. The more public money that goes into affordable housing projects, the greater the leverage housing associations have to attract private sector investment.

Linda Fabiani: I want to explore the issue a little further. David Bookbinder mentioned the fact that some of the targeted homes will be for low-cost home ownership. Are you concerned about linking the development of affordable housing with the provision of homes for ownership? I am thinking of the balance of private finance that is required and the need for the developer to turn a profit.

David Bookbinder: The balance is interesting. The provision of 5,000 low-cost home ownership

houses over the three-year period is a significant number. We are interesting in exploring with the Executive how that might be divided up. Options such as making available cash sums of between £10,000 and £15,000 for people to leave a social rented house and buy privately—along the lines of the original tenants incentive scheme—could be seen as good value for money.

Shared ownership, which is one of the more traditional low-cost home ownership initiatives, allows households that cannot afford a full purchase to get into the market with a quarter or a half share. Clearly, there is a market for that. Analysis of any waiting list shows that a proportion of people might be able to pursue that option.

Given the significant emphasis on low-cost home ownership, we favour options that remain as low-cost home ownership options, rather than options that have an initial subsidy that in time disappears into the fully private sector. That is a significant part of the announcement but, if we get the right variety of the right initiatives, it is a legitimate spend.

Linda Fabiani: To develop the theme further, one of my bugbears for many years has been that homes from low-cost home ownership schemes can, in a short period of time, end up being sold on the open market, which affects communities terribly. I know that the Executive has upcoming proposals on shared equity and I hope that they will include a proposal to allow ownership to remain in the public sector. That would be possible; for many years, housing associations and various others have come up with ideas for that, but they have never been taken on board. Has either of your organisations provided strong submissions on the Executive's shared equity plans that detail how that could be done?

David Bookbinder: The SFHA recently had discussions with Communities Scotland. We get the impression that serious proposals are being developed that will enable retention within the public sector. It looks as though a fresh approach is being applied to address the disappearance of shared ownership as people staircase up. We may be able to address that and to do something different.

Nick Fletcher: Our concern is that we should be able to recycle the subsidy that goes into low-cost home ownership. Too often, we are not delivering good value for money in terms of encouraging people into home ownership. The right to buy is an example of that. We are doing work at the moment to see whether we are getting value for money from the right to buy or whether we need alternatives.

Some remodelling of the traditional shared ownership schemes could lead to good ways of

recycling subsidies. As a person buys a greater stake in a home, their initial subsidy could go back to the developer—probably a housing association—and be recycled into new shared ownership schemes. We need to keep that money within the sector and to get away from what we have done in the past, which has been to give people one-off subsidies with which to buy a house, after which the subsidy is lost to the public sector, with the result that it has helped only one person. That is not good value for money. We need to ensure that a subsidy helps more than one person, and that it can be recycled and used to help several people down the line.

Linda Fabiani: I do not think that my original point has been addressed. There is concern that the amount of low-cost home ownership houses that are part of the three-year plan will drive the location and types of development schemes, because of the finance involved. Are you worried that that will dictate where the affordable rented housing is located?

David Bookbinder: There are land supply problems in all sectors, which affect, in particular, the provision of affordable rented housing. At this stage, given the scale of provision that is planned, we are not worried that that will impact much on the provision of rented housing.

If we consider the bigger picture, we are more concerned about the difficulty of providing any subsidised housing, whether it is rented or shared-ownership housing, in a competitive market in which private developers of course have more muscle to pay what must be paid in some areas for land.

Mr John Home Robertson (East Lothian) (Lab): Do the witnesses want to comment on the quality or accuracy of the statistical information on which the Executive based its assessment of and projection of needs for affordable housing?

Nick Fletcher: As I said, one of the key documents on which the Executive relied was the report by Professor Glen Bramley. That was an important piece of work, which tried to model housing needs throughout Scotland. Some of the work was used in England as part of the Barker review. Professor Bramley's work represents an important contribution to attempts to set out a baseline, but we must be aware that it contains a number of assumptions and, as Professor Bramley himself has pointed out, a number of caveats. We are concerned that the Executive might have relied too heavily on the work, without taking account of the assumptions that it makes and we are concerned that perhaps there has not been enough focus on local authority local housing strategies. I acknowledge that not all such strategies are excellent documents; some have not been successful in developing the case for

affordable housing needs. However, there is some danger of the Executive sidelining local housing strategies and relying on national research, rather than helping local strategies to develop into the strong strategic documents that they have the potential to be, which was the intention of the Housing (Scotland) Act 2001.

David Bookbinder: To back up Nick Fletcher's comments, I will give an example of the anxieties that many housing bodies have about the Executive's reliance on Glen Bramley's research. The research suggested that, purely in terms of the number of houses in a given area—let us say Glasgow—there might be a surplus of houses and that there is certainly not a net need. Professor Bramley said that the quality and let-ability of the houses were not factors that he took into consideration. The location of the houses was not considered, either. In effect, that suggests that if people are in housing need in the west end of the city and there is a surplus of houses in Castlemilk, the people need only to move from one part of the city to another. The consequence of that approach would be to assert that there are enough houses in Glasgow and that we do not need to build houses there. If we transpose that approach to a rural setting, people might move almost 100 miles but remain within the same local authority area. Our anxiety was that the needs figures in the research were based on the notion that, in at least half of Scotland's local authorities, there is allegedly a surplus of houses.

Professor Bramley suggested that another way of considering the situation is on the basis of housing market areas. For example, four local authorities might make up a housing market area, so we might say that within that area the net need is even lower. Again, that approach suggests that people can move within the area, which is not generally what people who seek rented housing do. That might be an element in the private market, but housing market areas are not relevant to how people seek affordable housing.

Mr Home Robertson: It is important to get the approach right. Nick Fletcher pointed to a situation in which the supply of affordable housing could become so tight that 100 per cent of allocations would have to go to people who are homeless. An area that I know well is nearly in that situation. There must be a few such hotspots in Scotland. Are you satisfied that the Executive is taking such matters into account?

David Bookbinder: Emphasis has been put on responding to homelessness needs. I am not sure that the Executive is yet convinced of the dilemma that will arise as the proportion of lets to homeless households increases, which will certainly happen when the Homelessness etc (Scotland) Act 2003 starts to be implemented, as Nick Fletcher said.

There is a lack of recognition in the Executive of the fact that people might not be allocated a house unless they are homeless.

10:30

Mr Home Robertson: That was coming through loud and clear at my constituency surgery in East Lothian last night.

What do you think of the Executive's estimate for the number of units that can be provided through the budget? Is it realistic?

David Bookbinder: At the moment, our impression is that it is realistic. When one examines current figures, one is either examining the number of approvals that were made in a given year, or the number of completions. That always makes life difficult when one is making comparisons. At this stage, we have no reason to question the suggestion that 6,400 new rented homes can be provided by 2007-08.

Nick Fletcher: Although I think that the target is realistic, it needs to be considered alongside the Executive's proposals for changing the planning system and the outcome of the recent consultation on Scottish Water.

Mr Home Robertson: We are coming to that later.

Scott Barrie (Dunfermline West) (Lab): I have a brief question for Nick Fletcher. In your answer to Christine Grahame's first question, you were concerned about the projected numbers of affordable houses and in your report, "Is Anyone Home? Modelling Scotland's Affordable Social Rented Housing to 2012 and Beyond", you express concern that current building targets might not be being met. What are the implications of those concerns for the future use of the budget?

Nick Fletcher: We are still waiting to get back some information on exactly what the output of houses has been. The Executive's target was to approve 18,000 affordable homes and its new target is to approve 21,500 affordable homes. We want to find out how many affordable homes are actually being built each year. Our initial concern was that those numbers of houses might not be being built, but we will have to wait until the Executive gives us the figures on that. If that is the case, it will mean that there will not be enough houses to meet future needs. If it transpires that, although we have the plans in place to approve the houses, we are not managing to build them for some reason, that situation will have to be examined. Our initial thinking was that that was the case, but we are trying to obtain the exact figures from the Executive to be certain about whether our assumption was correct.

Christine Grahame: Mr Fletcher, I have a point of clarification about evidence that you gave earlier on figures and data. It might be necessary to check the *Official Report* to establish what you said, but I think that you said that figures were not readily available from the Executive or Communities Scotland. What figures are not readily available? Should they be available? Do you remember saying that?

Nick Fletcher: Yes. The fact that the budget changes year on year makes it difficult to examine the Executive's budgets when we are preparing our submission to the comprehensive spending review. It is difficult to analyse the budget, to consider the issues in it and to make comparisons between what has happened in different years, because the way in which the budget is set out changes year on year. Even the figures in the annual evaluation report and those in the initial CSR budget report do not always match, so it is difficult to get underneath the figures to find out where they are coming from. I am speaking monetarily.

As regards delivery, what Communities Scotland's investment plan says about the delivery of affordable housing next year is different from what Margaret Curran talked about when she was Minister for Communities; she mentioned a different figure. The fact that we are getting different figures from the two organisations can make it difficult to get underneath the detail to find out what will actually be delivered. That is what I was referring to.

Christine Grahame: So it will be difficult for me to do that, too.

Nick Fletcher: Yes, although you are probably cleverer than I am.

Patrick Harvie (Glasgow) (Green): I want to return to the right to buy. The position of SFHA is clear. Its written submission says:

"sales under the Right to Buy are running at about three times the level of new build".

The CIHS has suggested that, beyond 2012, the number of homeless households might approach the number of available lets. Would you go further and say that continuing the right to buy would endanger the ability even to meet the needs of homeless households under the new legislation?

David Bookbinder: Yes. Until there is a huge increase in supply through the new-build programme, we must consider any other possible way of retaining what we have and of keeping supply going in that way. Building houses for rent each year, even at the increased levels, but seeing so many houses sold, seems to be the wrong way of doing things. We can start only at a certain point with the supply issue. In one sense,

we cannot stop the rate of sales under the right to buy. Even if that right ended tomorrow, there would still be plenty of sales over time, as the right will not be taken away from those who have it. It seems to us that even, for example, stopping the right to buy new lettings tomorrow would have a beneficial impact on supply long before 2012, including supply relating to the homelessness legislation.

Patrick Harvie: Supporters of the right to buy would counter that by saying that the same level of total housing need will exist, so the issue is about new build and not about which sector of the housing market the houses end up in. They will still be there. Even when they are sold, they will still be lived in. How would you come back on that?

David Bookbinder: We would like to think that the need and aspiration that many people have to buy their house can be addressed in other ways. We have already considered the possibility that some low-cost home ownership moneys will be targeted at cash-incentive or similar schemes, and there are signs of that happening. We believe that the research shows that supply figures are indeed affected by right-to-buy sales and that there are other ways of addressing home ownership needs and aspirations. However, there is no doubt about the impact being slow—it is gradual. People buy houses and do not leave them straight away, so we are not talking about an immediate impact on supply. However, over time, the 400,000 houses that are lost to the rented sector in Scotland will have an effect on the ability to house people who are in housing need.

Cathie Craigie: I have a question for David Bookbinder. Major changes were implemented to the right to buy as a result of the Housing (Scotland) Act 2001. I remember being involved with David Bookbinder at the time. Has the SFHA had time to do any research or gather information on the impact of those changes?

David Bookbinder: The question is timely, as we are conducting work at the moment. The committee will recall that the key implementation of extending the right to buy to housing association tenants has been delayed until 2012. Obviously, a number of housing association tenants have the right to buy anyway, as a result of stock transfer in the past, but the full application of the right to buy to the housing association sector, or to that part of the housing association sector that is not charitable—members will know that that part is exempted anyway—will be in 2012. At the moment, we are seeking data from our members about what they think will happen at that time, how much stock they predict that they will lose and over what period of time, and what effects that will have. As members know, even

without an abolition of the right to buy, associations have the power in the lead-up to 2012 to make an application to the minister for a further period of delay to the introduction of the right to buy. What the political climate will be at that time and whether ministers will exercise the power to allow further suspensions is uncertain, but at the moment, we must assume that that might not happen and that large amounts of housing association stock will come under the right to buy in 2012.

We are also asking our members to tell us what they have built since the act was implemented. That stock will go anyway. Even if the right to buy was abolished tomorrow for all new lettings, we could not keep houses that were built in the past two years, for example, out of the right to buy. In 10 years, those houses would be good quality houses and they would only be 10 years old. As you know, we very much welcomed some of the changes that were made to the overall right to buy, but even with the lower discounts, the fear is that many of the houses that are being built at the moment and the general stock that will move into the right-to-buy sector in 2012 will go. We are worried about the impact of that and we are researching it at the moment.

Cathie Craigie: Obviously, the SFHA has no concrete evidence of that as yet because it is has not kicked in.

I know that Nick Fletcher will be representing members in local authority areas. Has any research been carried out there? I think that the changes to the right to buy came in last October.

Nick Fletcher: It was 2002.

Cathie Craigie: So we have had a wee while to see if there has been an impact. Is the maximum discount £15,000?

Nick Fletcher: Now you are testing me.

David Bookbinder: From a distance, our assessment of the local authority sector is that the majority of sales that will have taken place will still be old sales, by which I mean that they will come under the old discount system. I think that there will have been very few sales under the modernised right-to-buy system so far.

Cathie Craigie: It would be interesting to get information on that.

The Convener: There are several issues that we still have to explore and members need to keep their supplementary questions short and succinct.

Mary Scanlon: We do not seem to be able to discuss housing without considering the water and sewerage infrastructure, so it was no surprise that both of your organisations included it in their

submissions. Like other members around this table, my constituency has problems, particularly in Strathspey where there are now serious development constraints—I have had a series of letters from Dr John Hargreaves.

I almost favour Nick Fletcher's submission, rather than throwing more money at the problem, as David Bookbinder seems to be suggesting. It seems that Highland Council, for example, gives planning permission for a huge amount of housing in villages such as Carrbridge, Kingussie, Boat of Garten and Aviemore, but it does not talk to Scottish Water. So suddenly, when the Council tries to get resources from Scottish Water, they are not in Scottish Water's investment plan.

I note that Nick Fletcher's submission says:

"To ensure that funding achieves best value Scottish Water must work closely with Communities Scotland and Scotland's local authorities".

Is this not a communication problem? Water investment is not in Scottish Water's priorities. Or is it a case of putting many more hundreds of millions of pounds into Scottish Water's budget?

Nick Fletcher: There are probably two sides to that. One is that there is definitely an issue around communication or joined-up thinking on implementing developments. The other is part of the consultation on Scottish Water and it is about Scottish Water's priorities. It has had to have priorities set for improving the quality of water and as part of that, there might have been a danger of the prioritisation of new water and sewerage systems falling behind.

I will wave the flag again for local housing strategies because they can set out housing need in a local authority area. The planning system also needs to link in with local housing strategies and take them into account when considering setting aside land for housing. Scottish Water also should consider local housing strategies to get an understanding of the housing needs in a local authority area so that it can budget and plan for the future—

Mary Scanlon: My point was that there is no point in setting out a local housing strategy unless it has been discussed with Scottish Water and it has built the water and sewerage infrastructure into its forward development and investment plans.

Nick Fletcher: That is right and I heartily agree with you. If we have the opportunity to amend the 2001 legislation, which set out the basis for the local housing strategies, we should say that planners and Scottish Water, as well as registered social landlords, should be part of the development process for strategies so that they know what is going on.

10:45

Mary Scanlon: I think they have to be part of the process. Representatives of Communities Scotland visited Poundbury in Dorset yesterday at the invitation of HRH the Prince of Wales. It was interesting that there were no water or sewerage problems there. This is probably outwith your remit, but why are water and sewerage not a problem in developing and building houses in England but a huge development constraint here?

Nick Fletcher: That is beyond my knowledge. I think you have to consider the history of water provision in Scotland and the previous investment that has gone into it. Perhaps that has had an impact. I know that a key issue has been improving the quality of Scottish water, which has required a lot of money and has perhaps taken away resources and attention from the other issues that need to be addressed.

Scott Barrie: My question is directed at the Scottish Federation of Housing Associations. In your submission you expressed a concern about any increase in the contribution that developers might make to the wider infrastructure provision, given that funding would have to come through increased rents. Will you elaborate on your concerns?

David Bookbinder: What seems pretty certain to come out of the current Q and S III—the Scottish Water investment programme consultation process for 2006 onwards—is that developers as a generic breed, if you like, will have to contribute somewhat more than they contribute at the moment to the provision of infrastructure. Housing association developers that are building rented houses could contribute more only through getting an increased grant from the Executive or Communities Scotland, or by increasing rent. We do not believe that increasing rent is tenable, given the crucial emphasis on keeping rents affordable. If grant is to be increased, we are anxious that it is not taken from the already-announced programme, which is aimed at building houses rather than contributing to significant infrastructure costs. If the Scottish Water programme, which as you know is funded just from customer charges, is to be bolstered by taxation money or Executive money to assist housing developers to meet the infrastructure costs, we would not want that money to be pulled out of the existing development programme, which would just mean that fewer houses were built.

Scott Barrie: In essence you are saying that extra money needs to be given to offset the extra cost attendant on future infrastructure development?

David Bookbinder: Yes. On the big picture, it is hard to assess how much money will be needed

per year—obviously it will be spread over a long period. We would not want to see the money come out of the existing development programme.

Linda Fabiani: Do you think it would be sensible for separate budgets to be used in a sort of serviced land fund initiative, so that if developers in partnership with housing associations were going to build on a particular area, the services would be provided by some other method of funding? That could bring rents down.

David Bookbinder: I confess to not having a great knowledge of how those systems would work. You are right that a lot relates to how private developers and housing associations will work together. We know from considering current planning issues that that will influence the provision of housing in both sectors.

Cathie Craigie: My question, which is for David Bookbinder, is on the transfer of development funding responsibilities to councils. We have discussed that previously in the committee, but why is the SFHA still concerned about it?

David Bookbinder: One great historical advantage of having a national body to oversee the spending programme is that although it is inevitable that some building programmes slip, sometimes they can also be brought forward. There are plenty of examples of that. Many issues affect the placing of bricks and mortar on land.

As a national body, what was Scottish Homes and is now Communities Scotland has always had the ability to ensure that if a scheme in Falkirk, for instance, will not be developed when expected, that releases money to be spent elsewhere in a given financial year, to ensure that the entire budget for that year is spent. It is much harder to believe that 32 local authorities could have the protocols that would be needed for them to say, "If we don't spend this money, we will give it to you." That is not achievable or realistic in the local authority sector.

We do not object in principle to development funding responsibility for councils. It could be argued that when a programme is big enough—as in Glasgow and Edinburgh, where stock transfer has taken place—such a responsibility can be viable in one area. However, if each of the 32 councils had that responsibility, the amounts of money that some smaller councils had would raise questions over whether division into 32 segments was worth while. Such division would be bound to lead to underspend, which is in a sense a calamity, given the importance of spending on affordable housing, which we have talked about.

Cathie Craigie: How does that sit with the argument that housing should be the responsibility of the community where it is really needed, rather

than a national responsibility? Local authorities prepare housing strategies that highlight the housing that is needed. If, for example, money had been allocated to a housing association in Cumbernauld and it was not ready to build—although I do not believe that that would happen—surely North Lanarkshire Council could give that money to a housing association in Coatbridge that had a programme. If we plan, other programmes should be available. I have seen such developments in Lanarkshire. Why cannot a similar arrangement work in other local authority areas?

David Bookbinder: Our anxiety is that history suggests that such arrangements have not always been made. Some Government-funded programmes that have been channelled through local authorities, such as the rough sleepers initiative, the empty homes initiative and the new housing partnership programme, have ended up underspent in any given year.

You are right about what we think could happen, but evidence suggests that that does not always happen in local authorities, although it has taken place regionally and nationally. When money is taken from one area to another, that money is given back the next year and the housing need that was meant to be addressed is still respected. You are right to hope that, ideally, money could be directed elsewhere in a council area, but the evidence of previous initiatives that have been channelled through local authorities gives us no cause for optimism.

Cathie Craigie: Has the SFHA made inroads into the subject and had discussions with local authorities to allay some of its fears?

David Bookbinder: We have discussed spending programmes with Communities Scotland and the Convention of Scottish Local Authorities for some time. We agree on some matters but not on others. We agree with Communities Scotland colleagues that a national programme has business advantages. We believe that it allows money to be spent more efficiently.

Cathie Craigie: The step represents a major policy change. How do your members feel about it, Mr Fletcher?

Nick Fletcher: The decision was a major policy change. It was set out to an extent in the 2001 act and it ties into local housing strategies. David Bookbinder has a point about underspends, but it is going too far to say that we should not transfer responsibility and that we should go back to Communities Scotland, which was Scottish Homes, because that situation had problems, too.

If there are underspends in some areas, I am sure that we can work out how to deal with them. However, as David Bookbinder said, we are not

talking about an initiative, such as that on empty homes, but an on-going programme that has been planned for into the future. As the local housing strategies are devised, the plans should go further into the future. Local authorities and housing associations should be planning ahead for the future need and demand in their areas.

The danger is that if we take the responsibility away from local authorities and return it to Communities Scotland, we will return to the problem with identifying where the need for housing is. In the past, the housing market strategies that Communities Scotland and Scottish Homes produced often did not result in the right type of accommodation being built in the right areas, which created problems. There are plenty of examples of that. One reason for having local housing strategies is to get away from that and to allow us to identify exactly what the local housing need is. That cannot be done for the huge housing market areas of the whole of the Highlands or the whole of the west coast, although that was tried in the past.

The SFHA has highlighted real problems about developments that do not go ahead and about what to do with underspends, but we should find a solution to that within the proposed framework rather than put that framework to one side and go back to the previous situation.

Donald Gorrie (Central Scotland) (LD): Do you have any suggestions to help improve the general provision of housing? I am thinking of some of the past promotions that were not as successful as people hoped, such as that on shared equity and co-ownership, which seems a good idea but which never really took off. Could we do that better in some way? Land banks have hitherto been the prerogative of developers. For many years in Edinburgh, James Miller owned all the land and had a stranglehold on it. Is it possible to use a land bank system more to the public benefit? Is it possible to use the planning system to specify that big developments must include a certain percentage of social rented housing before they receive planning permission? I am interested in any constructive points on those suggestions or on anything else that would help us.

David Bookbinder: We are not clear whether some of the changes to the planning system that are necessary would require legislation or a different way of using the existing powers. You mentioned the present system by which developers may make available a proportion of a private development for use as social rented housing. That system is an important contribution to the provision of affordable rented housing and there are signs that its use as a planning policy is on the increase. However, we caution that it cannot be seen as the only way of procuring

affordable rented housing because it is not the right way in which to lead the changes. An obvious example is that of luxury developments in rural areas, where two or three units may be available for affordable rented housing, even though the development is in the middle of nowhere and one needs a car to live there. There are many reasons why that system can fail. If the developer and the housing association are together at the earliest stage, with the local authority's input and co-ordination, such partnerships can work, but they are not the only way.

We must consider other ways in which housing associations and other developers of social rented housing can obtain land. There have been developments in land banking. About £8 million or £9 million of the additional £20 million that the Executive announced a few months ago in its investment programme has been put aside for housing associations to land bank, which is a promising sign. We are pleased that the Executive is considering the planning system to see whether legislative change or a different way of using the present system is required. There are signs that changes will happen.

The Convener: I thank the witnesses for coming. They have given the committee helpful information on which we will reflect during our deliberations on the budget.

I will now suspend the meeting for one minute, but I ask members to remain in their seats, to allow for a swift changeover of witnesses.

10:59

Meeting suspended.

11:01

On resuming—

The Convener: I welcome our second panel of witnesses. With us, we have Ken Ross, who is the chair of Homes for Scotland's planning policy committee. I understand that members might have been expecting Allan Lundmark to join us; unfortunately, he has been taken ill. We are grateful to Mr Ross for standing in at such short notice. Also present is Derek Logie, the director of the Rural Housing Service.

I will begin by asking the same question that I asked of our previous witnesses. You will be aware that the Scottish Executive has revised its targets and objectives for the communities portfolio, particularly in relation to the number of homes for affordable rent that it plans to build in the coming years. Do you believe that those revised figures will allow the Scottish Executive to meet its objectives? If not, what adjustments would you like to be made?

Derek Logie (Rural Housing Service): I apologise for not presenting you with a recent submission, but I spent most of last week on Iona, trying to get some houses built.

Christine Grahame: Did you succeed?

Derek Logie: I hope that we are in the process of succeeding. The four houses that we are trying to have built will make a big difference to the small community on the island.

We are obviously pleased to see the increase in the budget and in the number of houses that will be built. Our main concern is that we are still producing fewer houses than we were 10 years ago and the money is less than it was 10 years ago, given the number of houses that are being built. Investment levels should be set so as to enable us to reach, at the minimum, the level of house building that we reached in the mid-1990s.

We recognise that the level of investment in rural areas has increased and that something like 26 per cent of the relevant funding is now going to rural Scotland. We have some anxieties about the definition of rural Scotland that is being used, but I do not think that we will ever agree on a suitable definition. The increase in funding to rural areas is only right and proper given that the population of rural areas has increased substantially over the past 20 years and is projected to continue to do so. I should also state that, in terms of supporting and sustaining development, housing is more crucial to rural communities than it is to other areas.

Ken Ross (Homes for Scotland): We welcome the increase, but it is not enough. The committee would not expect me to say anything other than that of course, but when the increase is spread over 32 authorities, you will discover that we are talking about just more than 100 extra housing units over a three-year period. That demonstrates that there is not enough money to support the needs that have been identified.

How would we resolve the situation? We must approach a basket of issues—housing cannot be considered in isolation and there are issues in respect of infrastructure, roads, education and Scottish Water. There must be greater concentration on providing a range of housing opportunities in every community—a range of type, tenure, price and design. That range of housing opportunities must also include a range of affordable housing. For too long, there has been a concentration solely on provision by registered social landlords, but there is just as much necessity to develop opportunities for low-cost home ownership, for starter homes and for first-time buyers.

One of the market signals that has come out of the Barker review and the recent review of the

housing market that the Scottish Executive undertook is that, in general terms, the housing market up to about 2000 was satisfying; 50 per cent of our activities were with first-time buyers. However, the available provision for first-time buyers has now fallen to 20 per cent. That is a function of inadequate land supply, of our local plans being on average 10 years out of date and of our local strategies not being comprehensive. We need housing needs assessments that examine all tenures and market segments and which consider total provision in the market place. We must increase total supply because we will, by doing that, increase affordable housing.

Homes for Scotland is working with Communities Scotland and the Executive to develop new initiatives, particularly on low-cost home ownership. My company is involved in activities in Inverness, Glasgow, East Lothian and East Renfrewshire, where it is undertaking new initiatives to provide low-cost home ownership—along with registered social landlords—and the various forms of affordable housing that we feel must be developed. To concentrate solely on provision by registered social landlords would certainly not meet all the needs of, or fulfil the aspirations of, the Scottish populace.

There are problems. The committee discussed earlier whether Scottish Water should engage in local housing strategies. It is all very well to ask Scottish Water to engage, but we must ask it to engage meaningfully. You, as politicians, must give the agencies of government some direction to identify the basis on which they will engage. If, as the First Minister said, economic growth and the arrestment of population decline are two of the foundations of the Administration's programme, that must cascade down to the other agencies of government and Scottish Water must understand that, if it exists to encourage economic growth and assist with the arrestment of population decline, it must engage meaningfully in the exercise of local housing strategies and provision of services.

Mary Scanlon: You have answered most of my question. Derek Logie said that 26 per cent of the relevant funding goes to rural Scotland, and I understand that there has been a £15 million increase in resources. Is that enough?

I also ask Mr Ross to explain the point about thresholds that he makes in his submission, which states:

"procuring affordable housing on sites below 50 units is difficult".

That is a serious issue in the Highlands. Housing association building programmes tend to make villages grow to three or four times their original size, whereas it would be better if we could build lots of fewer than 10 houses, which would be more

sensitive to local areas. How can we do that, given the problems with building roads and providing telephone lines, water and electricity? How do we overcome the economies of scale for small-scale developments?

Ken Ross: The issues for rural communities are distinctly different; the thresholds about which we were talking relate primarily to urban areas. Fresh initiatives are needed and we must work together on ways to try to solve the problem. The Highlands and Islands face particular issues, which must be considered in a fashion that respects their scale. We have to respect, as was said earlier, that four houses on Iona makes a huge difference, and that keeping them available in perpetuity as affordable units is important.

Mary Scanlon: In Strathspey, most housing developments are of about 200 houses. How can we get best value from the budget without huge developments, and how can we have developments that are sensitive to small villages?

Derek Logie: The reality is that housing associations find rural housing very difficult. Rural Stirling Housing Association told me that it cannot make any development of fewer than 10 houses stack up financially, even with the grant that it receives from Communities Scotland and the money that it can lever in from private finance. Even when housing associations do not have to factor infrastructure problems into the build equation, they find it difficult to build fewer than 10 houses.

When it comes to building four houses on for example, Colonsay, where we were involved, we are talking about a unit cost of more than £150,000. Those houses were built, because it was a rural development priority area for the initiative at the edge. There were other ways to make that happen, but in areas that do not have that kind of title above them, it is more difficult. I was working with a community in Brig o' Turk to try to develop four houses, but because that was too small a number the plan was never going to get to the drawing board. Housing association colleagues have said to me that simple things would help them, such as decisions on planning being given simultaneously, which would allow them to have serial contracts and to let contracts in different sites to get economies of scale. Small things such as that can make a difference.

The Convener: Christine Grahame has indicated that she wants to ask a supplementary. I ask her to keep it succinct, and to follow on with her next question.

Christine Grahame: My succinct question—which was put to me when I was being briefed on this issue—is whether, in the case of sustainable communities in rural areas, enterprise companies

should be involved. I believe that they are not involved in housing strategy at present. That is part one of my succinct question. Part two concerns land banks. People buy up land in picturesque areas, sit on it, and then build millionaires' houses. We have heard about it before, and it happens in the area I represent in the Borders. What can we do to stop it? Can we have compulsory purchase? Can we have a law that says that if a developer does not do anything for five years, we can take the land back from them for social housing?

Derek Logie: On planning, we would like to see the development in Scotland of an initiative that exists in England called the rural exceptions policy, whereby permission to build is exceptionally given on land where there is affordable housing need. We would also like to see the freeing up of land banking money. Many communities that I work with saw the Scottish land fund as being a great way of getting hold of money to buy a bit of land to sit on. When, eventually, they did get money for housing, that land could be used to enable a housing association to develop in their community. The Scottish land fund has subsequently decided that it will not use its budget to help communities in Scotland, but wants its money to be spent on things other than housing. Communities are now looking for all sorts of ways in which to get money to bank land that becomes available. For example, the community on Iona that I mentioned has identified a site that it could get, but it is having difficulty getting money from the Scottish land fund to buy the site and to secure it. We would like some of the money that has been committed to housing associations to be given directly to communities and community trusts in order to enable them to hold such land for the future.

A number of enterprise companies are involved in procurement of housing. I mentioned the Colonsay scheme earlier—the land there was bought with the help of the local enterprise company. In the Highlands and Islands Enterprise area, there has been recognition of the role of housing in rural development. We have wanted to get involved in that process—in fact, some of my board members would happily have Highlands and Islands Enterprise merge with Communities Scotland to create a rural development body for the Highlands and Islands. Housing forms part of the process.

11:15

Christine Grahame: That would apply to the south of Scotland, too, I hope; it tends to get overlooked.

Derek Logie: In the south of Scotland, we would need Scottish Enterprise's remit to reflect Highlands and Islands Enterprise's social remit.

Christine Grahame: Is the £15 million increase in resources that has been allocated to rural areas this year sufficient to address the problem of affordable houses? I think you said that the number of houses that would be built over three years is 100. The question of infrastructure costs does not concern only the Highlands and Islands; many rural areas have high infrastructure costs. Would you describe the allocation as a drop in a bucket, as a bucketful, as three pails or what? I do not want to lead you to your answer, of course.

Derek Logie: In some respects, to have one budget paying for another did not make sense. Scottish Water's priorities have to be sorted out and Scottish Water needs to recognise its contribution to rural development and to sustaining rural communities. As David Bookbinder said, Scottish Water's priorities relate to water quality. It is right for that to be a priority, but Scottish Water is crucial to sustaining rural communities.

The Rural Stirling Housing Association has land and money to build houses in Buchlyvie, but there is no water or sewerage capacity there, so the houses cannot be built unless the association installs the facilities itself. We have a scheme under which the association could install a collective septic tank, but the Scottish Environment Protection Agency will not allow it. It is not just Scottish Water that is a problem; SEPA is, too. The solution is about people buying houses together and developing a bit of joined-up thinking.

Ken Ross: The SEPA situation really requires to be addressed. The problem is that SEPA has adopted a policy and a standard that is proving to be an impediment in all communities, whether they are in the east end of Glasgow, in the Borders or somewhere else in the south of Scotland. We are having great difficulty with SEPA. Technically, we can resolve issues with Scottish Water in many instances, and developers who work with housing associations are prepared to undertake whatever is necessary, but SEPA is proving to be a real problem. It is incumbent upon the committee to address that, which comes back to the issue of cascading the policy base. SEPA engages with us, but not meaningfully. It has an agenda that is, basically, anti any form of development.

Christine Grahame: Could I suggest that we write to SEPA—which will not give evidence—asking it to respond to what is being said? I do not think that we have yet had any evidence on this matter.

The Convener: That is something that we could pursue, although it is not necessarily appropriate to do so in the context of the budget. We could

more appropriately deal with it in our deliberations on planning legislation. I ask the clerks to note that.

Linda Fabiani: I have a question for Ken Ross. You said that developers should have the right to supply low-cost home ownership without the use of an RSL, such as a housing association. How would that unit of low-cost home ownership be sustained?

Ken Ross: There are many ways of doing that. We are considering why, in general, increasing the supply will help to drive down the inflation that currently exists. The industry is now operating in a system that is itself inflationary. We have been working to develop methodologies with a number of authorities by creating real burdens in titles and by working together with local authorities. For example, we are involved in a development in the centre of Glasgow, which we are specifically targeting as key-worker accommodation. There will be a cascade of key workers. If the accommodation is not taken up by them, people who work within a 5-mile radius will be targeted, then people on the waiting list and then the general public. My people say that we will never get past the key workers because there will be a queue as long as my arm for that accommodation.

We are putting a real burden on the title: we are capping the selling price. That is being done by a number of developers in the initiatives that we are working on with Communities Scotland and the Executive. We are targeting price as a function of the average income in an area, and it is then capped. The resident or owner will be allowed to generate a gain that will be equivalent only to the general increase in prices rather than to inflation in the marketplace. If they sell the property for more than that, the money will go back to the local authority so that it can be recycled. That will become a disincentive, because the individual seller will not get a gain above normal inflation. That is a way of keeping units at affordable prices.

We feel that we have to do that as well as work with registered social landlords. It means that there is greater leverage and more effective use of the funds and the limited budgets that are being increased, which we welcome. The previous and present Ministers for Communities have said that the Executive is considering a range of affordable housing opportunities. However, first-time buyers are as important as people who are homeless. By specifically targeting one section of society, we are positively discriminating against others, although their need is as great. In this country, there is probably not a family that does not have kids, but who are trying to buy a house and are not having great difficulty in doing that. Everybody knows about the problems. We have also to help those people if we are to arrest population decline. We

should look on housing as an economic generator. We need good housing to attract industry and to sustain industries.

Linda Fabiani: Are you saying that developers can do that with no form of grant benefit from anywhere?

Ken Ross: Yes, absolutely. We should not concentrate solely—as some authorities unfortunately do—on provision by registered social landlords. Although such provision is excellent, it does not meet even 25 per cent of need.

Linda Fabiani: Do you depend on getting land very cheaply? I am just trying to get my head around how you can manage to do that, still make a profit for the developer and have a low unit cost in the first place. You must be getting the land very cheaply from the local authority.

Ken Ross: No. We respect authorities' wish to put land to mixed use where we think that to do so is good planning. For major releases, developers are often able to do that where economies of scale exist and where we have worked with the local authority to ensure good planning that incorporates a proportion of affordable housing, which is normally about 15 to 20 per cent. We build that provision into our land acquisition and we factor it in so that the land that is identified for affordable housing is sold at a price that is discounted compared to the general marketplace; we work with the local authority to deliver affordable housing.

Linda Fabiani: I am sorry if I seem to be pushing you, but I have to rush away. I stopped working in rural housing 10 years ago, but you seem to be saying exactly what I was saying 10 years ago, which is very frustrating.

Derek Logie: I recently read a report that Mark Shucksmith produced in 1984—20 years ago—that said exactly what we are saying.

Linda Fabiani: God. I was saying it then as well.

Derek Logie: It is not surprising, considering what has happened. I do not want to hark back to the right to buy, but the right to buy has been a significant factor in rural areas. Over the past 20 years, 96,000 houses in rural areas have been sold and 31,000 have been built. It does not take a genius to see that we are running to stand still. In fact, we are not standing still—we are going backwards. The level of investment that is required to make up for what has been lost is considerable and will be considerable until such time as we are not selling houses any more.

Linda Fabiani: As well as the development and planning constraints that exist, are there constraints on unit costs in rural areas that those who are funding the developments—Communities

Scotland, the Government, or whoever—do not take on board in considering the difficulty of developing in rural areas, even with regional variation add-ons and so on? Do they allow for localised services, such as septic tanks and sewage treatment?

Derek Logie: It becomes a numbers game. If you build 50 houses in Lochgilphead, you are delivering your spend and your units within Argyll, but it does nothing for Tayvallich or Crinan or the other small communities in the area, which each need four or five houses. The money will be spent there because it is easy to do so as land and infrastructure are available and the unit costs can be kept down because there are economies of scale. Our concern is that in sustaining small rural communities, the contribution that spending a little bit more makes to the shop, the school and the community as a whole has to be recognised.

Linda Fabiani: So we do not look at the bigger picture.

Derek Logie: No, which is why housing is crucial within the rural development agenda and must be placed centrally, along with social justice.

Scott Barrie: Ken Ross touched on this issue in one of his replies to Linda Fabiani. Does the industry have capacity issues in terms of fulfilling the Scottish Executive's commitment to constructing new homes? Is there the capacity to respond to the geographical focus that is required to address demand in areas such as the south of Scotland, greater Edinburgh, Inverness and the north-east of Scotland?

Ken Ross: We can overcome the problems. There will be difficulties, but I give as an example the situation in Ireland which, with a population of just over 4 million, is building just fewer than 80,000 new houses this year. With a population of 5.3 million, we are building just more than 22,000 houses. Ireland's growth over the past three or four years has been dramatic, but with the expansion of the European Union it has looked for resources outwith the country.

I was recently on one of our sites which has Frenchmen, Lithuanians and Poles all working there. Building sites are often like the United Nations these days, which brings up health and safety issues. Because of that, all induction and health and safety documentation is pictorial rather than written, because we cannot assume that all workers are fluent in English.

There will be problems but, if they can do it in Ireland—Dublin is like the United Nations just now—where they are building 80,000 houses, why cannot we do it in Scotland? We have to be more innovative; we have to use more mechanisation and do more construction off site, but we will be able to respond. We would like to have the

opportunity to respond in order to generate that amount of housing, which would be of all forms.

Scott Barrie: I am glad to hear that health and safety is important to you. We will return to the issue of whether the industry has the capacity to meet the demands that are placed on it. I am not an expert on Ireland, but I know that it has huge problems with the drift towards the greater Dublin area and with trying to arrest that movement. However, that is for another day.

Mr Home Robertson: I have a more general point. I represent a largely rural constituency and it is good news that we are beginning to address the problem that has stacked up in some of our more remote communities. I suppose that it was inevitable that villages near popular golf courses would become attractive as far as the right to buy is concerned. There are rural communities on my patch where practically no local authority or housing association stock is left, which compels people on lower incomes to move out of the area. It is important that we reverse that trend.

You have talked about infrastructure. Could someone address the point about planning? Because of the change in the social make-up of some villages, which are now almost entirely owner occupied, are you beginning to encounter the phenomenon of nimby objections to the construction of affordable rented housing?

11:30

Derek Logie: I work with communities all over Scotland and the only community that I have ever been to where I encountered such nimbyism was in East Lothian.

Mr Home Robertson: I suspect that you might begin to find it elsewhere, which is why I am flagging it up.

Derek Logie: Things are changing in planning. The recent consultation on planning for rural development has considered ways in which we could free up the development of housing in the countryside by, for example, removing the correlation between getting planning permission on a house and establishing whether that house will be for agricultural or forestry use. We need to recognise that people do other things to make their income in rural areas and the new guidance will look more favourably at enabling the development of housing on greenfield sites for people who are working in different areas.

In East Lothian in particular, housing associations find it difficult to get hold of land because they cannot compete with Cala Homes, for example. Again, the planning system might provide a solution, through the adoption of rural exceptions policies or a separate land use class

for affordable housing. One of my colleagues thinks that we should also regard affordable housing as permitted development. Affordable housing is as crucial to sustaining rural communities as phone lines or electricity wires are, so such developments should be allowed to sail through a bit more easily.

Planning in rural areas often tries to preserve things in aspic rather than taking an enabling role and trying to help to increase the supply of land for housing. Ken Ross mentioned local plans. Some plans are well out of date and many of them have not taken into account the outcomes of local housing strategies or needs assessments in relation to small communities.

I support the development and use of local housing strategies, as opposed to the Bramley top-down approach, for identifying where housing needs are. We worked with Scottish Borders Council and talked about carrying out housing needs surveys in every small community in the council area, so that the local housing strategy reflects the needs of the Ettrick valley or the Yarrow valley as well as Selkirk and Galashiels.

Mr Home Robertson: I draw from that that you think that there is a case for planning authorities to be proactive in identifying areas where there is a need and, if necessary, to face down nimby-style objections.

Derek Logie: Yes, definitely.

Ken Ross: Currently, we regulate and control matters but we do not encourage and facilitate anything. We need a change of culture in the planning system to enable that to happen. In the recently published Scottish planning policy guideline 3, "Planning for Housing", the Executive identifies or suggests that long-term settlement strategies should be identified for each community, not just the cities.

We recently visited Bavaria to look at its planning system. If Bavaria can have long-term settlement strategies with a 20-year horizon for 2,261 communities, why can we not have them? That would identify sites for affordable housing over a 20-year period. It would also allow us to plan properly for infrastructure. Only when we adopt a 20-year horizon will we be able to plan properly for the necessary roads, sewers and educational facilities that communities require.

Patrick Harvie: If I may, I will bring us back to the budget that the Executive has set for new build. Previous witnesses said that the number of new units that is to be provided is insufficient for the demand that is predicted. If we put aside for a moment the assertion that large subsidies are not necessary for low-cost home ownership, on which we are agreed, is the budget realistic for the number of units that you hope will be built?

Ken Ross: I am concerned about whether the number of units will be built. I have some sympathy with the answer that David Bookbinder gave earlier to Cathie Craigie's question about whether the local authorities are capable of delivering. Sometimes a misunderstanding can arise, in that authorities think that an oven-ready product is available and that, if one project cannot proceed, something else is sitting on the shelf and can be plugged in quickly. If funding is devolved to local authorities, we are concerned about whether all of it will be used, and used effectively, on an annual basis; we are concerned about the lead-in time of assembling sites, getting the necessary consents and resolving the various infrastructure issues associated with Scottish Water, educational facilities and roads. If an authority is unable to utilise funds on one project, it needs to have a queue of other projects that are capable of coming forward in order to utilise the funds.

Patrick Harvie: Your concern is more about the practical hurdles that have to be overcome than about the size of the pot.

Ken Ross: If the pot is insufficient, we are concerned about how needs and demand will be met.

Derek Logie: I back up what Ken Ross said. I spoke earlier about the increased costs of small developments in small rural communities. If the Executive wants to achieve the given number of units for the given amount of spend, it will not go for small rural developments but will opt for the larger schemes in larger villages and towns that allow it to achieve that kind of spend. The only way of achieving those aims in small communities is to make a substantial increase in the low-cost home ownership element of any development, as that is the way of bringing in more private money.

That happened a lot during the 1990s, when the substantially larger element of low-cost home ownership in rural housing developments helped to make schemes stack up. Even when a needs assessment said that rented housing was required, more low-cost home ownership was put into a development, as that was the only way of achieving the unit price and getting the development to stack up. My fear is that we will end up in that situation again. The need for rented housing will not be addressed and people will be attracted into low-cost home ownership because no other option is available to them.

Cathie Craigie: I have a question on the point that Ken Ross made about funds being insufficient. Most organisations welcomed the huge amount of funding that the Executive announced, although I accept that we are all guilty of saying that funding is never enough. I would like the industry to be able to meet the challenges that are out there.

In your response to a question from Scott Barrie, Ken, you spoke about the number of nationalities that are to be found on building sites in Scotland today. We always want to welcome people to our country and we like them to settle and work here. You said that the funds were insufficient. We are also aware that the trades have an insufficient number of people to be able to meet the challenges that lie ahead. What is the industry doing to try to promote apprenticeship schemes and to encourage people into the construction business?

Ken Ross: We are actively working to encourage people into the industry. Quite often, we have a problem in doing that; indeed, I have to say that construction is not always the most attractive of professions. I think that that is a cultural issue—people like to talk about “my son the doctor”, not “my son the joiner”. When we have advertised apprenticeships, we have been appalled at the lack of take-up. As a result, we are trying to work closely with local authorities and enterprise agencies on the issue. After all, most local authorities will work with developers and enterprise agencies to provide employment opportunities for youngsters in any major project.

Cathie Craigie: My ears pricked up when you said that funds were insufficient. How would you cope if the minister were to say this morning that, after listening carefully to the evidence from the SFHA and the Chartered Institute of Housing in Scotland, he had accepted that their figures are correct and that he should be investing all the additional money in additional units?

Ken Ross: Are you talking about how we would cope with building those units?

Cathie Craigie: Yes.

Ken Ross: I should clarify what I meant when I said that funds were insufficient. I recently took part in a local plan inquiry in which we debated the issue of affordable housing. The housing needs assessment identified that 413 units a year needed to be built in the local authority area, but the money from Communities Scotland would have funded just over 100 units. Simply to meet the needs of that community, we would have needed four times the funding. That is why I think that the funds are insufficient.

I have found many times that the needs assessment identifies a need for a greater number of units than the housing strategy can support from Executive funding. I know that the issue is difficult, because there is only one pot to divide up among competing priorities such as Scottish Water, education, roads, transport and so on. However, the funds are insufficient to cover affordable housing needs.

Cathie Craigie: Am I right in saying that the industry would find it difficult to cope if more money were available?

Ken Ross: Not at all. We would be delighted to have the opportunity. I should perhaps highlight a particular example.

Cathie Craigie: The convener is looking at me, so you will need to highlight it very quickly.

Ken Ross: Years ago, in 1981, we were building fewer than 100 new houses a year in Glasgow. The industry is now sustaining an average output of between 2,500 and 3,000 units a year from that standing start. I remember that, when I addressed the planning committee at the time, a councillor said to me, “Son, son, where are they going to come from to buy your hoooses?” I said, “Give us the land and we’ll build the houses. We’ll put our money where our mouth is. Give us the chance. Challenge us to do it and we’ll build them.” Perhaps now I should also add, “Give us the funds and we’ll build them.”

The Convener: So it is not quite so simple.

Donald Gorrie: If our policy is to build as many houses as possible for people to buy, to provide as many houses as possible for social renting and still to allow builders to make a reasonable but not extortionate profit, how do we attack the issue of the infrastructure? Does the Executive have to invest more in Scottish Water? Do we have send the Black Watch and the tanks into SEPA? Do builders and developers accept that they will have to provide more infrastructure on the land that is being built on or does the Executive have to provide more funds to allow the social rental sector to pay its share of the infrastructure costs? How do we tackle that problem?

11:45

Derek Logie: Extra funds have been allocated from the Scottish Executive to Scottish Water to enable development in rural areas. I cannot remember off the top of my head how much has been allocated, but I think that it is £40 million. That is welcome and will go some way towards relieving the blockages in many parts of rural Scotland. However, we do not think that that is sufficient; there needs to be an additional amount.

When a housing association is willing to find its way through the difficulties just to get its development off the ground—I talked about the Buchlyvie scheme earlier—it is often frustrated by the lack of joined-up thinking by SEPA. We would like to get SEPA and Scottish Water around the table with the developers to try to enable development in rural areas. It has been difficult to get them to work with others to ensure that the investment is going where the enterprise

companies and the housing bodies say that it is required. That is about communication. If we do not want the money that is going into infrastructure to take away from the ability to deliver houses, more money has to be paid directly to Scottish Water for rural development infrastructure.

Ken Ross: Issues relating to education, roads and other elements of infrastructure are essential. Affordable housing requires to make a similar contribution to the contribution that mainstream housing has to make. That must be respected in the funding that is provided by the Executive. Scottish Water's analysis indicates that more than £1 billion of investment is required. Scottish Water has a backlog of many decades' investment and it is being affected by an interest burden that it has had to provide for, which is a problem that the English water companies have not had to face. We have to take such issues into account.

We are working with Scottish Water. For example, in Dunbar we are working with East Lothian Council and Scottish Water to augment the local sewage treatment works. That will provide capacity for further development to take place. We accept that increased contributions will be required of the private sector, but we cannot meet all the costs. If the public sector or affordable housing has to meet an additional cost for water and sewerage, that cost should be met by the affordable housing budget, which may need to be augmented. Somebody has to pay for it. It was said earlier that it is unacceptable to raise rents. It may be unacceptable to raise rents, but if there is a cost somebody must meet it.

Under the new prudential regime, local authorities could borrow the funds to augment sewage treatment works on the understanding that development will take place in that area. They could then create a real burden over the land to ensure that the cost is recovered as each house is developed. That has been done in the past in, for example, East Kilbride. In Inverness, when one of the major roads was built, the cost was borne by the community but recovered through the development of all the houses. We have to be innovative and work together. There are ways of doing that, but there has to be engagement. Currently, Scottish Water is saying that it needs £1 billion. In practical terms, we have to work together to try to resolve these issues.

The Convener: Thank you for joining us today and for your evidence. I am sure that, in our next session, with the Minister for Communities, many of the points that you and our first panel members made will be reflected in committee members' questioning.

I suspend the meeting for five minutes.

11:49

Meeting suspended.

11:56

On resuming—

The Convener: I call the meeting back to order and suggest that members who are on the telephone should conclude their calls. Patrick Harvie should terminate his call or leave the committee table. I ask all members to show the committee some respect in future. If you need to make calls, you should do so outside the committee room.

I welcome the Minister for Communities, Malcolm Chisholm, and congratulate him on his new role. I am sure that this will be the first of many appearances before the committee. The minister is accompanied by a number of officials, including Mike Neilson, head of housing and the regeneration group; Kay Barton, head of the social inclusion division; James Hynd, director of corporate strategy at Communities Scotland; and Ian Mitchell, acting director of regeneration at Communities Scotland. I look forward to hearing the minister's opening statement. Committee members will have been given a letter, which was circulated to us only this morning. In light of the late receipt of the letter, I would be grateful if you would reflect some of the comments in it in your opening remarks, minister.

The Minister for Communities (Malcolm Chisholm): Thank you for your welcome, convener. I in turn welcome you to your new position. I look forward to working with the committee. I was pleased to hear the last bit of the evidence from the previous witnesses from Homes for Scotland. I think that you received evidence from the Scottish Federation of Housing Associations, with which I have had a meeting in the past month, and the Chartered Institute of Housing, which I will meet soon. I was going to introduce my officials—thank you for doing so for me.

As you will be aware, the draft budget document reflects the outcome of the recent spending review. It updates the provision for 2005-06, which was previously published in the annual evaluation report in March, and also sets budgets for the subsequent two years.

I apologise if the letter to which you referred was sent too late. I will talk more about it, but the substantive bit, which was the response to your comments, had already appeared in the draft budget document. Correct me if I am wrong, but I think the only new bit was the two tables, which I will certainly speak to in a moment.

One of the changes is the reduction from five portfolio objectives to three. If you want more detail on the history, I am sure that the officials could give it to you. Obviously, I was not around when there were five objectives.

Overall, I have inherited a pretty good spending review settlement. I certainly will not try to bamboozle you or hide anything. I am happy to be open about the fact that £40 million of better neighbourhood services funding has been transferred from local government. Nobody is trying to pretend otherwise. The increase in the budget is from £826 million in 2004-05 to more than £970 million in 2007-08, which is an increase of 17.5 per cent.

12:00

Committee members will be aware that some expenditure on housing is not contained in the housing budget. In the response to the committee's report, there was discussion of local government spend on housing. Money that used to be part of the budget—the old borrowing consents and the old housing revenue account—is still spent by local government. Indeed, borrowing by local government is greater this year than it has been for many years, but that does not show in the Scottish Executive budget because it is now local government expenditure under prudential borrowing. That is good news all round.

The spending power of the budget has been increased as a result of the early redemption of the debt of Scottish Homes and the decision to allow councils to increase their spending on affordable housing by reducing the council tax discount on second homes. Over three years, those changes will add £145 million of extra spending power. Of that, £91 million does not appear in the budget. Obviously, the figure resulting from the discount on second homes will depend on uptake by councils, but it will be over and above the budget that we are talking about this morning. Receipts from Scottish Homes will also be over and above the budget.

I want to highlight some key features. There is a 46 per cent increase in resources for the new supply and replacement of affordable housing—I know that that has been the main focus of the committee's attention this morning. That will enable us to increase to 21,500 our three-year target for new and improved affordable houses. I am sure that committee members will ask me whether that is enough. All I will say at the moment is that the increase is significantly above what we have been used to for many years. Many people will ask for more, but I noted the comment from the Scottish Federation of Housing Associations that the increase and the settlement were good. That is also what the federation said to me at a recent meeting.

Another key feature is the community regeneration fund, with an annual budget in excess of £100 million to regenerate our most disadvantaged communities. We have a better formula for that now, because of new information about 500-house areas. We can now target the money more effectively on the most disadvantaged areas.

We are supporting the pathfinder urban regeneration companies, and we have a 53 per cent increase in funding for communities portfolio programmes that help to close the opportunity gap. That has been a major feature of the spending review and is certainly highlighted as a key priority for us. The programmes include increasing our investment in the working for families fund to ensure that child care is not a barrier to work; helping people with debt problems; tackling domestic abuse, which we debated in Parliament last week, and violence against women, which I hope will feature in another debate soon; and recruiting 450 young people into project Scotland, which is the flagship of our new volunteering initiative.

I would like to say a little more about the two tables that you were given this morning. If members look at columns 1, 2 and 3, I think that they will agree that most of the changes are marginal and not of any great significance. One factor to flag up is the way in which some lines are now under a new general heading. For example, homelessness and fuel poverty did not use to come under a housing line, but now they do. There were comments earlier about the different percentage of the budget that now goes on housing; that difference is accounted for by the simple fact that fuel poverty and homelessness are now—quite sensibly—included in the housing line. Members will see a cluster of 4s at the bottom of the first table; those items are now all part of the objective of delivering good-quality, warm, sustainable and affordable housing for everyone.

The second change is the community regeneration fund on the second table. I think that I mentioned the fund in my introduction. It is made up of the old social inclusion partnership funding—shown at the top of the second table—plus the better neighbourhood services fund. There are no great mysteries there.

The third change—I am picking up on significant changes rather than the odd small sum of money—is in the Scottish Homes line in the middle of the second sheet. That refers to the £20.34 million in debt that Scottish Homes repaid last year. The debt has been dealt with, so that money is dispersed into the general programme and it is an additional spend on housing rather than on servicing debt.

The biggest change of all comes in the supporting people line. I have no doubt that members will have some questions about that, but the basic fact to flag up is that that did not use to be in the budget. That money has been transferred from the Treasury and it now comes under annually managed expenditure. Members might want to get into the technicalities of why it is there rather than in the departmental expenditure limit, but that is probably not the main thing that interests them. The supporting people line is now part of the housing line, so in the tables on page 100 of the draft budget that money is rolled up into the housing line. Any declines in the housing line—either apparent or real—are basically accounted for by the supporting people line. It is well known that the supporting people budget rocketed—it is twice what it was two years ago—but there has been a cash reduction and a new formula, which has created some controversies. However, notwithstanding the reductions, essentially there is still more than £400 million in the budget for supporting people.

That deals with most of the issues in the two tables. I am certainly happy to apologise if those tables were sent to the committee late. All I would say is that I do not think that they contain any earth-shattering information that the committee was not previously aware of in general terms.

The Convener: Thank you very much. I am sure that committee members appreciate your comments. You touched on a number of issues that my colleagues will want to pursue with you further.

I draw your attention to target 2, which states:

“By March 2008, ensure that all local authorities have effective plans to deliver the Scottish Housing Quality Standard or - building on the target of 70,000 transfers by 2006 - have transferred or taken decisions to transfer their houses to community ownership.”

What are the implications of meeting that target if local authorities choose not to transfer their homes to community ownership, given that the budget for local authorities over the next three years is almost a standstill one?

Malcolm Chisholm: The Scottish housing quality standard is an important feature of the housing landscape in Scotland. As we said in the debate two weeks ago, the twin thrusts of our policy are to increase the supply of affordable housing and to improve its quality. That certainly concentrates the minds of local authorities. The route that they take towards reaching the housing quality standard is up to them, but they know that they have to reach it.

After doing their sums, some local authorities have decided that the only way that they will get the investment is through community ownership,

but other authorities have more freedom than they had until this year because of the prudential borrowing regime and the fact that they can now retain the receipts from the sale of council housing. They may be able to generate enough money from that to reach the quality standard. I take your general point about local government budgets, but much of this is in effect separate from the main stream of local government budgets because the borrowing will be sustained by increases in housing rents. If the local authorities can afford to increase their borrowing prudentially, because their rents are relatively low or for whatever other reason, they can now borrow money to reach the quality standard. They did not have the freedom to do that before and they can also now spend their receipts.

The situation will be different for different councils, but I know that they are having to look carefully at their investment plans to see that they lead towards reaching the quality standard in the required timescale. Some councils have decided that they have to go for community ownership because of the external constraint and the external demand of the quality standard.

The Convener: Are you confident that those local authorities whose long-held position is that they want to retain their housing stock and that perhaps even have a good record as landlords will have sufficient money in their budgets to allow them to retain their stock and meet their targets?

Malcolm Chisholm: It might be that some councils cannot meet the quality standard without community ownership. That is entirely possible because capital and borrowing are required and councils have to be able to sustain that borrowing. It is the rents that have to be able to sustain that, so meeting the target will be difficult for a high-rent, high-debt authority. We know that that was the position in Glasgow although community ownership was attractive to the council for other reasons, and Edinburgh is not fundamentally dissimilar. In a high-rent, high-debt situation, it might be that community ownership is the way to achieve the scale of investment that is required. I certainly could not say that every local authority will definitely be able to meet the quality standard without community ownership.

Linda Fabiani: Do you know how many councils could take advantage of prudential borrowing? If they did that and rents were increased accordingly to service that debt, how would that tie in with benefit issues, given that housing benefit comes from the UK Government? Have there been discussions between appropriate departments about the effect of that on the block grant?

Malcolm Chisholm: The officials might want to answer that in more detail. It would probably be the lower-rent authorities that would go down the

prudential borrowing route, which would not have the implications for housing benefit that there might be if a high-rent authority went down that route.

Linda Fabiani: It would in the overall—

Malcolm Chisholm: It would in the overall scheme of things, but prudential borrowing is not a concession to Scotland; it is a United Kingdom arrangement and obviously social security is tied into the general prudential borrowing regime throughout the UK, so no specific Scottish factors are involved. Quite a few authorities have increased their borrowing as a result of the prudential regime, but it is early days and we do not have hard-and-fast figures. Perhaps Mike Neilson has something more specific to say about that.

Mike Neilson (Scottish Executive Development Department): A number of authorities have the scope to borrow more without raising rents because they are in a relatively comfortable position. We will have a good picture across all authorities in April next year because by then they are all due to produce delivery plans for meeting the housing quality standard. That will be the critical stage.

The Convener: I take you on to target 6, which relates to antisocial behaviour in which the committee has taken a considerable interest in the past. The target will require minimum standards for the provision of core services to deal with antisocial behaviour by March 2006. Much of the resources to allow local authorities to meet that target will be managed by the local authorities and concerns are being expressed about the constraints that are being placed on the authorities and about whether they will be able to meet the targets. Which services are included in the target?

Malcolm Chisholm: I have some difficulty with that because, as members know, I no longer have responsibility for that area—indeed, I have never had responsibility for it—so you might want to call Cathy Jamieson to the committee to ask her about that.

I am not trying to avoid your question, but I have not had to deal with that area among the many new things that I have had to deal with in the past five weeks because that responsibility has been transferred to the justice portfolio. However, I understand that community wardens would be involved. As the Minister for Communities, I am obviously interested in antisocial behaviour and one of the aspects in which I am interested, as I said at the Tenants Participation Advisory Service conference, is the involvement of local communities in coming up with the local antisocial behaviour strategies. In fact, on Monday I learned about a very good initiative in Midlothian by the

Melville Housing Association, which had engaged in a partnership way with the antisocial behaviour of some young people. It is not that I am not interested in the question, but I have not had to take any policy decisions in that area. Perhaps one of the officials can give you more detailed information, but you will probably have to ask Cathy Jamieson directly.

Mike Neilson: I will just add one point because I used to be responsible for antisocial behaviour at official level. The critical point is that the figure for antisocial behaviour initiatives in the 2002-03 budget was zero. We are talking about new programmes, which in the current year and next year are being built up to steady state. The view was that the funding that is allocated should be able to cover the new activities in relation to community wardens, antisocial behaviour hotlines, local authorities' response teams and other such areas.

12:15

The Convener: The committee might want to raise some of those issues with the Minister for Justice before reaching conclusions.

Donald Gorrie: I want to ask about cross-cutting involvement in improving communities. Will the minister give an indication of what his department hopes to achieve and how other departments will help? For example, does the Scottish Executive Development Department provide encouragement and help to people to start small businesses, community businesses, social enterprises, small co-operatives and so on, or does the Scottish Executive Enterprise, Transport and Lifelong Learning Department do that? Are there sufficient resources for that and for matters such as education and health in communities that need more help?

Malcolm Chisholm: You raise many areas that we could talk about, but I will start by considering the social economy, in which area we are lucky to have an expansion of the budget. You will have heard about futurebuilders Scotland; decisions are imminent about how that significant fund of £18 million over two years will be distributed. The initiative has been warmly welcomed by the various social economy organisations, big and small. I was proud to meet one of those organisations last week to discuss some of the issues. The social economy is an important area and a social economy unit is to be established in Communities Scotland—Ian Mitchell, who is sitting on my far left, will be involved in that, so he might want to comment.

We could also talk about health inequalities or the national priorities action fund in education, which is a big fund of more than £180 million to

address inequalities in school achievement. I mentioned child care, but obviously there is a lot of child care money in other budgets. The need to work across the Executive is a general feature of the emphasis on closing the opportunity gap. Donald Gorrie mentioned the Enterprise, Transport and Lifelong Learning Department, which is fundamental. The employability framework that is being developed is being led by the closing the opportunity gap delivery group, which I chair, but obviously the enterprise department has a central role. We are also working closely with that department on regeneration.

Health is a cross-cutting issue, but I have noticed that the communities portfolio seems to be even more profoundly cross-cutting, because it relates in different ways to many different portfolios. That is a flavour of the situation—I do not know whether Donald Gorrie wants more detail.

Donald Gorrie: That is helpful. The draft budget and “Building a Better Scotland: Spending Proposals 2005-2008: Enterprise, Opportunity, Fairness” seem to contain different figures for the percentages of non-housing money. Are you happy that there is enough money in the budget and that you will achieve the targets?

Malcolm Chisholm: I think that I might have dealt with your point about the percentage of non-housing money when I said that fuel poverty and homelessness had not previously been included under housing. There might be other factors, but I think that that is the main factor that explains the difference in the percentage figures. There is also a healthy increase in the money for affordable housing.

In my opening statement I flagged up the big increase in relation to closing the opportunity gap. That is best illustrated by table 7.05 in the draft budget document, which shows an increase from more than £48 million in the current year to more than £50 million next year, followed by a really big increase in the new spending review period. That is mainly because, as a result of the spending review, there will be a closing the opportunity gap fund. As a result of the spending review, there has also been a big increase in the working for families fund. All that money will be targeted at closing the opportunity gap in general and will focus on the poorest communities.

In considering the community regeneration fund, which, as I said, is a good initiative that will be targeted better, the committee should have a much broader perspective and take into account the working for families fund and the closing the opportunity gap fund, which are further resources that are targeted at the most deprived communities.

Cathie Craigie: I will move on to fuel poverty. The minister announced—it was reported widely in the press—that he intended to write to power companies to urge them to lower their prices for Scotland’s poorest pensioners. As someone who has campaigned on fuel poverty for a long time, I welcome that. If the fuel companies do not respond to the request, how will you ensure that pensioners are not in danger as a result of inadequate heating in the winter months?

Malcolm Chisholm: We have an ambitious target on fuel poverty, which is to eliminate it by 2016, and we will take every action that we can to achieve that. The details of the future fuel poverty programme have not yet been announced and we have not come to final conclusions on it, although in targeting the money that is available to reduce fuel poverty, we will try to have the biggest hit possible. We will provide more information on that when we reach our decisions.

It is just a fact of life that neither the Development Department nor the Executive as a whole controls fuel poverty totally because we do not have complete control over fuel prices or people’s incomes. We must maximise the action that we can take. We can be pleased with the progress that we have made on fuel poverty in the past few years, although we should not be complacent. For example, nine out of 10 people who received central heating through the central heating programme moved out of fuel poverty. That programme has been a success story, but it is not yet complete. We have also done a lot of work through the warm deal, which Cathie Craigie knows about.

We must keep taking action to make progress on fuel poverty. The rate of fuel poverty was halved between 1996 and 2002 and there has been further progress since then. I decided to write to the fuel companies in recognition of a fact of life. The price that people pay is obviously a relevant factor, but neither we nor the Westminster Government controls it, although Westminster has more control over the general policy area. Therefore, part of our work must be done through pressure and persuasion. To be fair to some of the companies, they have made efforts on the issue. We asked them to make a commitment, particularly for pensioners who receive pension credit. Members will have noticed that the new target 3 in the budget commits us to ensuring that

“all pensioner households eligible for pension credit live in homes that meet the energy efficiency requirements of the Scottish Housing Quality Standard.”

Obviously, some of our new initiatives on fuel poverty will help to meet that target. We simply must accept that other players are involved and that the energy companies are crucial.

James Hynd (Communities Scotland): Under the central heating programme, when we install central heating systems in the houses of eligible people, as well as putting in insulation measures, we also undertake a benefit check on the applicant to ensure that they maximise the take-up of available benefits for their circumstances.

Cathie Craigie: I am aware that that happens. I am also aware that a number of organisations are involved in the issue, not just the minister's department. I welcome the continued commitment in the budget to achieving our goal. The central heating programme and the warm deal have been a success story, but I agree that the story is not yet complete. I have long encouraged previous ministers to extend the central heating programme to include pensioners who have inadequate or partial central heating systems and I hope that that will happen.

If the programme is, to use the minister's words, "a success story, but ... not yet complete",

why is the funding for it being reduced? As far as I can see, the central heating/warm deal line of the draft budget shows a funding decrease of almost 19 per cent between 2006-07 and 2007-08. Will the minister explain that change to the committee?

Malcolm Chisholm: Officials can give more details or may correct me if I am wrong, but I understand that the main part of the change is to do with part of the existing budget being transferred to the Glasgow Housing Association. As members know, central heating was to be part of the association's community ownership programme. The central heating commitment was also slightly delayed in respect of other local authorities, but I think—Mike Neilson or someone else will be able to give more details or will contradict me—that the most substantial part of the reduction from 2006-07 to 2007-08 is to do with the ending of the grant to Glasgow on the basis that all the houses in Glasgow will have central heating. I ask the officials whether that is basically correct.

Mike Neilson: That is correct.

James Hynd: The reduction in the budget also reflects the fact that the programme is delivering, in that the targets have now been achieved in the local authority sector, except in Glasgow, where we are still working. We continue to work on the private sector side, too. The reduction reflects the fact that we are delivering what ministers set out to deliver at the outset of the programme. As the minister has said, future targeting is now being considered.

Mr Home Robertson: I want to return to the minister's letter to the electricity companies and the mains gas companies, which is a welcome

initiative. It would be interesting to know what the response is.

As an aside to that, will the minister bear in mind the fact that a significant number of pensioners—mainly in rural areas, and certainly in the Highlands—live in houses in which the only supply of gas is cylinder gas supplied by companies? I know of such people in my constituency, and there are also examples of tenants in housing association properties who cannot afford to use their central heating systems because of the high cost of cylinder gas. If the minister is sending letters to people, will he also put some pressure on those companies, please?

Malcolm Chisholm: That is certainly an issue. I will have meetings with companies in the near future, and we will certainly take up the issue with them.

The Convener: I invite Christine Grahame to ask her succinct question about fuel poverty, and to follow on with her questions about affordable housing.

Christine Grahame: My succinct question is: have you had any replies from the power companies? Which ones have replied? What did they say?

Malcolm Chisholm: I have seen at least one reply asking for a meeting, which there will be. That reply was from Scottish and Southern Energy.

Christine Grahame: So there has been only one reply so far. How many power companies—

Malcolm Chisholm: I have seen one reply. I must be careful, because although I try to see all the letters that come to the Executive, I cannot promise that I see all of them immediately. I add that qualification. I recall seeing the reply that I mentioned, but that is not to say that other replies have not come in that I have not seen.

Christine Grahame: No doubt you will tell us about those replies as soon as they arrive.

Concern has been expressed to the committee about the housing need information. Will you explain how your figure was reached and say what information sources you had? I do not know whether you heard this evidence, although I certainly put it to you in the debate on housing in the chamber, but the Chartered Institute of Housing in Scotland has said that your announcement about additional affordable housing will not address the backlog of housing need. It mentioned households on

"housing association waiting lists who cannot get a home because of a shortage of houses",

and adds:

"An investment programme of an average 5,500 houses per year will do little to help them. It is also looking like the Scottish Executive will not meet its current target of delivering 18,000 new and improved homes by 2006. We estimate that it will miss this by well over 2,000 homes ... It will not be able to give all homeless people the entitlement to a permanent home by 2012".

That was reinforced by the evidence that was given in the previous session.

If that is what experts are telling us, how did you work out your figures?

12:30

Malcolm Chisholm: As in all other areas, the experts do not all agree on matters. Officials will want to say something, as most of the work was done before I was around, but I know that a great deal of work went into the matter.

You have heard of the Bramley analysis, on which we relied in Scotland. It was complemented by the local housing strategies, so not only one piece of work led to the overall figures. There is some compatibility between the Bramley analysis and the local housing figures, which are based on local authority areas. The figure of 7,000 dwellings a year is what local authorities are telling us. Of course, I have read the paper from the Chartered Institute of Housing in Scotland and I think that the figure from the Scottish Federation of Housing Associations is somewhere in between the institute's and ours, although I am not clear what the SFHA's representative said this morning. The bodies welcomed our announcement, but obviously they will argue for more, and I look forward to speaking at the CIHS conference next week and hearing its views.

On homelessness, the target to which we are committed is to give all homeless people the entitlement to a permanent home by 2012, so we will watch our progress towards that very carefully. It is good to have external standards in housing so that we not only do what we can afford, but have an objective that we have to reach. We will have to find the resources to reach it over the time to 2012. From the knowledge and analysis that we have received until now from Bramley and the local authorities, we think that we have about the right figure, which is not to say that it will not be subject to further revision in the several years that will pass between now and 2012. The general point is that the problem is, to a large extent, local. Some areas of Scotland do not have an issue with undersupply, although they probably have an issue with the quality of their housing stock, which is being addressed. Particular local housing markets—not least Edinburgh—have particular problems, and it is important to factor that in as well. However, we could spend the rest of the time talking about this, and officials might—

Christine Grahame: I simply want clarification. I am not an expert in the matter, but the CIHS says:

"In 2003 there were over a quarter of a million households on local authority and housing association waiting lists who cannot get a home because of a shortage"

and that your investment programme

"will do little to help them."

What figures are your targets based on? They are your targets, not mine.

Malcolm Chisholm: We simply have a disagreement. Of course I have respect for our experts in the field—Bramley and the CIHS—and I have had dealings with them for a long time, so I look forward to discussing the matter with them. The reality is that there are different analyses that come to different conclusions. To some extent, I am repeating myself, so it might be helpful if Mike Neilson or another of the officials supplements what I have said.

Mike Neilson: I will add only two points. Waiting lists are not a reliable way of examining net housing need, because people are on them for a long time and we get lots of duplication. We recognise that they contain information about demand, and that is factored into Bramley's work, so it is included in the analysis. We are asking for perspectives on Bramley's work from all the bodies from which you have taken evidence so that we can refine that work.

We do not understand where the CIHS got the suggestion that the target of 18,000 new or improved homes over three years will not be met, because, according to our figures, we are very much on target for 18,000, and we can give you more detail on that point if necessary.

Christine Grahame: That was the CIHS's comment. It has said that you will not hit the target in 2006 and will miss it by 2,000 homes. We will just have to come back to the matter in 2006 and find out who is right.

Malcolm Chisholm: There is obviously a disagreement, as there is on the other issue. Perhaps James Hynd has something to say about that.

James Hynd: As a delivery agent responsible for hitting the target, Communities Scotland is monitoring it closely, and we are bang on target to hit it. Sitting here at the moment, I can say fairly confidently that we will deliver 18,000 new or improved homes over the three years.

Mr Home Robertson: We keep using the term "affordable housing". Is there an agreed figure for what is affordable and what is not? We all know of cases of people who are in properties that are nominally affordable but are far from affordable if somebody in the household gets a job that means

that they are not eligible for full housing benefit. It is a bit of a trap.

Malcolm Chisholm: There is a general definition, but I do not think that there is a specific definition of affordable housing as being a rent under a particular amount. Perhaps Mike Neilson has some details on that.

Mr Home Robertson: It would be helpful if we could get a note on that.

Malcolm Chisholm: The existing definition is this:

"Affordable housing is broadly defined as housing of reasonable quality that is affordable to people on modest incomes."

It is pretty general.

Mr Home Robertson: It might be helpful if we could get a note on that theme, because it is an important issue.

Cathie Craigie: John Home Robertson raised an important point. I get the feeling when we talk about affordable housing that some of us are talking about rented housing and some are talking about low-cost, first-time-buyer property. When I speak about affordable housing, I usually think of property for first time buyers, and I do not include rented stock. With the Scottish Executive and the different organisations that represent housing interests, we must agree on what we are talking about. I am not necessarily looking for an answer, but there is confusion.

Malcolm Chisholm: That is an important point. Until I was asked the question I had not really thought about it. I suppose that in my head affordable housing relates to social rented housing plus low-cost home ownership. That is my practical definition, which is perhaps different from yours. When we are talking about the figure of 21,500 houses, that is what we are talking about.

James Hynd: Yes. Social rented housing and low-cost home ownership are combined in that figure.

Mr Home Robertson: It would be useful to have a clear idea of what is an affordable rent and what is regarded as low cost.

Linda Fabiani: There is no difference.

Mr Home Robertson: There should be.

We had evidence from the SFHA to the effect that continuing sales under the right to buy are running at approximately three times the level of new build. How will that affect the supply problem and the implementation of the commitment to give all homeless people the entitlement to a permanent home by 2012?

Malcolm Chisholm: I realise that some of the disagreements about the 2012 date might concern the right to buy. As you know, we are committed to

delivering to Parliament our report on the effect of the right to buy by September 2006, in order that stock can be taken of it in the light of the significant changes that were introduced through the Housing (Scotland) Act 2001. We will consult stakeholders on the content and structure of the report and the process for its preparation. I hope that that provides reassurance that we did not just pass the legislation and now we will forget about it.

I am happy to be open minded but, equally, we need to balance what appear to be alarmist conclusions with the changes that were made to the legislation. Some of you were closer to that legislation than I was at the time. You will know the details and that, in some ways, the right to buy was tightened up. Pressured area status might appear to people to be a sensible way of considering the issue, because in some areas of Scotland the right to buy will not cause any problems, but in other areas it might. That is why the provision on pressured area status was made. I am open minded about the issues, but I am not persuaded at this stage that a coach and horses will be driven through our policy.

Mr Home Robertson: But do you acknowledge that there are areas where we are losing affordable rented housing faster than we are replacing it and that, given that some such areas are already in severe difficulties, it might be necessary to adopt special measures to correct the balance?

Malcolm Chisholm: My point is that they have the option of applying for pressured area status if there is a big problem.

Mr Home Robertson: The problem already exists; it is too late. I know of villages on my patch where no affordable housing is left. How do we get it back again?

Malcolm Chisholm: I do not think that it is too late for anybody to apply for the status if they want to. Actually, I think that an application has been received.

Linda Fabiani: Just one?

Malcolm Chisholm: There is one. There could well be more.

Cathie Craigie: We will have to see how many applications are made for pressured area status and how the Housing (Scotland) Act 2001 protects communities that are in danger. This morning, we heard quite a bit of evidence from the Chartered Institute of Housing in Scotland and the SFHA that the right to buy is having an adverse effect on the number of houses that are available for rent. In a debate a fortnight ago we heard the same thing.

Has the Executive done any work on the changes that came in under the 2001 act—I think with effect from October 2002—in relation to the

maximum discount of £15,000 and to people having to be tenants for five years before they can make an application to buy? Has any research into that been carried out? The matter will come up again when we are dealing with the budget next year. We have to get some evidence in black and white, on which we can make judgments. The SFHA witnesses said that they are not able to evaluate the situation yet, because the new provisions have not kicked in for its group of housing associations, although they have done so for local authorities. What information can you share with us on that?

Mike Neilson: The main research work focuses on the report for 2006. Existing tenants retain their existing rights; new tenants will be getting new rights. Inevitably, the effect is modest early on, as a relatively small number of people will have the new rights. It looks like there has been a bit of an increase in right-to-buy applications, almost as a result of the announcement of the new arrangements, despite the fact that the people who already have rights are not losing them. That effect seems to be levelling out a bit, but it is too early to say what the overall impact of the new arrangements is, because the number of people concerned is so small. Furthermore, they will only have been tenants for a relatively short period.

Scott Barrie: The Chartered Institute of Housing in Scotland has voiced concerns about the fact that the current building targets that the Executive has set might not have been met. It would appear that the institute is having difficulty in getting the relevant information from the Executive. Are you in a position to inform us whether or not the targets are in place and are being met?

Malcolm Chisholm: I cannot remember the exact words that he used, but I think that James Hynd said a few minutes ago that he was pretty confident that we would be meeting the targets that have been set. I think that that was for 2006.

James Hynd: Yes.

Scott Barrie: The proportion of the housing budget that has been committed to the provision of affordable housing has increased substantially. Is that due to the transfer of a substantial number of houses, or are there cuts elsewhere in the budget that have allowed that increase to go ahead?

Malcolm Chisholm: No, there are not cuts elsewhere in the budget. Extra money was put into affordable housing from the spending review. There is £40 million of spend on new affordable housing for 2006-07, and there is £83 million for 2007-08. The biggest increase is to do with the money from the spending review. However, the situation is more complicated than that. I referred to extra money, which does not appear directly in the housing lines. At the risk of confusing matters,

I ought also to mention the substantial sums of money for community ownership. For reasons that the committee will understand, that money does not always get spent within the expected timescale. The good thing is that the money can now be held over and spent in subsequent years. In fact, there is more money in the community ownership budget this year than is being spent. The money for that budget can now get spent over the next three years, which gives a further boost to what can be spent on new affordable housing. There are a series of reasons for that increase but, as far as I can see, none of them is to do with cuts somewhere else in the budget.

Cathie Craigie: Staying on the subject of affordable housing, but moving on to rural areas, we heard evidence earlier from Derek Logie of the Rural Housing Service. In the first few minutes of his remarks, he claimed that we were spending less on rural housing now than we were 10 years ago. How did the Executive decide on the level of funding that will be used specifically to tackle the problems of affordable housing in rural areas? Would you care to comment on the remark made by Derek Logie this morning?

12:45

Malcolm Chisholm: I am surprised by his statement. As I said at last week's question time, spending on affordable housing in rural areas in Scotland is £80 million, which is a 91 per cent increase since the start of the Parliament, when it stood at £41 million.

Another way of looking at the matter is to note that the share of the Communities Scotland development programme is at an historic high, having increased from 19 per cent at the start of the Parliament to 29 per cent last year. Those two figures seem to point in the opposite direction from what Mr Logie is suggesting.

Cathie Craigie: Perhaps the committee would like to investigate the issue further.

Mary Scanlon: Under the heading that relates to delivering sustainable and affordable housing, the spending plan shows a real-terms reduction over three years of 1.3 per cent, which is a reduction in monetary terms of £8.17 million. How can you talk about increases when what is happening is that there is a reduction over the period?

Malcolm Chisholm: Which particular line are you looking at?

Mary Scanlon: My information comes from the Scottish Parliament information centre researchers.

Malcolm Chisholm: I was talking about the affordable housing line, which is certainly

increasing significantly. In real terms, the affordable housing line is going up from £286 million in 2004-05 to £359 million in 2007-08. The issue that we have been discussing is the supply of new affordable housing. The other line will include various other housing budgets. The line that we are talking about does not include money involving the supporting people fund.

Mary Scanlon: Perhaps this matter might best be resolved in writing. I am looking at a figure of £652 million for 2004-05, which decreases to £643 million in 2007-08.

Malcolm Chisholm: The line underneath that line relates to new affordable housing. You are looking at a line that relates to more general housing issues, including fuel poverty.

Mary Scanlon: If money for affordable housing is increasing within the umbrella budget, what is decreasing to fund that, given that the overall budget is going down?

James Hynd: As we said earlier, one line that is decreasing is the one that relates to the central heating programme, funding for which is decreasing as a result of the targets being met. That appears as one of the components of the top line. As the minister says, within that overall sum, the affordable housing budget is increasing in real terms.

Mary Scanlon: We will need to examine the figures a bit more closely.

Malcolm Chisholm: Apart from the central heating budget, I am not sure that any budget is decreasing between 2006-07 and 2007-08. I am not entirely sure how the table that we are talking about is constructed. Perhaps Mike Neilson can help us out.

Mike Neilson: There are a couple of issues to note, one of which is the issue of Scottish Homes' debt redemption. At the beginning of the period that we are talking about, the interest charges on Scottish Homes debt are in the budget but, because the debt has been redeemed, that element simply disappears as it is not needed any more. That funding becomes available for affordable housing spend in rather a hidden way. A similar situation arises in relation to some capital receipts, which would otherwise be used to pay off the debts. That is one of the most obvious factors. In total, all of that amounts to around £30 million a year.

Mary Scanlon: I think that quite a lot is hidden in these budget documents, which present quite a challenge to MSPs, year on year. It would be helpful if we could get information such as the information we received this morning in advance, so that we could read it. If we are ill-informed because we have received information at the last

minute, we will not be able to have a worthwhile debate.

I want to ask about the challenges to the provision of affordable housing in rural communities that are posed by the lack of infrastructure and by land ownership. What challenges do you expect in the next few years?

Malcolm Chisholm: Land ownership, the cost of land and infrastructure, especially in relation to water, all raise issues. As you can see from page 104 of the draft budget document, we have an urban land fund, so we are mindful of the need to put resources into land acquisition.

Equally, extra money has been put in for water infrastructure. Scottish Water is consulting on that. Officials and I are discussing with the Environment and Rural Affairs Department how we cover the infrastructure costs of new housing development. That has not been concluded, but I assure committee members that we are mindful of the problem and accept its critical nature and the need to ensure that water infrastructure is provided and paid for.

Mary Scanlon: Strathspey has development constraints because of the lack of Scottish Water infrastructure. Many Highland villages are growing to about two or three times their previous size because developers require economies of scale for development when it would be more sensitive in the Highlands to have smaller developments. What can you do to overcome the need for the economies of scale required to establish utilities infrastructure?

I ask my last question because you have just taken over the communities portfolio. The previous Minister for Communities, Margaret Curran, was in talks with Andrew Bradford of the Scottish Landowners Federation about landowners' claim that they can provide more housing at less cost to the public purse and at lower rents. Will you continue that dialogue with landowners so that they can form a partnership to help to release land?

Malcolm Chisholm: If Margaret Curran met landowners, I shall certainly meet them, too.

Mike Neilson: I understand that infrastructure cannot be upgraded and expanded everywhere at the same time. One issue is that adequate funding for infrastructure must be available throughout Scotland, but the other issue is local prioritisation, which can only be agreed locally with Scottish Water.

Christine Grahame: Some of my questions have been answered, but I will ask two succinct questions. A parliamentary answer to a question that I asked said that local authorities had identified that 300,000 housing units could be built

in the next 10 years, but that half of those could not proceed because of water and sewerage constraints. I am sure that the minister or his team is aware of that. I have heard whom the minister will meet. That is a substantial number of houses. What radical work will you do to end that blockage?

My second succinct question relates to rural development. We heard evidence that funding for rural housing will create only 100 extra units over three years Scotland-wide. That is 33 a year for all local authorities, so not every local authority may get even one extra housing unit. Do I misunderstand the figures, which are from Homes for Scotland? The figures seem to me to be very low.

Malcolm Chisholm: I am told that rural housing investment will fund more than 1,400 new affordable homes this year, but James Hynd may want to comment on that.

As for the water situation, we should acknowledge that £200 million of the current programme is focused on releasing constraints and that a further £41 million was recently allocated to address development constraints and first-time connections in rural areas. As I said, we do not say that that is the end of the matter. I am sorry, but this is a bit like the fuel-poverty situation: the matter has not been resolved, but it will be soon and I assure the committee that its members will be the first to hear about that.

In general, I have said that we recognise that the issue is serious and that funding questions must be resolved. I am focused on tackling what is a key constraint that we must unlock as far as Scottish Water is concerned. The details of how that will be funded await final resolution and announcement, but I certainly agree with you about the seriousness of the problem.

Christine Grahame: What about the figure of 100 extra units?

James Hynd: I just do not recognise that figure. As the minister said, funding for the rural programme in the current year initially stood at £65 million. Over the course of the year, that funding has been increased to £80 million to reflect the fact that additional affordable housing money has been found. Some of that will go into land banking, but a rural programme of 1,400 units will still be produced this year. Decisions on the size of next year's programme have still to be taken. That is the scale of the programme as we move forward.

Christine Grahame: I will check the *Official Report* afterwards—perhaps I misunderstood what was said.

Linda Fabiani: Before I ask my question, I want to clarify that my understanding is that Derek

Logie was talking about the situation 10 years ago rather than the situation when the Parliament was set up. I think that he was talking about funding for affordable rented rural housing.

Cathie Craigie: We can check that.

Linda Fabiani: There are huge problems with rural housing. People find the sheer cost of developing housing in rural areas to be frustrating, especially when developers are asked to provide two houses here and three houses there. There are many issues involved, some of which are about unit costs. As the new Minister for Communities, will you adopt a new approach to rural housing? For example, will you ask Communities Scotland to acknowledge that it is not possible to cap the unit cost of houses in some remote areas?

You mentioned the urban land fund. Will part of your deliberations include consideration of serviced land funds for rural areas? Scottish Water does not necessarily have to be pulled into that process. You could be innovative by, for example, forcing SEPA to accept certain kinds of sewage treatment plants. John Home Robertson mentioned the cost of tank gas. What is wrong with allowing some innovation in systems that are installed in rural housing, so that natural resources such as driftwood can be used? I ask the minister to consider being a bit more imaginative when it comes to socially funded rural housing.

Malcolm Chisholm: I am keen to consider all those issues, but at the moment the best thing to do is to hand over to the person who has been dealing with them and is therefore more expert.

James Hynd: In general, Linda Fabiani is right. The current arrangements for grant programmes need to be examined and that will be done as part of the affordable housing review. We will consider how those programmes should evolve to reflect the changing pressures in the housing market. We are engaged in discussions with Highland Council, which is developing a revolving land bank fund. It has approached us to find out whether we would be interested in participating in that. Those on-going discussions are an example of our responding imaginatively to local pressures.

Linda Fabiani: We heard the same comments when we were talking about such matters 10, 12 and 15 years ago—I remember trying to set up such initiatives. We always got to the last fence but could never get any further. I make a plea to the Executive to bite its lip and get on with things.

Malcolm Chisholm: Thank you for raising those issues, which I will certainly look into.

Patrick Harvie: I want to ask about targets 8 and 9 in the section of the draft budget on communities. Target 8, which is about removing

child care barriers so that people can enter work or move towards entering work, says that it is aimed at

“parents from disadvantaged areas and groups”,

but later on there is reference only to disadvantaged areas. Will you clarify whether communities of interest will be targeted?

Target 9 is about support services for victims of domestic abuse and violence against women. Do those relate to activities that are taking place under other departments’ budgets? Does that relate to what other departments are spending, or are those targets over and above what other departments will achieve in their work?

13:00

Malcolm Chisholm: Kay Barton will correct me if I am wrong, but as I said in my statement, child care is in more than one budget; in fact, the largest amounts of child care money are in the budgets for education and young people. It is a specific fund—the working for families fund—which is increasing by £5 million a year over the spending review period. It is to that fund that the specific target refers. Kay Barton can perhaps say a bit more about that in a moment.

We covered some of target 9 in the debate last week. The particular gap that we identified was in services for children who live in families in which there has been domestic abuse. The bulk of the increase through the spending review will go to those services. However, I also said last week that the money that is already in the domestic abuse service budget—the domestic abuse service development fund and so on—will continue, although the precise nature of how it is spent will be subject to the views of the advisory group.

Kay Barton (Scottish Executive Development Department): I will say a bit about the working for families funding that is behind target 8 and the target of 15,000 families. It is a combination of funding, which goes to the 10 local authorities that have the greatest needs. Within those authorities, we have target groups and communities of interest. Our target groups include lone parents and families in which there are particular stresses in the household; there might be drug or alcohol problems, or a disabled child. They are people who need child care over and above what the normal run of child care can provide. The care might have to be more flexible; for example, it might be that they need child care in the evenings or at weekends or it might be that they need more intensive support for their children. The 15,000 people who take advantage of the working for families services will be people who cannot use the child care that is provided through the normal child care strategy.

Patrick Harvie: Are you saying that the child care services will be provided from a combination of money from the children and young people’s budget and the communities budget?

Kay Barton: We are just relying on our working for families fund in the communities budget. In the target, we will count people over and above those who are served by the children and young people’s budget.

The Convener: Before we let the minister off the hook, two members have indicated a desire to ask a couple of final questions. I will allow Mary Scanlon to go first, followed by Cathie Craigie.

Mary Scanlon: I had not realised that I was getting back in; I have just tidied up all my papers. Sorry about that. I was prepared at question 1.

The Convener: That is fine.

Cathie Craigie: Concerns were raised with the committee this morning regarding transfer of development funding to councils. The Scottish Federation of Housing Associations believes that that is not a sensible course of action for the Scottish Executive to pursue. It feels that, in the hands of a national body, money that is not spent in any one area can quickly be vired to another area. It believes that it would be—in its words—“highly unlikely” that any protocols could be agreed among 32 local authorities.

The SFHA also said that housing expenditure programmes that are channelled through local authorities have always been underspent in any given year. That is cause for concern, because obviously we want to see the money spent. Homes for Scotland also suggested that it has difficulties with that policy, that decisions would have to be taken annually, and that it would perhaps therefore be difficult to spend the money on housing. Will the minister comment on those serious concerns that have been expressed to us?

Malcolm Chisholm: That is an important issue that is still under discussion; in fact, we are reviewing the matter and discussing it with the various stakeholders. It was featured in *Inside Housing* last week because I had mentioned it at the Tenant Participation Advisory Service conference. That is one side of the coin. I am sure that some local authorities might give you a different view, but the reality is that there are other options that are, perhaps, somewhere between the two.

Without prejudicing the final outcome, there has been quite a lot of discussion about housing market area boards—in effect, groups of local authorities working in conjunction with Communities Scotland. There is a view—let me put it that way—that that might be a suitable basis for making decisions about development funding.

It may not just be either individual local authorities or Communities Scotland making the decisions; there are intermediate solutions. However, the committee has been subjected to the arguments against giving the development funding to individual local authorities. I know that they are powerful arguments, but certain local authorities are much exercised about that and important discussions with the Convention of Scottish Local Authorities on the matter are on-going. If members have views on the matter, I would be keen to hear them. It is one of the issues that must be resolved over the next few weeks.

Cathie Craigie: I very much support the idea of passing development funding to local authorities. It is not just a matter of arriving at a date when the funding will be passed to all 32 local authorities; there are standards that have to be reached. I realise that you were not the Minister for Communities when the Housing (Scotland) Act 2001 was passed, so perhaps one of your officials could advise the committee what standards have to be reached by an authority in order that the development funding can be transferred.

Mike Neilson: There are a number of criteria, but I am not sure that I can list them all. They relate to the quality of local housing strategies and the relationships with the local RSLs in terms of proper arrangements being in place. There are other criteria, but those are the main ones.

James Hynd: There are also operational criteria that concern delivery of programmes. Local authorities must satisfy us that they are able to deliver them at least as effectively as Communities Scotland delivers housing investment in its areas.

The Convener: I thank the minister for attending today. I am sure that it will be the first of many appearances at the committee. I also thank the officials who joined him.

13:07

Meeting continued in private until 13:28.

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