

COMMUNITIES COMMITTEE

Wednesday 26 October 2005

Session 2

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COMMUNITIES COMMITTEE

25th Meeting 2005, Session 2

CONVENER

*Karen Whitefield (Airdrie and Shotts) (Lab)

DEPUTY CONVENER

*Euan Robson (Roxburgh and Berwickshire) (LD)

COMMITTEE MEMBERS

*Scott Barrie (Dunfermline West) (Lab)
*Cathie Craigie (Cumbernauld and Kilsyth) (Lab)
*Christine Grahame (South of Scotland) (SNP)
*Patrick Harvie (Glasgow) (Green)
*Mr John Home Robertson (East Lothian) (Lab)
*Tricia Marwick (Mid Scotland and Fife) (SNP)
*Mary Scanlon (Highlands and Islands) (Con)

COMMITTEE SUBSTITUTES

Shiona Baird (North East Scotland) (Green)
Alex Johnstone (North East Scotland) (Con)
Christine May (Central Fife) (Lab)
Mike Rumbles (West Aberdeenshire and Kincardine) (LD)
Ms Sandra White (Glasgow) (SNP)

*attended

THE FOLLOWING GAVE EVIDENCE:

Kay Barton (Scottish Executive Development Department)
Malcolm Chisholm (Minister for Communities)
Alisdair McIntosh (Scottish Executive Development Department)
Mike Neilson (Scottish Executive Development Department)
Carole Oatway (Communities Scotland)

CLERK TO THE COMMITTEE

Steve Farrell

SENIOR ASSISTANT CLERK

Katy Orr

ASSISTANT CLERK

Jenny Goldsmith

LOCATION

Committee Room 6

Scottish Parliament

Communities Committee

Wednesday 26 October 2005

[THE CONVENER *opened the meeting at 09:39*]

Budget Process 2006-07

The Convener (Karen Whitefield): I welcome everyone to the 25th meeting in 2005 of the Communities Committee and remind all those present that mobile phones should be switched off. I apologise for the slightly late start to the meeting—unfortunately, I was held up in traffic—and for the inconvenience to the minister, his officials and committee members.

Agenda item 1 is the budget process 2006-07. I welcome the Minister for Communities, Malcolm Chisholm MSP, for this item. He is accompanied from the Scottish Executive Development Department by Mike Neilson, the director for housing and regeneration, Kay Barton, the head of the social inclusion division, and Alisdair McIntosh, the head of the regeneration, fuel poverty and supporting people division, and from Communities Scotland by Carole Oatway, the director of investment. I thank you all for attending the meeting. Minister, do you have an opening statement?

Malcolm Chisholm (Minister for Communities): You have stolen half of it—I was going to introduce everyone who is with me. However, I will do the other half, if that is all right. It is really just a brief introduction.

As committee members will be aware, the draft budget document continues to reflect the outcome of the 2004 spending review; the communities portfolio's strategic objectives and detailed targets remain the same. The key features for 2006-07 include building on the substantial progress that we have made towards meeting our three-year target of providing 21,500 new and improved affordable homes. The target was met last year and we are on course to meet another 6,400 unit approvals this year. That profile is increasing, so there will be even more next year and the following year.

We are also continuing to work on closing the opportunity gap in my portfolio and in that of other Executive ministers. For the 2006-07 budget, substantial new resources are coming on stream for closing the opportunity gap, including our new £15 million-a-year closing the opportunity gap fund. There will be additional funds to help more people get back into employment and into training through the extra child care resources in our

working for families fund, as well as extra resources to tackle inequalities and discrimination.

The major changes since the draft 2005-06 budget are the transfer to the justice portfolio of the antisocial behaviour budget—of which members will be well aware—and the transfer from the affordable housing programme and the community regeneration fund of £26 million to the central unallocated provision. Those transfers were made for financial management reasons in order to reflect a changed assessment of the spending profile, but the funds will still be spent on their intended areas. Members may wish to ask more about that later.

That is all I want to say by way of introduction. I look forward—I think—to discussing the draft budget with the committee.

The Convener: Thank you. I hope that you will not find it too challenging, but I want the committee to ask detailed questions that will allow us to get helpful information for our budget scrutiny.

You outlined the five key priorities for the communities portfolio in your opening comments. I would be interested to hear a little more from you on how you will ensure that those will remain priority areas with sufficient resources. Signals from Westminster indicate that the considerable funding for public services that there has been until now may not continue and that there might be tighter fiscal control.

Malcolm Chisholm: If that is a question about the next spending review period, it is difficult for me to answer. Obviously, many things must happen before that is announced, including the announcement from Westminster and the internal procedures in the Executive, which will start long before the Westminster announcement. However, I am strongly committed to the objectives that I have outlined and make it clear that the Executive is collectively committed to them.

I touched on affordable housing: there will be a parliamentary debate tomorrow on tackling homelessness in which there will no doubt be discussion of resources and other matters. However, we as a Parliament clearly have a challenging commitment to the abolition of priority need by 2012, so it stands to reason that we must have the resources to deliver that commitment. You can take it that the priorities of tackling poverty, inequality and discrimination are cross-cutting commitments of the Executive as well. Therefore, I am in no doubt that they will remain priorities.

The final priority of the five is:

"Building stronger, safer communities through regeneration".

Members may wish to ask about the community regeneration fund, which is directly controlled under my portfolio. You probably know that a broader statement from the Executive about regeneration is coming up within the next few weeks. That is a clear signal that regeneration, in the broad sense, is a key issue for the Executive.

09:45

The Convener: How does the Development Department ensure that setting of priorities is systematic and rigorous for the purposes of spending and of allocating funding? We could probably all come up with a list of subjects that we think need to be addressed and that we would view as priorities.

Malcolm Chisholm: We try to set broad-ranging priorities and I know that some people have voiced criticisms to the effect that there are too many Executive priorities. It is tempting to go down the route that the convener describes because there are many worthy objectives that we may wish to pursue. The Executive has tried—I hope successfully—to be strategic in setting its priorities. There are five priorities set out, but we could, in a sense, almost whittle them down to three that would cover the three level 3 tables in the budget document. The first of those tables relates to

“Delivering good quality, warm, sustainable and affordable housing”.

Everyone in this room, and probably in Scotland, would understand that that must be a priority, for many different reasons.

The second table relates to the aim of

“Building stronger, safer communities through regeneration”.

We are focused on community safety and on building more cohesive communities, through addressing in particular the problems of the most disadvantaged communities. It is clear to me that closing the opportunity gap is absolutely fundamental, and that regenerating disadvantaged communities is a key part of that.

Of course, there is more to closing the opportunity gap than that. The third table—table 7.03—covers key initiatives under my portfolio that will help to achieve that aim. Many of the resources for closing the opportunity gap are not under my portfolio, so that third table in the budget document in no way covers the whole area. We have tried to pick key areas under my portfolio that will help to deliver that objective. The working for families fund and the money for financial inclusion are key new parts, or relatively new parts, of that.

It is difficult to judge, but as far as the three overarching strategic priorities are concerned, I think that we are homing in on the right issues.

Scott Barrie (Dunfermline West) (Lab): In November last year, the Minister for Finance and Public Service Reform launched the Executive’s efficient government plan. In this year’s draft budget, the use of efficiency savings has been identified for reallocating resources. I am interested to know how efficiencies have been identified under the communities portfolio. Why have only £40,000 of savings been identified in next year’s budget? That is almost nothing compared with savings of, for example, 2 per cent in education and 2.5 per cent in health. The following year, there is to be a 0.4 per cent saving in communities, but there is to be a 3.7 per cent saving in education and a 3.3 per cent saving in health. What are the reasons for the relatively low level of efficiency savings in the communities budget compared with other departments?

Malcolm Chisholm: I will make two general observations before passing over to Carole Oatway, who deals with cash-releasing savings in Communities Scotland, which perhaps represents the biggest contribution that we will make to the published figures.

Not all our savings are actually reflected under the communities portfolio—the biggest omission is the supporting people savings. Some of you are not very happy about those savings, if things that have been said previously are taken into account. However, the reality is that there are £27 million of savings, which show up as part of the local government savings. They do, nevertheless, come under my portfolio. As I have just said, you need to take account of the supporting people savings.

Also, a £4.4 million cash-releasing saving that will come from the Registers of Scotland does not show up because it is not part of the departmental expenditure limit, although it is part of the broader budget. Those are two reasons for the lower percentage.

My budget is dominated to a considerable extent by housing, which involves capital rather than revenue spend. In general, the big cash-releasing savings take place in departments that have high revenue spends. That does not mean that we are not on the case. Carole Oatway has led work on cash-releasing savings from Communities Scotland and will speak about what it is doing and about other work that we have started and will become involved in soon.

Carole Oatway (Communities Scotland): As Mr Chisholm said, Communities Scotland has taken a significant look at how it could contribute to the efficiency agenda. One matter that we are considering is making cash-releasing savings in

the next three years. We measure our programme in terms of unit approvals and we often give approval well in advance of spending, so one difficulty is that we cannot make efficiency savings quickly. We need to plan for such savings, which is why the cash-releasing savings that we propose will build up over the three years.

The agenda has several strands. First, we are putting in place measures to reduce or contain the capital cost of providing new homes. We also have measures to increase net revenues and to improve processes, and we have new grant procedures. Communities Scotland is a facilitator of procurement and building of new homes, so it is critical to the programme's success that we work in tandem with the housing association sector and the local authority sector in order to ensure that what we propose will meet everybody's objectives.

I will give a little more detail on the procurement strategy stuff that we are working on. We are encouraging registered social landlords to club together to bulk up procurement. We have found that several projects that we fund are extremely small and are fairly short-term, and that we are failing to achieve the efficiencies that our purchasing power has the potential to provide. We are not talking about reducing the quality of the product—if anything, we want to increase quality—but we want to take advantage of the huge purchasing power of the sector as a whole. The sector has made quite a lot of encouraging suggestions on how RSLs could work together in clubs to procure a more efficient service and achieve greater savings, and on bringing together the experience of small individual organisations to deal with more complex issues that relate to matters such as land assembly and land purchase.

Much work is going on. We have had to assure people all along the way that we do not propose to cut small housing associations out of a development programme, which is considered to be a critical feature of the Scottish housing system. Rather, we want to ensure that such associations have access to better-quality development services that will enable them to procure more efficiently. We are not saying that only certain people will be able to procure.

Scott Barrie: The minister talked about the possibility of greater cash-releasing savings. Forgive me—I am not entirely clear about what that means, which I know is my fault rather than yours.

Malcolm Chisholm: Since Carole Oatway is working on the subject, she is probably the best person to answer. Our cash-releasing savings will come from Communities Scotland.

Carole Oatway: I will have another go and see whether I can make the situation clearer.

Scott Barrie: Are economies of scale involved?

Carole Oatway: Some of the work is about economies of scale, but there are other threads—I did not want to bore you rigid. We have found over the years that, as house prices have increased in Scotland, competition for land is much greater, which is why we have several initiatives that are aimed at more efficient procurement of land. For example, we work with other public sector organisations that own land to try to strike deals to buy land at more reasonable prices. We also work through the planning legislation to try, where affordable housing is required, to share land that comes from private sector developers. We also work with rural landowners in respect of land that might come on stream at a more reasonable price. We are not just working on bulk procurement, but on some of the elements that go into the products. We also hope that the RSL sector will come up with ideas about how we can change our procedures to facilitate more efficient running of the service. Our work has several strands.

Scott Barrie: How do you propose to report back to Parliament, given the emphasis that the Executive has placed on efficiency savings and the reduction that it is hoped will be achieved through them?

Malcolm Chisholm: We will report to the committee, or in any other way that is required of us, as part of the general work on efficiency savings by the Minister for Finance and Public Service Reform. I am not involved in the details but, in simple terms, we are trying to achieve more for the same amount of money; obviously, we are trying to make the money go further. We must consider the matter seriously, particularly in relation to the housing budgets. The budgets are increasing, but housing demand is enormous, so we must consider all possible methods to make, as we want to do, the existing money go further. Another way of describing the aim is to say that we want to achieve the same objectives for less money and therefore to achieve more than we would otherwise achieve with the same money.

I will certainly report on the matter in whatever way I am required to do so by Parliament, such as to the committee or as part of statements. No doubt the Minister for Finance and Public Service Reform will make general statements on efficiency savings throughout the Executive. Apart from that, I have no plans to report proactively; I will report as required by Parliament.

Mike Neilson (Scottish Executive Development Department): Progress against cash-releasing savings targets will be monitored by Audit Scotland. There will be a fairly rigorous

and systematic process of monitoring progress on all the efficiency targets. I am sure that the results can be made available to the committee.

Christine Grahame (South of Scotland) (SNP): I have a question about the housing budget, although I am sure that I am going to get the matter wrong. Table 2 on page 5 of the Scottish Parliament information centre briefing shows the communities level 2 spending plans in real terms, at 2005-06 prices. The top line of the table shows the figures for delivering good quality, warm, sustainable and affordable housing. For 2005-06, the figure is £1.049 billion, but it does not increase thereafter—the figure for 2007-08 is £1.017 billion, which is not even flatlining, but falling. The minister said that the affordable housing budget is increasing, but that does not seem to be the case.

Malcolm Chisholm: The level 3 table has a separate line for affordable housing. Although it is flatlining between this year and next year, there will be a big increase in 2007-08, which will reflect the far bigger number of building starts. I reported that the number of planned starts this year is 6,400, but that will go up to 7,000 and then to 8,000, which clearly shows that more new houses will be built. Christine Grahame referred to the housing line as a whole, which includes the supporting people budget, in which there will be a cash reduction. Another point that may come up again if I am asked more questions about the central unallocated provision, is that part of the reason is the profile of the spend. To complicate matters even more, the third point that I should make is that some housing expenditure is not included in the line, most notably that from the CUP which, as I said, we may speak more about, and the massive amounts of money—about £440 million—that local authorities spend on housing.

Christine Grahame: Are the level 3 figures for 2005-06 to 2007-08 given at 2005-06 prices?

10:00

Malcolm Chisholm: Most of the tables are cash, unless otherwise stated.

Christine Grahame: Is there not a fall between 2005-06 and 2006-07?

Malcolm Chisholm: It appears that there is a cash fall, but a lot of that is to do with the profile of the expenditure. It is certainly not a fall in terms of the number of new houses that will be built next year.

Christine Grahame: I will not delve into the “profile of the expenditure”, but I would like to know what it is. What does that mean?

Malcolm Chisholm: I gave the figures at the beginning of the meeting—there are 6,400

approved starts for this year, which will rise to 7,000 and then to 8,000. Those numbers are on an increasing profile. Of course, community ownership is also included in that line, so some of the profile is to do with when the community ownership money kicks in. A lot of that money will kick in in 2007-08 rather than in 2006-07. The figure is an amalgamation of various housing budgets. The actual money for new homes is not falling, but the profile of the community ownership money is different. I think that that reflects some of the changes.

Christine Grahame: I will have to read that later.

Malcolm Chisholm: It is extremely complicated.

Christine Grahame: That is why I am going to read it later.

Malcolm Chisholm: You can be sure that I have asked all those questions many times myself. To be honest, some of this stuff could be a little more transparent—

Christine Grahame: Hold that thought, minister. Could we have it in a more transparent form next time?

Malcolm Chisholm: The matter is inherently complicated.

Christine Grahame: It would be useful to members of the committee—certainly to me—if the figures could be made more transparent.

Mary Scanlon (Highlands and Islands) (Con): I am glad to see that the minister acknowledges that the matter is complicated; most of us would agree.

I would like to ask a question on the back of Scott Barrie's earlier question. I note that the figure for the warm deal will fall from £56.5 million in 2006-07 to £45 million in 2007-08. Is that considered to be an efficiency saving? I appreciate that the matter is out to consultation and that the committee will discuss it after the consultation period ends on 11 November. However, your letter to the convener states:

“the Pension Credit cohort will be very large and other groups do not have as strong a correlation to fuel poverty.”

If you expect a huge number of people to apply for the warm deal's free central heating, why is the budget being cut by £11 million?

Malcolm Chisholm: Obviously, the situation that Mary Scanlon is talking about was part of the spending review settlement. That is not something that has appeared this year; it was in the draft 2005-06 document. Some of the decrease is to do with the ending of the Glasgow Housing Association's central heating programme, which will finish in 2006-07. Some of the thinking around

the spending review was that the current central heating programme would end in the spring of 2006; many people would by then have got central heating systems so, to a large extent, that investment would no longer be required. People assumed that because of that, and the ending of the GHA programme, not quite so much money would be required.

Obviously, I am looking to do as much as I can through the central heating programme and, if I can find a way to boost the sum in 2007-08 from within my budgets, I will do that. However, I cannot say definitely that that will happen; obviously, the budgets are all set until 2008. We believe that we can expand the programme within those budgets for the simple reason that many people now have central heating systems. More people require replacements than was envisaged earlier, but in terms of our proposals—on which we would welcome members comments, because the proposals are not yet finalised—we still think that we can keep the traditional programme going while making inroads in relation to people on pension credit, who will be offered more in respect of partial or inadequate heating systems. We have to work within our budget, which is why we are suggesting that we should deal with a certain number each year. Alisdair McIntosh might want to add to that.

Alisdair McIntosh (Scottish Executive Development Department): We have moved from a situation in which there was a large stock of properties with no heating or irreparably broken heating to one in which we are focusing more on properties where there is partial or inefficient heating. As we consider how to strike a balance between repairing and extending existing systems and installing completely new ones, and as we look for ways of improving efficiency incentives for installers—the discussion paper to which Mary Scanlon referred mentions that there is currently no effective cost control on installers—we should be able to achieve improved, extended and upgraded systems for a given amount of money. We will therefore have a more efficient programme from 2006 onwards.

Mary Scanlon: Can I take it that in the light of the expected exceptional demand from the pension credit cohort for the warm deal programme, you will consider whether the budget can be changed for 2007-08? Can the budget be amended only after the £11 million cut in 2007-08? Is there flexibility prior to that time?

Malcolm Chisholm: The usual time for changing and adjusting budgets is the spending review, which will not take place until 2008. I have said that I am keen to see whether I can expand the budget for the warm deal a little bit, but it would obviously not be changed to a major extent

because that would depend on underspends in other budgets and so on. As I have explained, it was planned that the GHA programme would end and so it was assumed that we would not need quite the same level of resources for the new programme. I will see whether I can give the budget a slight boost before the spending review. However, there cannot be a major boost, because no extra money will come in before the review.

The Convener: Before Mary Scanlon starts her new line of questioning, John Home Robertson has a question on efficiency savings. I ask Mary Scanlon to indulge me and allow him to get in.

Mr John Home Robertson (East Lothian (Lab): I apologise. I want to explore a point that Carole Oatway made on the theme of efficiency savings. We are all in favour of efficiency, but she seemed to say that the Executive is anxious to take advantage of bulk procurement of housing. That is understandable, but we should bear in mind the fact that much of the greatest need for affordable housing is in smaller communities and rural communities where, inevitably, it will be more expensive. Can that be taken into account? If you set benchmarks for costs, is there not a risk that that could drive housing associations to concentrate their new build under the programme on bigger sites in urban areas?

Malcolm Chisholm: No. Carole Oatway can comment in more detail, but what she outlines is within a broader framework of decisions about where investment is to take place. The amount of money and the proportion of the programme that is going into affordable housing in rural areas are at record levels. This year's allocation for affordable housing in rural areas is £97 million, whereas it was only £41 million when the Parliament started. The need for affordable housing in rural areas is certainly being taken into account—that is the overriding factor. Within that allocation, what Carole Oatway has described will apply.

Mary Scanlon: I will come back to the central unallocated provision. I am sorry about my digression. I refer to the affordable housing investment and community regeneration fund headings on page 114 of the draft budget. I note that under the affordable housing heading there is a

“Decrease of £6.0/0/0m resources transferred to the Central Unallocated Provision”

and under the community regeneration heading there is a

“Decrease of £20.0/0/0m resources transferred to the Central Unallocated Provision.”

You said that the issue is complex. If less money is being transferred from the affordable housing and community regeneration programmes to the

central unallocated provision, does that mean that more is to be utilised within those two spending programmes?

Malcolm Chisholm: It really means only the reprofiling of expenditure; it is a small sum of money. The biggest transfer to the central unallocated provision was last year because of the reprofiling of the community ownership programme. I think that £85 million was transferred from the affordable housing budget into the central unallocated provision last year. That money is sitting there and will be drawn down whenever Glasgow or anybody on the community ownership programme needs it. It actually boosts the housing line, which Christine Grahame was concerned about. We can add that £85 million—indeed, we can add all the affordable housing money in the CUP—to expenditure over the next two years. It is sitting there from the previous spending review period because it was not ready to be used, mainly—indeed probably exclusively—for community ownership. The £6 million is a sort of appendix to that. Most of the slippage on affordable housing took place in 2004-05 and an extra £6 million is there now. That money is sitting waiting to be spent on affordable housing.

Obviously, the community regeneration fund is a different matter. The fund was announced quite a bit before 1 April 2005, but the money did not kick in or start to be spent until halfway through this year, which simply means that the programme will run from the middle of 2005 to the middle of 2008. The £20 million will still be spent on the community regeneration fund, but it will not be spent this year—the full amount is not needed for the fund this year, as the money did not start to kick in until halfway through the year. Therefore, the £20 million will sit there and be drawn down at a later point in the programme. All the money will still be spent on exactly the same things, but at a different time.

Mary Scanlon: You are talking about an increase in money to the central unallocated provision, but the budget document mentions a

“Decrease of £6.0/0/0m resources transferred to the Central Unallocated Provision.”

I hope that you will say that, if less money goes into the slush fund, more money will be spent on affordable housing. I am trying to clarify that.

Malcolm Chisholm: The document does not mean that there will be a decrease—it means that the money has come out of the main budget. There is a main budget line that is £20 million less than it would otherwise be because money has been transferred to the central unallocated provision. Is that right, Alisdair?

Alisdair McIntosh: Yes. Page 113 of the draft budget document refers to changes that have

been made since the publication of the 2005-06 draft budget. The change that has been made in respect of the community regeneration fund is that £20 million has come off the community regeneration fund line and gone to the central unallocated provision, from where it will be transferred back and spent in the following financial year. That is because of the delays.

Mary Scanlon: But a decrease of £20 million is going to—

Malcolm Chisholm: It is a decrease in the budget line but not in the overall spend on the programme over the three-year period.

Mary Scanlon: Let us consider the spending plans for affordable housing and the figure of £6 million. There will be a £4 million decrease between 2005-06 and 2006-07.

Malcolm Chisholm: Where is that stated?

Mary Scanlon: On page 5 of the Scottish Parliament information centre briefing.

Malcolm Chisholm: Is that the same figure that Christine Grahame asked about? There is a cash reduction.

Mary Scanlon: Christine Grahame asked about level 2, but I am asking about level 3. A reduction of £4 million is illustrated.

Malcolm Chisholm: That is a more general question, which I answered earlier. Different factors are involved. That is different from the transfer to the CUP. Transfer to the CUP is part of the story and not the whole of the story.

Mary Scanlon: I am not sure whether we have made much headway, but I have a final question. Is the money that has been transferred to the CUP available to the communities budget as and when you deem it to be required?

Malcolm Chisholm: Yes.

Mary Scanlon: I will leave things at that.

Tricia Marwick (Mid Scotland and Fife) (SNP): I have a brief question. Can you guarantee that, when the time comes, the moneys that have been placed in the central unallocated provision—or the CUP, as people are calling it—will be available, or will they go into a great big slush fund in respect of which at some point in the future other ministers or the Cabinet can determine different priorities? In other words, is there an absolute guarantee that that money will be available when it is needed?

Malcolm Chisholm: Yes.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): I am glad that you agree with the committee that the budget process needs to be more transparent. We asked for that last year. You can imagine how difficult it is to get our heads round

it—at least you have the backing of the civil servants, who brief you on it.

My question is on the delivery of good-quality, sustainable and affordable housing. Last year, the committee asked the Executive whether it could provide a comprehensive definition of the term “affordable housing”. There still seems to be confusion, not just among committee members but among professionals and voluntary organisations working in housing. Do you have a definition that you can share with the committee?

10:15

Malcolm Chisholm: The general view is that affordability varies throughout Scotland and even within each local authority area. The definition in planning advice note 74, which members may feel is rather broad, is

“housing of a reasonable quality that is affordable to people on modest incomes”.

The general view is that it is difficult to have a national standard of affordability. We are trying to work up some affordability measures in the local housing strategies so that there is a bit more consistency in assessments of how many people cannot afford to buy a house in their local authority area. That follows from work that was done by the Barker review. However, arriving at a simple national definition is a bit problematic.

Cathie Craigie: I have sympathy with that response.

Tricia Marwick: Minister, you mentioned people who cannot afford to buy, so are we now talking about affordable housing in terms of owner-occupation?

Malcolm Chisholm: The point is to estimate the amount of affordable housing that is required for a particular area. It would then be desirable to assess how many people required social rented housing or low-cost home ownership. It would be reasonable to have some estimate of how many people were able to buy, as that would give us some indication of how many people required social rented housing—or indeed other rented housing—or low-cost home ownership.

Cathie Craigie: You mentioned in your opening remarks that progress is being made on the Executive's target of 21,500 new approvals by 2008. The feeling that I get from professional housing organisations and tenants organisations—which I am sure are in touch with you—is that, although that is a good target, which everyone would like to be met, it is not enough. What progress is being made on the target? Do you feel that it will meet the needs of other Executive policies, such as the step towards abolishing priority need and the modernised right to buy?

What effect will the target have on housing provision?

Malcolm Chisholm: There are two issues. On the first issue, I will repeat what I said at the beginning. We are meeting the targets that have been set for this review period and we will continue to meet them through to 2008. However, you have raised a second question, which was controversial when I was at the committee last year. The issue arose with the previous spending review and will no doubt arise with the next spending review. Is the overall amount that we have put forward sufficient? No doubt that will come up in the debate tomorrow.

I am open minded about the question. Work to update and further improve the modelling of estimates of affordable housing requirements is under way, so we are not sitting back and saying that we are satisfied and are now going to do something else. We have to consider the matter carefully, taking account of the current consultation about homelessness. We have to be realistic about the numbers that we think we need for the next spending review period. That is all open to discussion and to contributions from the committee and many others in the field.

As I said, there are two separate issues. We are meeting our targets, but obviously some people will say that we need to do more—and no doubt we will have to in the next spending review period.

Cathie Craigie: That is fine.

Christine Grahame: I need to work this out, because my head is hurting a bit. You have targets and budget lines for affordable housing, but you do not have a definition of the term.

Malcolm Chisholm: Oh, we do.

Christine Grahame: But it is very sweeping. Surely, even if you concentrated only on three categories such as urban, rural and remote, you would be able to come up with a tighter definition of affordable housing. After all, banks and building societies have an idea of what constitutes affordable housing. Could you have a tighter definition that would assist you in finding out what the need was and what money would be required to deal with the issue?

Malcolm Chisholm: I should have mentioned in my response to the previous question that we have a practical definition of affordable housing, but I simply assumed that it would not satisfy your requirements. By affordable housing, we mean social rented housing and low-cost home ownership. Indeed, that forms the basis for our figures and for the delivery of our programmes.

Christine Grahame: I have cited three categories in which there might be a divergence in, for example, the meaning of low-cost home

ownership. After all, what constitutes low-cost home ownership will be different in an urban area such as Edinburgh and Glasgow, in an urban area such as Dundee, in a rural area such as the Borders and parts of East Lothian and in remote areas and islands. I appreciate that coming up with such a definition might require a difficult juggling act, but it would give you a better idea of the number of homes that are needed.

Malcolm Chisholm: The issue will be absolutely crucial in our preparations for the next spending review. Indeed, the affordable housing review, which was carried out before I became minister, examined local housing markets. The more work that I do on housing, the more I realise that the different housing situations in different parts of Scotland need different balances of requirements. As a result, we need detailed information about local housing markets.

The issue partly comes down to the difference between urban and rural areas but, as I am sure you will agree, the picture is more complicated than that. For example, I am always struck by the contrast between Edinburgh and Glasgow. We have already carried out a lot of work with Professor Bramley on the different housing markets in urban and rural areas, but we will also repeat that kind of analysis as part of the work for the next spending review.

Christine Grahame: So the figures come out of the work that you have done to date.

Malcolm Chisholm: Yes. Mr Neilson might want to say a little bit about the work that was undertaken for the previous spending review.

Mike Neilson: Although we are constantly trying to improve the picture that we have, we know that there will never be a magic number at the end of the process. For the previous spending review, we concentrated on a Scottish-level analysis of need and local housing strategies. However, we found it quite difficult to tie those issues in because, at a national level, areas of surplus tend to offset areas of shortage. As a result, we have tried to take a more consistent approach at local authority level to tie in the various aspects. The very differences that you have highlighted make it difficult to have a one-size-fits-all solution and a great deal of judgment is required in tying the local picture to a national approach. We have tried to do that with the projections for 2012 and have formulated an exercise that we hope will provide us with better information early next year.

Christine Grahame: So you are seeking to improve the process, which is flawed at the moment. Can I call the process flawed?

Mike Neilson: We are trying to refine it.

Christine Grahame: I think that “refine” is probably the word that I am looking for.

The minister said that the affordable housing budget in rural areas was £41 million in 1999 and £97 million now. I am trying to work out what inflation is, but I have to say that that increase is not huge.

Malcolm Chisholm: It is a 136 per cent increase.

Christine Grahame: But I take it that that is at present-day prices, so we are not comparing like with like.

Malcolm Chisholm: That is true.

Christine Grahame: Thank you. I did not see that £97 million figure in the budget document.

Malcolm Chisholm: It is not in the budget document.

Christine Grahame: It would be useful for the committee to have such information, so that there is more transparency.

I turn to the question of second and holiday homes in rural areas. The Communities Scotland website showed that in certain hot spots such as the Highlands and Islands and, to an extent, the Borders and Dumfries and Galloway, second and holiday homes have a huge impact on the level of affordable housing. Everybody now sees property as the safest place to put their money and many people now buy to let. Will not the changes in pension rules whereby people will be able to invest in property exacerbate an already difficult situation in rural areas?

Malcolm Chisholm: I asked about that issue, as it is quite technical—when I was considering it, I was taken back to my finance bill days at Westminster. All the advice that I am getting is that the changes will not have a significant effect. I realise that the matter is controversial but, apparently, a large number of people can already use their pension funds in that way; there will be a fairly modest increase in the overall number. I will keep a close watch on the situation. I do not know whether any of my colleagues regard themselves as experts in that area; if they do, they can speak up.

Christine Grahame: You do not have to be an expert to realise that if someone is getting tax relief, which makes a property attractive to them, they will go and buy it. There has been a 40 per cent increase in homelessness in the Borders. That situation will not improve if people can buy up cottages, do them up and sit on them for ever. That cannot be a good thing for rural areas.

Malcolm Chisholm: You can be sure that I am aware of the issue. I have asked about it more than once. When I hear different views being

expressed, I seek advice and I shall continue to do so in this case. I shall certainly keep a close watch on the situation. All the advice that I am being given is that the change to pension provision will not have a significant impact.

Christine Grahame: Will you define “significant”?

Malcolm Chisholm: I am being told that—

Christine Grahame: Will the effect be neutral?

Malcolm Chisholm: I do not know whether the advice is that the effect will be absolutely neutral, but it will certainly be very near neutral. I am happy to continue to look into that, although we do not have control over the policy. If we had serious concerns, we would certainly be prepared to raise them with the Westminster Government, but we need evidence. If you feel that you have evidence that I have not been given, I will be happy to consider it.

Euan Robson (Roxburgh and Berwickshire) (LD): In some areas of Scotland, there is a dearth of private rented accommodation. The change at Westminster could, if handled properly, increase that supply in certain contexts. The Executive could usefully monitor the impact of the changes that are supposed to come through in the next budget. Private rented accommodation has a role to play in some rural communities. If people are encouraged to buy properties as a result of changes to pension rules, they might put those properties to good use. Therefore, measures that could stimulate that market, in addition to an incentive to people who buy property for pension reasons to invest in that market and make the properties available for private rent, would benefit some communities.

Malcolm Chisholm: That is a different and interesting perspective, which we should note as part of our general consideration of what is going on. The situation is not simple; the consequences of the change are complex and not all negative, as was suggested in the first instance.

The Convener: I return to the issue of affordable housing. You said that you are on target to meet your commitment to build 21,500 new homes in Scotland, which is to be welcomed. However, Mrs Craigie asked you a specific question about the implications of the abolition of priority need by 2012, which I am sure will be touched on tomorrow during the debate on homelessness. Although I support fully the principles behind the homelessness legislation—as I am sure everyone here does—I think that it is right to reflect the concerns from local authorities throughout Scotland about the implications that that policy might have on the numbers of affordable homes required in Scotland. Is there sufficient flexibility in your budget to allow for the

creation of greater numbers of affordable homes over and above the target of 21,500 that has already been set?

10:30

Malcolm Chisholm: There is not a great deal of flexibility in the current spending review period, but I entirely agree that all our work on homelessness will need to feed into the next spending review, which will have to deal with those issues. Within spending review periods, small sums of money can be moved from one budget line to another because of an underspend or even because of a decision to reallocate priorities, but the sums of money involved must be quite small. Given the large sums of money that are involved in housing budgets, I do not think that there will be a great deal of extra resources, except in so far as we are successful in the efficient government work that has been described. It is hard to see large extra sums of money coming on stream for housing prior to 2008. However, all our work on priority need will obviously need to feed into the next spending review.

The Convener: Can you give us a commitment that the Executive is looking at that issue just now in preparation for 2012?

Malcolm Chisholm: Absolutely. I am sure that we will say something about that in tomorrow's debate.

Mr Home Robertson: The convener has just asked the most important question. As the minister knows, some areas already have an acute housing crisis, which will only get more difficult when the priority need test is abolished. However, we will have to return to that issue.

My question is about the definition of affordability. Mr Neilson said that there is no magic number and that the issue is terribly complicated because of the need to try to understand local housing markets. With respect, I suggest that there is a magic number, which is the national minimum wage. A hospital cleaner gets paid the same, whether he or she lives in Lochaber, Edinburgh or elsewhere. In every area of Scotland, we require a sufficient stock of housing that can meet the needs of, and be afforded by, people who are on the national minimum wage. Surely that must be the objective.

Malcolm Chisholm: That is an interesting line of inquiry. I believe that the Scottish Federation of Housing Associations carried out some work on that, but I understand that it faced some difficulties. For example, is affordability to be calculated on the basis of an absolute amount of rent or on a percentage of someone's income? Complications arise no matter which way it is calculated.

Mr Home Robertson: We could have a formula that was based on the national minimum wage.

Malcolm Chisholm: I can see the way that you are thinking. Perhaps what you have in mind is that an affordable rent should be a percentage of the wage of someone who works, say, 35 hours a week for the national minimum wage. However, I do not know what figure we would end up with from that. On a United Kingdom-wide basis, Scotland will be nearer the figure than England, because our rents are generally lower than rents in England. However, as you know, rents serve a number of purposes, not least of which is to fund housing investment. In arriving at a desirable rental figure, would we be able to sustain the desired levels of investment that such rents help to provide? I see what you are saying, but the matter is quite complex. I will be interested in any suggestions that you might have. It is attractive at one level to think that we should have what you suggested.

The other issue is the extent to which such rent levels could or should be set nationally rather than be based on, for example, the average wage in an area. Your suggestion that the level should be based on the national minimum wage implies that you want a national figure, but there are big variations in wages and housing costs across different parts of the country.

Mr Home Robertson: I am well aware that the issue is complicated and cannot be settled today, but do you accept my proposition that there is a need throughout Scotland for housing in which people on the national minimum wage, who may be in public service employment or in other relatively low-paid jobs, can afford to live?

Malcolm Chisholm: Absolutely. We certainly need such housing, but there is obviously an interrelation with housing benefit. What we might call the devolution implications would also be profound. Although it is obviously attractive at one level to transfer people to lower rents, that would mean that they received less housing benefit, which would mean that the Scottish Executive would pay more money for housing. Those issues need to be taken into account in the devolution context.

Euan Robson: Let us look at how deprivation is being tackled. For example, the community regeneration fund is an important development. Can you give us a flavour of how the department feels that community planning partnerships are getting on in developing regeneration outcome agreements? What progress is being made in that area? Does the department have evidence that the resources are being targeted appropriately and that we are getting results for the money that is being invested?

Malcolm Chisholm: That is an important area, and you have raised a key question. We would all pay tribute to some of the excellent work that has been done by social inclusion partnerships. However, we felt that we wanted to target the money better and focus more on outcomes, rather than just funding projects because they seemed like worthwhile projects to fund. There has been far more focus on outcomes, which has led to the regeneration outcome agreement process. Some people in local authorities have had some complaint about that and, if it is felt that there has been too much bureaucracy, we are willing to look at specific situations and to streamline some of that. The principle has been that we want to be surer that the money is going to deliver specific outcomes. It has been a new and quite thorough process, which is why—if I dare mention the CUP again—the start of the programme slipped a little bit and why the money is sitting there in the CUP to be spent at a later date on the community regeneration fund.

In general, we think that it has been a good process. I have now looked at all the regeneration outcome agreements. Although there might be one yet to be signed off, more or less all of them have been approved. All the community planning partnerships are more focused on delivering specific outcomes. The other significant intention of the move towards community planning partnerships was that it should not just be a matter for the community regeneration fund—important though that is—but that we must get all the agencies more focused on using their mainstream budgets more effectively in disadvantaged areas. Only time will tell how successful that has been, but we think that having community planning in the lead on this should help to ensure that that happens.

Euan Robson: You are focusing on the working for families fund. In August, the Executive announced another £30 million for the working for families fund, which was welcomed. That equates to £15 million over two financial years to 20 local authorities. Deprivation is not confined to certain geographical areas but exists in small pockets throughout Scotland, even in affluent areas. It is clearly important to ensure that resources are directed to where there are significant levels of deprivation, but we must not forget that deprivation exists also in small communities. How were those 20 local authorities chosen? What are we to say to people who are on low incomes—parents with other difficulties—whose needs the working for families fund addresses but who are not in those 20 local authority areas? Is there an opportunity to develop the fund in the future to address the needs of people in small pockets of deprivation in areas that do not appear in deprivation indices?

Malcolm Chisholm: That is an important issue, which we must think about carefully when we are looking at our budgets for closing the opportunity gap, although other departments have to do the same in other ways in targeting resources. The issue has come up in connection with the working for families fund and, in my constituency recently, the financial inclusion fund. Kay Barton deals with both those funds, so she may wish to add a little bit after I have spoken.

The extent to which we spread support universally rather than target it at particular objectives is a perennial issue in the Parliament. In reality, we must adopt a combination of those two approaches. Some of the fiercest debates are about whether we should target support at specific individuals and families or give it to everyone.

You are asking whether it is right for us to target particular local authority areas. With the working for families fund and the financial inclusion fund, we decided that we would target particular areas. In the case of the working for families fund, I think that unemployment was the key indicator. Kay Barton may want to talk in more detail about that. With the financial inclusion fund, a range of indicators were used, including the number of people without bank accounts.

In the first round, money from the working for families fund was distributed among 10 local authorities. In the second round, more authorities have received money although, on the whole, the sums involved have been smaller. The specific objective that the fund is realising is outlined in target 7, which is on the first page of the communities section in the draft budget document. The intention is to

“increase by 15,000 the number of parents from disadvantaged areas and groups entering or moving towards employment by removing childcare barriers.”

The decision was made that support should be focused on the areas with the highest levels of unemployment; perhaps I should say “worklessness” rather than “unemployment”, given that unemployment in its broad sense is what is being tackled. The other thing to say is that that is not the only money that is being spent on child care—it supplements the mainstream child care budgets which, as Euan Robson will know from the ministerial job that he held, are distributed to all local authorities.

Kay Barton (Scottish Executive Development Department): I will just clarify how we decided which authorities would get a share of the money. As the minister said, we did not use the same measures for the working for families fund that we used for the Scottish index of multiple deprivation and the community regeneration fund. We used the number of children in families who have members who are on key benefits—in other

words, job seekers allowance or incapacity benefit. The first 10 councils had the highest numbers of children who fell into that category and the greatest concentration of them within the population. The next 10 authorities that we chose this year—which will get new funding from next April onwards for a few years—also have high numbers of children who are in families who live on low incomes, although their concentration in the overall population of children is slightly lower.

We have sought to address the point that you made, which is that deprivation is not the same everywhere and that children who are affected by it might be scattered around. We are certainly not as concerned about having a small area focus as we would be with regeneration funding. We have said to the local authorities that are getting a share of the working for families fund that they need to be sensitive to the needs of children across their area. Some of the authorities have chosen to allocate their funding in different ways to different services.

It is interesting that the second set of councils contains very different types of area, such as Aberdeenshire, Midlothian and Clackmannanshire. In many ways, they have different characteristics and a different spread of problems. That is a challenge for the working for families services. They need to get the geography right because the objective is to use child care as a means of getting the parents into employment.

You asked what we would say to the local authorities that are not getting a share of the working for families fund and how we could encourage them to meet the needs of children. We fully accept that there will be problems in other local authority areas even though the numbers might not meet our criteria. The working for families fund has a strong monitoring and evaluation component. An external organisation is examining what is working. We are breaking new ground with the programme. Not all the approaches may work, but we will write up what works and disseminate information about it. We hope to influence the mainstream child care, employability and regeneration programmes elsewhere to adopt the good practice and to spread the knowledge to other councils that are not getting working for families funding.

10:45

Euan Robson: It is clear that it is difficult to find the right answer; indeed, there may not be a right answer. If the intention behind the working for families fund is to refine over time the definitions of deprivation, it will be helpful to do so because, in time, more families may qualify. My concern is that the inclusion of one or another variable in the indices can considerably tilt the definition as it

applies to a geographical area. For example, if someone living in a rural community has a car, they are defined as not being deprived and are therefore excluded from access to funding. However, unless they have a car, they have almost no chance of getting work, because the car is essential in some parts of rural Scotland. Someone who has a car may be deprived and have a car simply because there is no other means of transport.

These are difficult questions. However, I am encouraged to hear that the advice that is obtained from local authorities as a result of the work of the fund can be disseminated to authorities that do not receive the funding. I am also encouraged to hear of the possibility in future of defining deprivation better or altering the definitions so that other authorities may qualify. It is important that we do not forget that deprivation can occur anywhere in Scotland. It can happen in rural areas and, indeed, in affluent urban areas where certain people can be left behind or left out if they do not have access to funding such as the working for families fund.

Malcolm Chisholm: That has been taken account of, as far as I understand it. For precisely the reasons that you gave, the car is not used as a deprivation indicator in rural areas, although access to services is. Two different things are involved. The community regeneration fund, including the new formula, is being reviewed and evaluated—I touched on that earlier. We can try to learn lessons and see whether it can be improved.

As Kay Barton said, the working for families fund works in a different way by looking at the overall numbers across a local authority area. Obviously, the point can be made that we should give something to everybody. Given that funding is limited, we made the judgment that we would target the working for families fund and the related criteria for the financial inclusion fund in places where there is the most worklessness.

Mary Scanlon: From what I understand of the answers, it seems that councils have a lot of discretion and can spend the funding on whatever services they deem fit. I find it surprising that the Executive is currently writing up what works to allow good practice to be adopted. I would have thought that before you allocated £30 million and an additional £15 million, you would want to know exactly what the good practice was, how to target the funding and how to advise local authorities on the ways in which they should select areas of deprivation, be they rural or urban.

How will the success or failure of the spending be measured? What outputs will you measure in order to ensure that the money goes to where the greatest need is? Apart from the announcement that was made in August, the budget document

contains nothing about the fund. What assurances can you give the committee that the £45 million will help the families whom it sets out to help?

Malcolm Chisholm: The simple answer to the question is to be found in target 7 for the portfolio, to which I referred. On one level, it should be quite easy to measure the number of parents who have been directly helped into or towards employment through the fund. The sum is a precisely focused one. There is a lot of good practice, but it is not a situation in which we either know everything or know nothing.

We have a good idea of the kind of activities that we want to support but, as I am sure Mary Scanlon would say in other contexts, we also have to allow a degree of local innovation and flexibility. As long as we are clear about the objectives and outcomes, we have to allow local authorities a bit of local discretion and innovation as to how the funding is delivered.

Kay Barton: When we devised the programme, we drew on two main things from the available good practice. Parents who are thinking about working find child care costs to be the single biggest barrier to work or to improving their position in the labour market. We knew that our programme would therefore have to help parents on low incomes with their child care costs. That is one of the things that the working for families fund definitely set out to do and that is happening.

Another good practice around which the programme is based is the key worker model. We are targeting the most disadvantaged families with the most difficulties—parents who are struggling to fit child care needs in with other stresses in the family. We know that the approach of having a single person to support them and help them to overcome barriers to employment is an effective one. We have built working for families around that.

The variations that we are looking at and finding out about in the evaluation are issues such as how parents get connected to main streams of training and employment opportunities, and whether they need support to manage their finances and their debts. We have found in most cases that they need that kind of expert support as well as help with child care.

To some extent, we have been looking at how services are organised. We found that in Glasgow, for instance, the working for families services are all based in the local economic development companies, which already do very strong work on employability. In Highland, though, we have based our services in various organisations that are spread out across the territory. Many of the key workers are based in voluntary organisations and

can make very good links with parents who might not otherwise get any support at all.

There is a target of 15,000 parents to be helped by the working for families fund. Earlier this year, we were already supporting 2,000 parents, and we know that registrations for the service are going up very quickly because the services in the first 10 councils are well established. We will be able to publish figures later in the year that show the progress that we are making towards the 15,000 target.

Mary Scanlon: It is my understanding that the working families tax credit includes child care costs. That is obviously a Westminster benefit. If you are giving money from the Scottish budget to parents for child care costs, that will reduce the amount of working families tax credit that those parents will be eligible for.

Kay Barton: If we were giving funding directly to parents, there would be an interaction. We have had to be very careful with working families tax credit. In some cases, we give the subsidy to the provider of the child care place; in other cases, we support parents financially until their working tax credit comes through. We have had to design the way in which we give financial support to make sure that parents do not lose out on the benefits and tax credits to which they are entitled.

Christine Grahame: I heard you say that 2,000 parents have been supported. I take it that that figure refers to 2,000 families.

Kay Barton: Yes.

Christine Grahame: What is the audit trail from the local authorities that are benefiting from the fund? What is the reporting mechanism?

Kay Barton: We collect data from each local authority that gets funded, and we have standard information that the authorities give us. They collect information about each family. There are various things that we want to know in addition to the simple numbers. We are interested in knowing whether the programme is helping people who face particular barriers to getting into work. We are collecting information about people's personal circumstances and about the benefits that they derive from the programme. We look at all that information.

Christine Grahame: Is the information collected quarterly? Is there a standardised system for giving the data to your office?

Kay Barton: There is a quarterly reporting system. Napier University's employment research institute is doing the monitoring and evaluation for us. When we start to publish the figures routinely you will see the spread of information.

Christine Grahame: When will that happen?

Kay Barton: We will be able to publish the figures for the second quarter of this year, June to September, once we have collected the data. That will be before the end of the year.

Christine Grahame: How do you define "moving towards work"? I understand the idea of people going to work, but what does "moving towards work" mean?

Kay Barton: We are flexible about the definition. It may mean somebody getting on a training course; it could be somebody taking up a volunteering opportunity as a stepping stone to work. For some parents who are already working, it might be protecting their position in work if their circumstances change, or it might be helping them to improve their hours or increase their earnings.

Christine Grahame: That is all in the data that we will be able to see.

Kay Barton: Yes. Well, we will be able to see the shifts and the kinds of outcomes for parents. We may not be able to count exactly how many people have been on various different types of courses, but we will be able to get a broad view of what we call the distance travelled by parents.

Tricia Marwick: I want to move on to the supporting people fund. Table 7.03 of the draft budget document for 2006-07 indicates that the budget for supporting people was almost £408 million in 2005-06; the planned allocation for 2006-07 is almost £388 million; and the planned allocation for 2007-08 is almost £384 million. I will leave aside just now the footnote that suggests that further expenditure might come from savings, because I want to concentrate on the figures that are in front of us.

The feedback that I have had from local authorities, organisations and individuals is that the supporting people fund impacts on work that they do already. Objective 1, on page 111 of the draft budget is:

"Delivering good quality, warm, sustainable and affordable housing for everyone."

Minister, given the reduction in real terms in the supporting people fund, how do you intend to meet that objective? In particular, how will you achieve targets 4 and 5 on page 111? Target 4 is:

"By March 2008, assist around 80,000 vulnerable people to gain or maintain a tenancy or other form of independent living in the community",

and target 5 is:

"By March 2008, substantially reduce the number of households becoming homeless more than once a year."

You will be aware that some people who are homeless need only somewhere to live, but many others need support beyond that. Given the

reduction in the supporting people fund, are you confident that targets 4 and 5 can be achieved?

Malcolm Chisholm: We can certainly meet target 4. Target 5 is obviously complicated by the fact that more people are included in the homelessness figures for the simple reason that more people have homelessness rights than was previously the case. I still believe that we will meet target 5, but that obviously involves the wider debate about homelessness. However, target 4 is a specific supporting people target and we will comfortably surpass the figure to which it refers.

The supporting people issue has been a difficult one; it was the most difficult issue that I inherited a year ago. Much work was done on the issue before then and you will know the background in terms of the Treasury review and the reduction in the money that came from Westminster for supporting people. In fact, Executive ministers allocated significant additional resources beyond the baseline figure that the Treasury provided. I think that the sum was £60 million extra over three years. However, that did not take away the difficulty of the situation. Before I describe that difficulty, we should remember two things. First, the supporting people budget is still twice as big as it was in 2002. Comparing this year's budget with last year's shows that there has been an overall cash reduction. However, the supporting people budget expanded quickly over a short period, which is why the review was started in the first place. The view was that there was scope for efficiency savings, which was a topic that you emphasised in a different context earlier.

The second point to emphasise is that there are winners and losers in the process, because we think that we have a better formula for distributing the money. Indeed, with reference to homelessness, which was the particular issue that you raised, I think that there was a 30 per cent weighting for homelessness in the new target. That means that some local authorities are net gainers from the new arrangements. For example, Glasgow City Council and several other west-central Scotland local authorities are in that category; whereas the City of Edinburgh Council and some others are obviously on the opposite side of the equation.

It is a mixed situation. Obviously, I was concerned about that, which is why I slowed down the process for those local authorities that were losing the money. That means that no authority will lose more than 6 per cent a year over the three years. We are still looking carefully at the effect that that is having. Reviews are being undertaken and there is scope for efficiency savings, but I do not deny that there are some difficulties in some local authorities. We are monitoring that situation. It is rather unfortunate

timing as far as today's committee meeting is concerned that the first monitoring returns are due at the end of this month. We will have more formal information to give very soon.

Anecdotal evidence suggests that the impact might not have been as adverse as expected—people have been able to carry over money from previous financial years. We are also told that some local authorities have topped up their resources, which they were always free and entitled to do. Although I follow the situation with great interest and, in some cases, with concern, we will have to wait a few more days to get the results of the formal monitoring.

11:00

Tricia Marwick: You say that anecdotal evidence suggests that the impact might not be as bad as we think it is, but that depends on who one talks to. The anecdotal evidence that I am getting is that there has been a clear impact. I am interested in the service review that you mentioned. When will you be in a position to share the results of that with the committee?

Malcolm Chisholm: Alisdair McIntosh might want to comment because he is leading on the issue. I imagine that we will be able to share the monitoring returns fairly soon. The service review is a long process partly because local authorities wanted to be given time to do it properly and thoroughly. Alisdair might be able to give a more specific indication of when some of that on-going work could be shared with the committee.

Alisdair McIntosh: As the minister said, the first set of returns is due at the end of this month. Provided that local authorities are able to keep to that timetable and that what they provide in their monitoring returns is sufficiently comprehensive, we should be able to come back to the committee fairly quickly thereafter.

I stress that local authorities are engaged in the service review process at their own pace because they are dealing with upwards of 800 services of different kinds and sizes throughout the country. We have allowed them flexibility to look first at the services that are of most significance and most strategic relevance to them. We have agreed with local authorities and with the service providers some basic templates for the information that we need to form an assessment of the impact that the changes are having. We are largely in the hands of local authorities as regards the speed at which they are proceeding and the number of services that they are reviewing and have reviewed by this point, but we should have a pretty good snapshot shortly after the end of this month.

Scott Barrie: I have more of an observation than a direct question. The 6 per cent limit that the

minister spoke about has mitigated some of the worst problems that some of our local authorities faced but, anecdotally, it is not a panacea and has not made the situation better. It means that the reduction might not have such a dramatic impact at the beginning, but it could still have an impact over a longer period. At the very least, it is welcome that the minister hopes to return to the committee sooner rather than later so that we can look at the matter in further detail. Some local authorities, predominantly in the east of Scotland, are facing problems because of the cuts that have been imposed.

Mr Home Robertson: I realise that Malcolm Chisholm came into his job at a difficult time and that it might be difficult for him to answer this question directly. It would be useful if somebody could acknowledge that the situation has not been handled cleverly. The Executive has encouraged local authorities to provide service packages for citizens with some of the greatest needs—people with learning difficulties and all sorts of special needs—and local authorities have gone ahead and responded to that challenge to set up such care packages. To have to claw those packages back and scale down the work does not look good and creates difficulties for the individuals concerned. Will he accept that that could have been handled better from the beginning? Can we try to have longer-term planning for the provision of care for such people? The matter could not be more important.

Malcolm Chisholm: We are certainly working on achieving that, which is the service review's purpose. As I said, the view is that scope exists for some efficiency savings. Given the general attitude of the committee and others to efficiency savings, I suppose that that view would be accepted in principle. I do not prejudge the situation; I accept that difficulties exist in some areas and I will keep a close watch on the matter. You are inviting us to go over events that in some cases happened several years ago, and I am not sure whether it is productive to say with hindsight that things could have been done differently. The Scottish Parliament and the Westminster Parliament also have an interface on the issue. It is probably best to focus on the future rather than the past.

Mr Home Robertson: In doing that, do you acknowledge the need for a long-term commitment to providing services for those people?

Malcolm Chisholm: Absolutely. The subject is very important. I am not saying that the issue that Tricia Marwick flagged up is more important than other matters, but in the context of what we are discussing today and during the debate tomorrow, it is particularly important in relation to

homelessness. We must factor that into our plans for dealing with homelessness.

Christine Grahame: My question follows on from that and is about the impact on individuals of the supporting people initiative. It also connects with warm affordable housing. What analysis is done of the impact that supporting people in the community and warm affordable homes have on the health budget? We know that many health problems for the people involved and others relate to not having decent housing or being supported in the community. Across the health and communities portfolios, has any such analysis boosted your budget and reduced that of the Minister for Health and Community Care? That is not such a daft question, because we know that many health problems relate to such matters.

Malcolm Chisholm: Obviously, I have a long-standing interest in health and housing, so I do not deny in principle what you say. We had exchanges about the issue on the radio last week. The work that we have done on the central heating programme and on reducing fuel poverty, notwithstanding the remaining problems, has benefited rather than harmed people's health. Research is being undertaken, although I cannot name research projects—I do not know whether Alisdair McIntosh can. We are conscious of the subject. The wider health inequality issues that will be raised in tomorrow's debate are one piece of a complex jigsaw of health improvement. I am mindful of that. The supporting people objective of keeping as many people as possible living in their own homes is central to health policy. I and others in the Executive are aware of those connections.

Alisdair McIntosh: I will make two quick points. First, we have recruited a secondee from the care commission for the express purpose of getting under way a programme of research on impacts of the supporting people interventions, particularly on the most vulnerable among the client groups. We would be happy to share with the committee the research specifications for the various pieces of work that are being developed.

Secondly, we have worked closely with Health Department colleagues to examine the scope for a joint outcome-based approach—particularly in relation to old people, who form a large part of the supporting people client group—to find out whether we can adopt joint approaches so that the interventions that are partly or wholly funded by the supporting people fund and those that are funded by other means at least work together on the same basis. Quite a lot of activity is going on and we would be happy to tell the committee about that in due course.

Christine Grahame: I am pleased to hear that.

Malcolm Chisholm: I will add a comment because I have been involved in such work, too. Members may remember that, as Minister for Health and Community Care, I funded the Glasgow centre for population health, which has just started an interesting piece of work on the health impact of the housing and regeneration investment in Glasgow. Again, you could say that we are indirectly supporting that because we are supporting the Glasgow centre for population health and—

Christine Grahame: After six years of the Parliament, we are looking for something other than silo mentality and ministers having their budgets but not saying that if something is done in one area, there will be savings in other budgets.

Malcolm Chisholm: I hope that what we have said indicates that some practical work is being done to join those things up.

The Convener: The committee will look forward to receiving more information about that.

I have a final question about new resources. In the financial year 2006-07, there is to be a new closing the opportunity gap fund. Can you give the committee some details of what you anticipate that the fund and the money in it will be used to do and how the fund will supplement existing budget headings such as those on promoting equality?

Malcolm Chisholm: We have already announced the money for financial inclusion, to which I referred in the context of Euan Robson's question. Five million pounds of the £15 million a year for the closing the opportunity gap fund will be spent on that. We have still to announce the rest of the allocations from the fund, but I hope that we will be able to do that quite soon. We are looking at taking a cross-cutting approach to these matters, and we will have to make decisions about which interventions can make the most difference in terms of closing the opportunity gap. We are thinking about and discussing that with other departments; however, the correct thing to do will be to wait until an announcement is made—before Christmas, I hope.

The Convener: It would be helpful if we could have the announcement before Christmas, so that we can ensure that all the money is spent in the financial year 2006-07.

Mary Scanlon: On page 114 of the draft budget document, under "Growing the Economy", you mention the planning white paper and talk simply about

"close co-operation with local authorities".

I have been made aware by local authorities that there are not sufficient planners to carry out existing work. Are you planning ahead towards making some allocation to local authorities? I think

that they simply cannot get planners; I am not sure that they need more money. Are you looking at that under the "Growing the Economy" section in the budget? How are you planning ahead to ensure that we can implement the proposed planning bill, once it is passed? I understand that it will require a significant increase in the number of planning officers in local authorities.

Malcolm Chisholm: We are obviously looking at all the resource issues around the planning modernisation proposals. Some of that work will be a matter for the next spending review. We announced a planning development budget, which is included in the tables, and I remind you of the new table that has not featured in the budget before, which is in the portfolio chapters. In the local authority grant-aided expenditure line, a significant line for planning is flagged up, on page 120. That is not to say that we are not conscious of the issues that you raise, although I remind you that there is a bit of swings and roundabouts in the planning reforms, some of which will save local authorities money. We are certainly not complacent about the resource issue. Some of it will be to do with using existing resources differently and better. We are actively dealing with planning for personnel in the future, not just with local authorities but with the planning schools.

Mary Scanlon: On planning, there is very little change in the budget. The figures are around £89 million, £90 million and £90 million for 2005-06, 2006-07 and 2007-08 respectively. Very little cognisance seems to have been taken of the future need for a vast increase in the workload of planning departments; it is certainly not reflected in financial terms.

Malcolm Chisholm: It is even more complicated than that, as that is a GAE line rather than a budget line. We all know that that might not be the amount that is actually spent by local authorities. Within the next spending review period, we will be looking at resources for planning and, no doubt, that will include that GAE line.

The Convener: Thank you, minister. I am grateful for your attendance with your officials today. The committee will consider its report to the Finance Committee on the 2006-07 budget at a subsequent meeting. I suspend the meeting briefly to allow the minister and his officials to leave.

11:14

Meeting suspended.

11:19

On resuming—

Petition

Planning Applications (Third-party Right of Appeal) (PE809)

The Convener: The second item on the agenda is petition PE809, which has been referred to us by the Public Petitions Committee. The committee is invited to consider the petition, which is by Angela and William Flanagan and is on a third-party right of appeal regarding planning applications. The committee has considered a number of petitions on planning issues and has made a commitment to consider the issues that have been raised as part of our stage 1 scrutiny of the proposed planning bill, when it is introduced in the Parliament. I therefore invite members to agree that the issues that are raised in the petition be included in those considerations.

Do members have any comments?

Christine Grahame: That seems fair enough. I just wonder who will write to the petitioners to advise them of the decision. If it is the Public Petitions Committee, could we ask that committee to alert the petitioners when evidence is to be taken on the issue, so that even if they do not give evidence to the committee, they can be here to hear it? That would be appropriate.

The Convener: The obligation to advise the petitioners on what happens to the petition lies with us, so we will write to them to advise them that we will consider the issue. We will also take up your point and ensure that they know when the issue is to be considered, so that they can either come along as visitors or watch the webcast, if that is more appropriate and convenient for them.

Do members agree formally to conclude the petition, on the basis that the issues that are raised in it will be considered?

Members indicated agreement.

Meeting closed at 11:21.

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