

# **RURAL AFFAIRS AND ENVIRONMENT COMMITTEE**

Wednesday 11 June 2008

Session 3

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## **RURAL AFFAIRS AND ENVIRONMENT COMMITTEE** **12<sup>th</sup> Meeting 2008, Session 3**

### **CONVENER**

\*Roseanna Cunningham (Perth) (SNP)

### **DEPUTY CONVENER**

\*John Scott (Ayr) (Con)

### **COMMITTEE MEMBERS**

Karen Gillon (Clydesdale) (Lab)

\*Jamie Hepburn (Central Scotland) (SNP)

\*Des McNulty (Clydebank and Milngavie) (Lab)

\*Peter Peacock (Highlands and Islands) (Lab)

\*Mike Rumbles (West Aberdeenshire and Kincardine) (LD)

\*Bill Wilson (West of Scotland) (SNP)

### **COMMITTEE SUBSTITUTES**

Bill Kidd (Glasgow) (SNP)

Nanette Milne (North East Scotland) (Con)

John Farquhar Munro (Ross, Skye and Inverness West) (LD)

David Stewart (Highlands and Islands) (Lab)

\*attended

### **THE FOLLOWING GAVE EVIDENCE:**

Norman Beaton (Argyll Community Housing Association)

Alastair MacGregor (Argyll Community Housing Association)

Marian Notman (Rural and Islands Housing Association Forum)

Jacqui Watt (Scottish Federation of Housing Associations)

### **CLERK TO THE COMMITTEE**

Peter McGrath

### **SENIOR ASSISTANT CLERK**

Mark Roberts

### **LOCATION**

Committee Room 6



## Scottish Parliament

### Rural Affairs and Environment Committee

*Wednesday 11 June 2008*

[THE CONVENER *opened the meeting at 10:03*]

### Rural Housing Inquiry

**The Convener (Roseanna Cunningham):** I welcome everyone to this meeting of the Rural Affairs and Environment Committee. I remind everybody to switch off all their bits and pieces of electronic equipment because they interfere seriously with the sound system. We have received apologies from Karen Gillon MSP.

We move straight to agenda item 1. I welcome from the Scottish Federation of Housing Associations Jacqui Watt, the chief executive, and Alan Stokes, the good practice adviser. I also welcome Marion Notman, chair of the rural and islands housing association forum and, from Argyll Community Housing Association, Norman Beaton, the chairman, and Alastair MacGregor, the chief executive.

I understand that Jacqui Watt and Norman Beaton want to make brief opening statements. I ask you both to be as brief as possible because opening statements take away time from the questioning, which is the most important part of the process.

**Jacqui Watt (Scottish Federation of Housing Associations):** I will open with some high-level examples of the things that we would like the committee to enable us to address.

First, thank you for inviting us and allowing the five of us to submit evidence and have a conversation with you. We welcome, of course, the Government's target on building more houses in Scotland, because more affordable homes are badly needed. We also welcome the announcement of the £25 million incentive for councils to build because we regard that as augmenting the existing programme. We feel that the lack of incentives for building, particularly in rural areas, has been acknowledged. We believe that that is an issue for landowners in rural parts of Scotland. We will have something to say about that as we go through the discussion.

The first big issue for us is land, which may seem ridiculous in a country the size of Scotland. However, access to affordable land is the main barrier to delivering more affordable housing in rural areas. The example of Aberdeenshire is

often quoted, and Marion Notman can say more about what the Highland Housing Alliance is doing in that respect, too. However, it seems to us that existing powers in local government legislation and existing local government structures already enable councils to part with land at less than the market value. We are keen to see those powers rolled out across Scotland and for incentives to be developed to encourage not just councils but other owners of big chunks of land to part with land.

Secondly, there is the issue of the council tax for second homes. We think that that money needs to be recycled into funds to provide for more affordable rural housing. Some councils are doing that, but some are not. We are keen to explore what can be done there.

Members will probably not be surprised to find that our third main issue is the rural economy. In general, wages are lower and employment levels are higher in rural areas, which means that fuel poverty and issues related to the ability to heat homes pose a greater challenge. The SFHA is part of the fuel poverty forum, so we contribute to that debate. Again, Marion Notman can tell the committee about the example of a scheme in Aviemore in which heating a house can be done cheaply. Such schemes are welcome and should be expanded.

The eco-homes angle, which we mention in our submission, is also important. There is no point in just building more houses; we must build houses with a genuinely high energy-efficiency specification that will survive over time and cope with the challenges of climate change. We are keen to see schemes developed that could incentivise us and others to build in that way.

My final point will probably not be a surprise to the committee because it relates to the planning system. It is a challenge to work through the existing planning system and get houses and units on the ground. More than 24,000 houses in Scotland a year are approved, of which 8,000 are in the affordable or social housing sector. However, we build only 6,000, so there is a clear gap between acquiring land on a site and handing over a set of keys to a family or an individual who needs a house. We think that there is a joined-up challenge there for the Government. We have examples of where we think the work of Government could help to incentivise us to do more to keep young people in communities and offer training programmes as part of an affordable housing programme.

**Norman Beaton (Argyll Community Housing Association):** Thank you for giving us the opportunity to come here. We will speak specifically about Argyll Community Housing Association's role in Argyll. As members will know, the association provided a written submission to

the committee, which we hope will assist in drawing the committee's attention to issues that are relevant to the challenges facing rural housing.

The biggest challenge that we face is meeting housing need. There are currently more than 3,400 applicants on the direct waiting list, 850 on the transfer list and 333 homeless referrals. Those high levels of demand for affordable housing put extreme pressure on housing associations such as ours. The association is concerned that the current levels of resources that are committed to building new affordable homes are nowhere near sufficient to make a large contribution to tackling the issue.

The continuing loss of properties through the right to buy is a further year-on-year pressure on the association's ability to deliver on one of our most important objectives, which is to deliver affordable housing. The development of long-term commitments that acknowledged the challenges in relation to resources, the reform of the right to buy, the release of affordable land and apprenticeship investment in the construction industry would go a long way towards tackling the issue. The challenges that face the delivery of affordable housing are not only to do with the annual housing association grant programme. A number of areas need to be joined up to make a difference.

If we do not get affordable housing right, the stability of many of our communities will be put at risk. Our young people will continue to move away, key workers will not be able to invest their skills in our local economy and many parts of Argyll and Bute will be unaffordable to many people. In that respect, being unable to retain people or bring back skilled people, particularly the indigenous population who have left, for the economic activities that go on in a place such as Argyll—agriculture, fishing, timber extraction, tourism and distilling—will have a longer-term impact on the economy. At the moment, Argyll has a vibrant economy that depends on pockets of population that are relatively small by urban standards—in essence, there is no other way of running such activities.

**Jamie Hepburn (Central Scotland) (SNP):** I have a question for Marian Notman that arises out of her organisation's response to "Firm Foundations: The Future of Housing in Scotland". The rural and islands housing association forum suggests:

"Compulsory Purchase Orders should also be used more widely."

In what circumstances does it recommend that they be used?

That begets the wider question whether the rest of the witnesses support the wider use of the compulsory purchase of land that is not made available for affordable housing, or whether they support other measures, such as dezoning.

**Marian Notman (Rural and Islands Housing Association Forum):** I knew that I would eventually be hoist by my own petard on that. I have been banging on about compulsory purchase orders for some considerable time. I used to work in local government, so I have some interest in them.

Local government is reluctant to become involved in anything that involves compulsion for the obvious reason that councillors want to be re-elected in future. However, if a council is sitting on land that it owns and which it could make available, or if other landowners have land that is ripe for and zoned for development but are doing nothing about it, there must be some imperative for the local authority to intervene and use its compulsory purchase order powers if there is a huge waiting list for affordable homes or even middle-market homes for rent. I know that substantial constraints are involved because I have been through the compulsory purchase process. It is long, protracted and not necessarily successful, but that does not mean that it should not be tried.

**Jamie Hepburn:** You suggest that compulsory purchase could be used if a landowner is not developing land. How would you avoid that becoming a subjective decision? What would be the determining factor and how would we decide that the landowner is definitely not—

**Marian Notman:** The land would have to fall within the local authority's policies and plans; for example, whether it was zoned in the local plan would be critical. Councils have compulsory purchase powers not only under planning legislation but under housing legislation, but that has been ignored. I am not aware of any local authority recently using its powers under the housing legislation; it has always been done under the planning legislation.

**Jamie Hepburn:** I am trying to drive at the specific circumstances that would trigger the use of a CPO. If we are going to use CPOs more widely to secure land for affordable housing, surely there must be strict criteria by which we make an objective assessment and determine that a landowner is definitely not releasing the land for development. What should those criteria be?

10:15

**Marian Notman:** I think that the size of the housing waiting list and the feedback from communities should be the criteria. I make no apologies for saying that I am biased towards the Highlands, because that is where I live. We have area development fora, housing fora and so on. It is all about the feedback from, and the viability of, communities. Enough information is needed

because, obviously, the minister must be convinced that a compulsory purchase order has to be served.

One must look closely at what one considers to be the relevant criteria, but I think that need is the starting point and the end point. If a CPO can be justified on the basis of empirical evidence, that is a good basis for using it. The one constraint for landowners in the Highlands in particular—I realise that I am digressing—is the possibility that land that has been released and has had affordable housing built on it could then be lost through the right to buy.

**Jamie Hepburn:** My question was also for the rest of the panel.

**Jacqui Watt:** Marian Notman has touched on when and how CPOs should be used. For us, they are the last resort. There is a much more satisfactory process, although using it will take longer. The planning and housing people in a local authority can work much more closely together to define housing need and affordable housing policy. It is also a matter of enabling local councillors to get involved at a much earlier stage in the planning system—at the pre-application stage. Those are among the reforms that are being made in the planning system. Such things are part of ensuring that more land will be released for sites.

I am interested in what Aberdeenshire Council and Highland Council have done. Under the best-value duty and the power of wellbeing, the ability exists to part with land at less than its market value. That needs to be more fully explored. If that can be done in Aberdeenshire, it can be done in other parts of Scotland.

**Alastair MacGregor (Argyll Community Housing Association):** From Argyll Community Housing Association's perspective, there is a role for compulsory purchase. We see it as supporting people where there is a block to something bigger being developed. A compulsory purchase can assist a bigger process.

I share Jacqui Watt's view. I think that there are ways in which we can identify land that can be released. We can look more closely at land that is owned by public bodies such as the Forestry Commission and the Ministry of Defence. The Forestry Commission and the Ministry of Defence are major landowners in Scotland, and they should be able to work with local authorities and housing associations to release land at district valuers' values or less so that housing solutions in rural areas can be developed.

**Peter Peacock (Highlands and Islands) (Lab):** I want to pick up on what Jamie Hepburn said and to press Marian Notman in particular a bit further. The point has been made that compulsory

purchase powers have existed for a long time under housing and planning legislation, but they are virtually never used. Like others around the table, I have been a councillor and know that people tend to shy away from using CPOs. With respect, people such as you tend to advise councillors not to use them, because you know the complexities that are involved—huge complexities are involved, as you said.

If you are right, what must happen so that compulsory purchase orders are used more often? I presume that it is not simply a matter of encouraging people to use them. People know that they have the necessary powers. Is there a case for simplifying the compulsory purchase process if some of the criteria that have been mentioned—particularly those that relate to housing—are met? Is there a case for reforming the process so that it becomes easier once thresholds have been met? Would doing so defeat important points of law?

**Marian Notman:** I do not think so. There is a fast-track CPO process and a protracted CPO process. If a compulsory purchase order has been served and there is suddenly a willing seller, the fast-track process will be used; if there is no willing seller, the protracted process will, obviously, be used. You may be right. Perhaps the process could be streamlined.

There is an issue in that serving a compulsory purchase order involves the district valuer's valuation. That is a major stumbling block for the seller because he or she would want to realise the development value rather than the district valuer's valuation.

**Peter Peacock:** From your housing perspective, do you think that there is a case for the Government or the Parliament, in trying to meet the housing need that you and your colleagues have described, seriously to consider changing the compulsory purchase system?

**Marian Notman:** Yes.

**Peter Peacock:** I have a couple of other points. In the evidence from SFHA and RIHAF, there is reference to having trigger dates within the section 75 agreements for land that is zoned for housing, requiring land to be used—or, presumably, planning consent to be granted—by a certain date; if not, the zoning would fall or lapse. That was suggested by only one respondent, although there was also reference to it by the City of Edinburgh Council. Is that a widely held view? Could section 75 agreements be strengthened to make it easier for land to be released for housing?

**Jacqui Watt:** The simple answer is yes. There are number of technical issues, and this meeting might not be the place to go into them, but we feel that the section 75 agreements could be strengthened.

The challenge faced by the City of Edinburgh Council is that, although it has given 25 per cent section 75 consents, the development process has slowed because of what has happened in the markets. The council has given loads of consents, but few social houses have actually been built.

**Peter Peacock:** Do you believe that some technical changes would help to release land?

**Jacqui Watt:** Yes, such changes could be a real bonus to us, although we recognise that we have also to work with local authorities.

**Peter Peacock:** I have one final question. Jacqui Watt referred in her opening remarks to the Highland Housing Alliance, on which Marian Notman may be able to comment. What has the Highland Housing Alliance done to release more land than has been possible in other areas? I am not sure whether more land has been released in that area, but it would be worth hearing your views. What has the Highland Housing Alliance done to avoid the need for compulsory purchase orders, section 75 devices or whatever? Is there mileage in that work for other parts of Scotland?

**Jacqui Watt:** I can comment first on Aberdeenshire Council, which is a linked example. In Aberdeenshire, there was the political determination to work with existing social housing landlords and to use existing powers under the legislation to create a land bank. There was a lot of forward thinking, including a strategic approach and a commitment to partnership working with the housing associations in the area. The net result is that there is now a land bank for social housing in Aberdeenshire, and there are strong, effective working partnerships. The housing associations took a full part in the work because they recognised that it would be nonsensical if they all competed with one another for the same bit of land.

There are a lot of lessons to be drawn from the Aberdeenshire experience, all of the work for which was done using existing powers. It is an example of good practice, and the committee might want to hear more about it.

**Marian Notman:** The same is true for the Highland Housing Alliance. Highland Council, a major landowner, recognised that it was not in a position to develop land for financial reasons. From information coming through the common housing register and so on, it realised that there was a substantial need for homes for mid-market sale and rent and for affordable housing in particular. It set up a land bank to deal with its own land, which was bought by the Highland Housing Alliance.

We are participating members in that alliance. We buy the land, starting off with a loan, and we repay the council as and when the land is

developed. Therefore, there is a revolving land bank and fund, and it has been successful in delivering not only affordable but mid-market homes.

We also have the Highland Small Communities Housing Trust. If the Highland Housing Alliance is the macro, the Highland Small Communities Housing Trust is the micro. The trust is in a position to land bank in small and fragile rural communities. It consults communities specifically about their needs, which we cannot necessarily do, although we develop two units here and four units there and so on. That work is successful.

Not all local authorities are like Highland Council. They do not all have huge land banks; some have none. However, if the authorities that have land banks are receptive to the approach that I have described—and if the legislation allows them to take that approach—I suggest that that would be a way of achieving our aspiration to continue to develop affordable homes and of meeting your target to provide 35,000 affordable homes a year by 2015.

**John Scott (Ayr) (Con):** I return to the issue of compulsory purchase. Do the other witnesses agree with Marian Norman, who, as I understood it, advocated compulsory purchase as the position of first resort, rather than the position of last resort. I thought that that was bizarre, although I might have misunderstood what she said.

**Marian Norman:** That is not what I said.

**John Scott:** I would be grateful if the other witnesses would outline other ways of making land available for affordable rural housing. I assume that Marian Norman's proposal is based on the assumption that councils use their own land bank before they demand compulsory purchase rights over other land.

**Marian Norman:** Yes.

**John Scott:** I assume that you are saying that the market route should be tried first and that compulsory purchase should not just be slapped on landowners.

**Marian Norman:** Yes.

**The Convener:** Do any of the other witnesses have a view on that?

**Norman Beaton:** In Argyll and Lomond, we are less concerned to use compulsory purchase than to put pressure on or encourage the local authority, which holds a fairly substantial land bank, to release land for development. The local authority might say that it wants to use a piece of land for X. If it explains to us that it wants to use the land for a sports development, for example, we will go along with that. However, that is not always the case. Sometimes, the land just lies dormant



and no purpose for it has been agreed, or the local authority will not discuss its purpose with the housing association. Our first course of action would be to encourage, with support from the committee, local authorities to release the land that they have.

**Alastair MacGregor:** Argyll and Bute Council is slightly behind Highland Council, but it has set up a strategic land bank. It has around 80 sites, which were retained at the time of the housing stock transfer in Argyll and Bute, and it has indicated to housing associations that it wishes to release that land. The council approved guidance last year and it is our understanding that it wants to develop that land with the housing associations in Argyll and Bute. We welcome that opportunity. If the land can be released at the district valuer's valuation or below, that would, over time, make a substantial contribution.

**John Scott:** I do not mean to be awkward, but given that you have land in Argyll and Bute, and given that you have a total of 4,618 people on the housing list, why are you not doing more? What are the barriers to your doing more?

**Alastair MacGregor:** There are a number of reasons why we struggle to meet demand.

**John Scott:** We want to hear those reasons.

**Alastair MacGregor:** More resources and the housing association grant will help. When ACHA was established, it set a target of providing 150 new affordable homes per year. Given our current resources, we will probably struggle to get 60 homes on site this year, so we are obviously failing to meet the target. We said in our submission that it is not just about housing association grant resources. It is tempting for housing associations always to say that it is about money, but it would help if we had reasonable levels of resource, coupled with a release of affordable land. If central Government, the Ministry of Defence, local government and agencies such as the Forestry Commission were brought into the picture and were able to release land from their land banks, that, along with our current resources, would assist us dramatically. The current resources need to be increased, but it is not only about housing association grant. If affordable land is also released, need will start to be addressed over time.

10:30

**John Scott:** You say that you need to bring in the Forestry Commission and the MOD. Have you used up all of the council's land bank?

**Alastair MacGregor:** No. The council has a land bank that it has indicated it wishes to take forward with housing associations, but some of the

land is not in our areas of greatest housing need. There is great pressure in Helensburgh and Lomond, and also in Oban, Lorn and the isles. As many of you know, the MOD is a big landowner in the Helensburgh and Lomond area. There is the potential to explore further with it the release of affordable land in those areas.

**The Convener:** In fairness to the council, an issue is that its land bank might not necessarily match the housing need in its area.

**Alastair MacGregor:** That is a fair point.

**John Scott:** That is the case throughout Scotland.

**Mike Rumbles (West Aberdeenshire and Kincardine) (LD):** I will focus on compulsory purchase. We all know that the problem is that there are not enough houses in Scotland. We are trying to find a solution. I am concerned that we should not go off on a tangent. Perhaps it is because I am from Aberdeenshire, but I have always felt that the issue is not availability of land, but the resources that are available across the piece.

I will, as a layman, pose my question this way. If an area of land is zoned for housing: Whoopee! The landowner is going to be rich and will make a lot of money by building houses or by allowing builders to come and build houses. Why is it in the interests of landowners to say that they will not build, except perhaps on one piece of land, but will instead bank it for the future? Rather than go down the compulsory purchase route, surely logic suggests that the right approach is to say that if the landowner does not develop the land, they will lose the zoning for it and therefore will, at a stroke, see the pound signs disappearing. What better motivation could there be for a landowner to release land? Do you agree?

**Jacqui Watt:** That is an excellent question that raises the issue of whether it is worth considering a tax on land that is being held. Some cities in America and in other countries have developed such a policy in order to get developments moving. I know that there is some interest in the idea among senior Scottish National Party back benchers. We would be interested in having a seminar on the issue to ask whether we should use the taxation system to deal with the problem. I leave that thought hanging.

On the other side is the question of what incentives there are for housing associations—which, between them, have a £7.6 billion asset base in the Scottish economy—to bank land. Traditionally, housing associations have not done that. The regulatory approach has perhaps inhibited them, but there is a lot to be said for housing associations being able to do that because they are community organisations and

have wider value. We have not completely developed our thinking on those two ideas, but they are worth exploring.

**Mike Rumbles:** I was thinking of taxation. Local authorities could even now change the designation for housing or stipulate that the landowner will have the designation for four or five years, or whatever, but will then lose it.

**Jacqui Watt:** An interesting thing is now happening with the credit crunch: developers are trying to offload some land. I would like to see our members being able to take full advantage of that.

**The Convener:** Bill Wilson wants to come in. Is it on the same issue? If not, I have a question.

**Bill Wilson (West of Scotland) (SNP):** My question goes back to something that Alastair MacGregor said, but if you want to follow up first, that is fine.

**The Convener:** I want to ask about a separate-use classification for affordable housing. Would that be helpful?

**Marian Notman:** Absolutely.

**Norman Beaton:** Yes.

**The Convener:** Do all the witnesses feel that that would be helpful?

**Witnesses indicated agreement.**

**Norman Beaton:** A separate-use classification would be helpful because, as has been said, if a private landowner wishes to develop the land, it can be built on and the landowner and the construction company make big bucks. That is fine, but it does not serve the market in which we are involved.

**Mike Rumbles:** I can see why you would want to go down that route, but in doing so are we not in danger of building what would almost be ghettos of affordable houses on one piece of land and other types of property on another? Is not the best solution to have mixed development, which will not happen if there is simply a zone for affordable housing?

**Marian Notman:** The section 75 system's attempts to provide housing mix work extremely well. RIHAF and the SFHA would certainly be very interested in ensuring that all local authorities had a general affordable housing policy that was recognised across the board: a uniform percentage of affordable housing under section 75 agreements across the country would serve our interests very well. At the moment, the percentage in the Highlands is 25 per cent, but the figure varies across the piece. Consistency will serve not only our interests but the interests of the Scottish Government in achieving its targets.

On Monday at the SFHA conference, however, a major developer said that, because of the credit crunch, developers would be renegotiating section 75 agreements with local authorities. After all, if they were to find themselves unable to develop the other 75 per cent of housing, the 25 per cent that I mentioned would also fall.

**John Scott:** In that case, do you agree that there should be latitude in the system to deal with the credit crunch, which has happened so recently that it has not been dealt with in many of the papers or much of the thinking on this subject? Indeed, people thought that such crunches were a thing of the past; we have not had one since the early 1990s.

**Jacqui Watt:** I agree. We need to take full advantage of the situation on behalf of the people in Scotland who need affordable housing.

**Bill Wilson:** Some witnesses have been quite keen on zoning for affordable housing, while others have been a bit more cautious about it because of concerns about how affordable housing might be defined. What are your views on the suggestion that special zones for affordable housing for rent might get us away from the problem of definitions?

**Jacqui Watt:** That raises the dilemma that your colleague Mike Rumbles touched on when he highlighted the danger of creating "ghettos" with a separate land use classification for affordable housing. The way around that is to examine the definition of affordable housing. Increasingly, housing associations see themselves building low-cost options for sale and developing not only shared equity schemes but—since the production of "Firm Foundations: The Future of Housing in Scotland"—mid-market rentals. As a result, rather than simply create a huge block of housing for rent, with some of the challenges that that would bring, we could have a mixed development that covered all the options that I have mentioned as well as rented tenure.

**Bill Wilson:** I also want to come back to a point that Alastair MacGregor made some time ago now. The Scottish Housing Regulator suggested that, under the previous setting of the housing association grant, housing associations were able to build up quite large reserves of £300 million. What is your view on that?

**Alastair MacGregor:** That figure is based on reserves that have been built up over time by certain housing associations. As a debt-funded stock transfer association, Argyll Community Housing Association has no reserves that can be used to support the housing association grant programme. From the representations that I have received from my colleagues, my understanding is that most of the older and more established

housing associations have designated their reserves for the purpose of bringing their houses up to the Scottish housing quality standard by 2015.

**Marian Notman:** I can confirm that Cairn Housing Association has designated reserves for planned and responsive maintenance and to meet the SHQS requirements. We are not awash with cash, because it is simply sitting there earning interest.

**Alastair MacGregor:** We certainly approved of the legislation that was introduced by the previous Government to ensure that housing associations meet the Scottish housing quality standard by 2015. They were expected to make reserves available to that end: that is, as I understand it, what the majority are doing. If any housing association has free resources, I would of course support its using those to meet housing need. The regulator's perspective on that would not stand the test of scrutiny.

**Bill Wilson:** Do you have data to demonstrate that the regulator's perspective is wrong? Its perspective is clearly quite different from yours. Do you have any hard data—not necessarily relating only to your association—to show that no reserves are being held that could be used for house building?

**Alastair MacGregor:** I look to Jacqui Watt from the SFHA.

**Jacqui Watt:** There is evidence, although I do not have it in front of me today, to suggest that housing associations are increasingly using their reserves to balance the funding equation. They are putting their own money into house building and development, and into their wider role. About 3 per cent of the money that is spent on the wider role throughout Scotland, which was almost £100 million at the last count, is coming out of their own reserves.

The regulator is right to say that, in general, there is some capacity within reserves, but the witnesses are also right to say that there is perhaps not as much capacity as people think. There are some myths around the levels of reserves and what they need to be used for.

**The Convener:** If you have that information, could you produce it in a format that the committee can examine?

**Jacqui Watt:** Yes.

**The Convener:** Thank you. I think we would all like to see that.

We move on to infrastructure issues. I know that Jamie Hepburn wants to ask about planning advice note 74, but I am concerned about time.

**Jamie Hepburn:** I am happy to move on to my infrastructure question. Can the panel give us examples of how registered social landlords are expected to contribute to infrastructure in rural areas? How might that affect the viability of developments? There was some interesting evidence in the SFHA submission, which included examples such as the expectation—which was unnecessary, in your view—that RSLs should upgrade roads. Can you give us examples of where that is happening and the problems that it causes?

**Jacqui Watt:** The example that we give in the submission is Dunbritton Housing Association. In that case, the scheme stalled because of the high capital costs—of which, I am sure, members are aware—of road construction. For us, that raises the question whether we are seeking to put in double highways, pavements and streetlights everywhere and—coming back to the joined-up idea—how that ties in with the wider climate change agenda, and with what communities say they need. It is not that we do not want to provide people with the best level of resource: rather, it is that the capital cost is enormous, so asking small housing associations to bear such costs makes schemes non-viable.

**Jamie Hepburn:** You suggest in your submission that that practice should be scrutinised, but you do not suggest who should do that.

**Jacqui Watt:** That is a good question. I would presume that the funding body would have a role in that. When housing associations put forward their programmes, they have to show how everything stacks up, and the investment team at the Scottish Government would have a role in that. Are there any specific suggestions from RIHAF?

**Marian Notman:** There was a suggestion that the standards that are relevant in urban situations could perhaps be modified for rural situations, so that there would be different road specifications and standards.

One housing association, for example, built six houses along an Orkney road. As those of us who have been to Orkney know, there are not pavements abounding. There was a shop 500 metres from the development—Orkney Islands Council said that the housing association must provide a pavement to get the people from those six houses to the shop. There are pavements in Kirkwall, but not in many other places in Orkney. The housing association had to go back and negotiate such things. The roads people were, of course, working to standards. Obviously standards have to meet safety requirements and so on, but there is a need for different standards to recognise different needs in a rural setting.

**Jamie Hepburn:** So, there should be two sets of standards: rural and urban.

**Marian Notman:** Yes.

10:45

**The Convener:** Can the gentlemen from Argyll Community Housing Association provide examples of cases in which there have been similar expectations about infrastructure?

**Alastair MacGregor:** The case of Dunbritton Housing Association's proposed development at the village of Succoth, near Arrochar, has been cited. I understand that the key issue was the expectation that the housing association would pay for a dual-lane road to the development. There is a debate about safety and about whether such arrangements are appropriate. We are housing associations, whose primary purpose is to build houses and the gardens round about them. We would be concerned if housing associations were expected to pay for roads infrastructure. The issue is being missed at present—some joined-up thinking is needed.

In the past few years, our biggest concern has been the lack of tie-up between Scottish Water and the development of housing in Argyll and Bute. One of members' former colleagues, George Lyon, did some work on the issue involving local authorities, Scottish Water and others. We appear to have made progress on the issue, which was a big problem a couple of years ago but on which there is now much more joined-up thinking. I do not know whether that is the case throughout Scotland.

**Jamie Hepburn:** Are there many instances in which you are required to invest in infrastructure from which private developers subsequently benefit? When some of us undertook a visit to the Isle of Arran, it was suggested that that happens there.

**Jacqui Watt:** It does. Increasingly, housing associations are being put off developments by the fear of incurring excess capital costs. We can provide the committee with additional examples, if that would be helpful.

**Marian Notman:** Flood prevention and decontamination are issues for Cairn Housing Association. Four years down the road, not a brick has been laid at a site on the outskirts of Forres because we have had to dip into our reserves to front fund decontamination of the site, which was used as a garage at one stage. Because of the impact of flooding in Moray, of which Peter Peacock is aware, we have also become involved in a flood prevention scheme. We must anticipate and front fund a once-in-200-years event.

**The Convener:** You are, in effect, saying that planning gain should not apply to registered social landlords. Should private developers that build affordable housing also be relieved of the responsibility of carrying out capital works? You must know that private developers, too, are hammered hard in that respect.

**Jacqui Watt:** That is the dilemma, and I understand why you ask the question. We may need to call on other funds and/or to be allowed to build up sufficient reserves to enable us to contribute to capital costs. We spoke about that earlier. We need either to have more flexibility or to be able to call on an infrastructure fund, just as previous Administrations set aside money for Scottish Water to ensure that it addressed issues in order that affordable housing schemes might be built.

**The Convener:** Peter Peacock has questions about infrastructure.

**Peter Peacock:** They have been answered.

**John Scott:** I want to ask about the right to buy. In what ways would you prefer the right to buy to be amended? How might such changes affect RSL stock?

**Jacqui Watt:** We expressed clearly our thoughts and views on the effect of the right to buy in our submissions. I opened by saying that the issue has been acknowledged by the announcement of the £25 million incentive for council house building. It has been recognised that local authorities may be willing to build more houses if they do not think that they will lose the stock. The same is true of housing associations. Marian Notman and Alastair MacGregor can provide the committee with facts and figures that illustrate how in recent years the right to buy has affected the associations that they represent.

We accept that the right-to-buy policy is extremely popular, and we know that it is unlikely that any Government is going to take away rights that people have. However, we feel that the current proposal could go further, particularly with regard to rural villages in which there are literally only one or two houses available for social renting.

**Peter Peacock:** In your evidence, you talked about the various uses of pressured area status. Do you believe that pressured area status is a useful tool and that it should be used more widely? If so, what is the impediment to that?

**Jacqui Watt:** Yes—pressured area status is useful and could be used more widely. One of the impediments is the feeling at local authority level that it is all just too much effort. We are working closely with Argyll and Bute Council to help unblock the process and are encouraging officials in the local authority to take a wider and deeper interest in pressured area status.

**Peter Peacock:** Is the problem that the process is bureaucratic? If so, is it intrinsically bureaucratic, or is it interpreted in a way that makes it bureaucratic?

**Alastair MacGregor:** Argyll Community Housing Association is keen to develop pressured area status for certain communities, such as Appin, where only nine houses are still available for social renting. Our concern is that, if we lose those houses, our ability to provide for housing needs in such communities will be gone forever.

Argyll and Bute Council's position was that the bureaucratic effort that was involved in the process of obtaining pressured area status—which would involve various studies and so on—was not justified by the number of houses that could be saved. We and Argyll and Bute Council have made representations to Government on that matter, and Government officials have agreed to meet us to discuss the process. We believe that pressured area status can make a contribution in certain parts of Argyll and Bute.

**The Convener:** Why do some councils have no problem with it but others do?

**Alastair MacGregor:** You would have to ask Argyll and Bute Council. I have some sympathy with its view, because I think that the process is very bureaucratic, which is, I assume, the problem that Argyll and Bute Council has with the process.

**The Convener:** I presume that every council faces the same process.

**Alastair MacGregor:** I would accept that point.

**Jacqui Watt:** It comes back to the question of political will and people's willingness to work together on issues.

**Marian Notman:** At the conference, it was clear that there was a feeling across rural Scotland that councils should be forced—although I hate to use that word—to at least participate in the process, even if they think that it is not worth the effort, which is Argyll and Bute Council's position.

**Peter Peacock:** Are you saying that Argyll and Bute Council thinks that the process is too bureaucratically bothersome to engage in, even if it would save nine houses for the purposes of the provision of affordable housing? Is that a fair interpretation?

**Alastair MacGregor:** I do not want to speak for the council, but I think that that would be its position. It has said to us that it feels that the saving of such a small number of houses does not justify the challenge of going through the process.

However, we take a different view. Since the housing stock transfer, two houses have become available in Appin. If we had pressured area status, we could protect them for the future. There

are many communities in that position. Perth and Kinross Council adopted pressured area status—

**The Convener:** Quite early on.

**Alastair MacGregor:** Yes, and places such as Birnam and Aberfeldy now have that protection. I do not see much difference between those places and Appin, other than their position on a map. They face the same issues. There are not many affordable houses left, so we should be trying to find a mechanism to protect them.

**The Convener:** A wide range of councils has done what you are suggesting, so I am surprised at Argyll and Bute Council's position. We might ask it for a clear explanation of why it is not introducing pressured area status.

**Norman Beaton:** I will try to put in context the magnitude of the problem that we are facing. Before the right-to-buy policy was introduced, there were roughly 10,000 council houses in Argyll. Some 42 per cent of them have been lost since then. That is fine, as long as the people who formerly lived there continue to live there, and a housing need is being met. However, in practice, the houses eventually become holiday homes or second homes. Some people sell them to people who want to rent them out. Again, that is fine in principle, but the rent is twice what a housing association would charge, and working families cannot afford that.

**Bill Wilson:** You say that the council's view is that saving nine houses is not worth the bother. Has the council ever given you an idea of a threshold number of houses that would be worth the bother?

**Alastair MacGregor:** No.

**The Convener:** We have got quite a lot of ground to cover. Our witnesses were told that they were going to be here for an hour, but it looks as though it will be longer. Please let me know if that is going to cause any problems.

John Scott would like to ask about allocation policies and homeless people.

**John Scott:** Could you give us your views on how RSL allocation policies can take into account local communities, given the needs-based approach that underpins the legislation that governs allocation of socially rented housing? You might also want to talk about how the target of reducing homelessness by 2012 impacts on that.

**Jacqui Watt:** The question how we are going to allocate enough houses to the statutory homeless is of great concern to our members. In our submission, we say that some RSLs are providing more than 50 per cent of all lets to homeless applicants. Our local authority colleagues would tell us that we are not doing enough because the

top of the list of worries for councils across Scotland is the need to meet statutory homeless targets and statutory needs.

Much more work needs to be done on getting our heads together. One of the strengths of the housing association movement was its ability to create genuine communities but increasingly we are being expected to allocate from the statutory homeless waiting list and people find themselves being funnelled through the statutory homeless waiting list—

**John Scott:** That is having a detrimental effect on the ability to create communities.

**Jacqui Watt:** Absolutely. We suggest in our paper that some local connection points might be considered. We can draw on best practice from the local lettings initiatives and choice-based lettings that are peppered across Scotland. However, the bottom line is that this is a huge anxiety for Scotland's housing associations.

**John Scott:** Having just analysed the problem, can we now have the solutions?

**Jacqui Watt:** We have suggested local connection points: Alastair MacGregor and Marion Notman can explain how that might support us.

**Alastair MacGregor:** There is a fundamental question about what a housing association is for and what needs it is supposed to meet. In our submission, we say that the target under the Homelessness etc (Scotland) Act 2003, of eliminating homelessness by 2012, is laudable. However, the practical realities of delivery, in the context of the other needs that have had to be met since I came into the housing association movement 20 years ago, are another matter.

Someone asked me recently, "Who is housing the working working class?" It can be argued that we are struggling to house low-income working families who are not among the statutory homeless. The pressure that we are under to play our part in meeting the 2012 objective means that we are struggling to meet the needs of those people.

Clearly, there is a resource issue around the number of houses that we need to build to meet housing needs, including those of homeless people. However, a problem has arisen about the balance of housing that we need. I would support the development of local connection points as a way of addressing that. The regulator does not like that approach, because it does not think that it deals with housing need in its purest sense. However, we need to get beyond that kind of thinking and address the issue of what housing associations can provide with regard to the balance of our communities.

**John Scott:** There is anecdotal evidence to suggest that some people are making themselves homeless merely to get onto the lists. Would you care to comment on that?

**Alastair MacGregor:** Some people who are in difficult circumstances have been advised that it can help them if they become homeless. If they are staying with their mum and dad and are 200<sup>th</sup> on the waiting list for a house, a letter from their mum and dad saying that they are going to put them out would mean that the council would have to look at their case in a different context. That happens, unfortunately. It is an increasing reality, but I think that people do it from desperation rather than malevolence.

11:00

**The Convener:** Not to put too fine a point on it, it has been suggested to us once or twice that some private landowners are reluctant to release land for RSLs to build on because the landowners lose control of the allocation. There is also resistance from local communities, which are concerned about what might happen. Do you have experience of that?

**Jacqui Watt:** That is a key issue because affordable social housing has become so marginalised—"residualised" is the term that is commonly used in the sector. That creates perception issues, and issues are also created because the biggest group of homeless people whom we rehouse is single men, a number of whom are vulnerable or have significant problems associated with mental health, alcohol or drugs. If we are to house and stabilise those people successfully—we have a duty to do that in our society—we need to have support packages in place and we need to work much more closely with social work services. That is where the challenge of joined-up working comes in.

**Marian Notman:** I agree. At the conference, we heard from Loreburn Housing Association that that was its experience last year. It said that almost 40 per cent of its houses were allocated to young single men with alcohol or drug-related problems, who were not in a position to—

**The Convener:** I understand the allocation issue and the percentages. What I am asking about is the impact on the potential for development. Behind the scenes, is the allocation issue another barrier to release of land and another reason for communities' concerns? That impact is not openly acknowledged everywhere, but I wonder whether you have picked up on it. I would like to hear from the people from Argyll on that.

**Alastair MacGregor:** We are a relatively new housing association, but developers have not

highlighted that issue to us in the discussions that we have had. A couple of years ago, there was an issue with the Ganavan development by West Highland Housing Association. Representatives of the local community expressed concerns about the allocation policy, but the local authority went ahead with planning for the development. That is the only evidence that has come to me, and that was a couple of years ago.

**Des McNulty (Clydebank and Milngavie (Lab)):** You made some hard points about the contradiction or implicit tension between the aims and objectives of homelessness policy and the practical implications for you in relation to sustainable communities, the housing mix, and whether people are being squeezed out. Because I know that Alastair MacGregor moved from Queens Cross Housing Association to Argyll Community Housing Association, I ask him to tell us whether the issue is specifically rural or whether it also applies in urban areas. What is the balance? Perhaps Jacqui Watt can give a view on that from the housing association sector as a whole.

**Alastair MacGregor:** The pressures existed when I worked in Glasgow. However, they have become more acute, particularly in rural areas, because of the supply issues and the low turnover in some areas.

**Jacqui Watt:** If you talk to any housing association director, they will say that the matter is top of the list of things that they are worried about. We believe that what we do has become residualised. We are now seen as providing housing of last resort rather than housing of choice.

**The Convener:** It is emergency housing rather than social housing.

**Jacqui Watt:** Yes. That affects our ability to create and sustain communities.

**John Scott:** To gather up the point, notwithstanding the good intentions of the Housing (Scotland) Act 2001, are you collectively suggesting that the Government should revisit the guidance as a matter of urgency?

**Jacqui Watt:** It should be revisited, as should the definition of permanence because there should be some flexibility in that. Local authority housing directors would probably say the same thing to the committee. We all sign up to the principles of what we are trying to achieve, but there is a practical, physical difficulty, and the numbers are not adding up.

**Des McNulty:** I want to be clear about this. Two pieces of legislation form the basis of what we are talking about: the Housing (Scotland) Act 2001 and the Homelessness etc (Scotland) Act 2003.

There are issues around how the 2001 act constricts housing associations' letting policies and so on, and the 2003 act imposes the homelessness target and the routes for homeless people. Are you explicitly saying that, in relation to rural housing and the housing association sector and local government generally, we need to reconsider both the 2001 act and the 2003 act in terms of the constraints that they impose, and to develop something that is a bit more realistic?

**Jacqui Watt:** Yes.

**Alastair MacGregor:** Yes.

**Marian Notman:** Yes.

**The Convener:** That was fairly conclusive. Let us move on to funding questions.

**Jamie Hepburn:** My question is about a possible source of funding for affordable housing, which is the commuted sums that private developers can pay in lieu of physically putting buildings on the ground as part of the 25 per cent requirement. Do you believe that local authorities should pursue the commuted sums route, or would you prefer local authorities to try to get houses built?

Further to that, the Scottish Parliament information centre prepared a paper that indicates that a significant amount of money has been raised from commuted sums but that not much of it has been spent; what is your view on how that money should be utilised?

**The Convener:** Do not all answer at once.

**Jacqui Watt:** We are talking among ourselves.

**The Convener:** In effect, we are asking just for an opinion because we know that you are looking at those sums of money from the outside. Some councils have already announced that they intend to build council housing, and I suspect that some of the commuted sums may go that way. However, it would be useful to hear your opinion.

**Jacqui Watt:** Whatever sums are available should definitely be recycled into the provision of additional affordable housing.

**Alastair MacGregor:** I concur with that view.

**Jamie Hepburn:** But do you believe that local authorities should move away from accepting commuted sums in the first place? Should they ask for buildings on the ground instead? Or are you easy-osy about that as long as the commuted sums are used for affordable housing?

**Jacqui Watt:** The big challenge is to deliver buildings on the ground and hand people sets of keys. Any twists that can be made in the system to incentivise that and make it happen faster must be supported.

**Bill Wilson:** Would you be happy with the idea that we talked about earlier regarding roads, pavements and other bits of infrastructure? I presume that that would be an acceptable use of the commuted sums.

**Jacqui Watt:** Indeed. As I said, that would form a fund that could be drawn on.

**Peter Peacock:** I have questions on HAG and on funding generally. The paper from Argyll Community Housing Association indicates that the number of houses that it has provided to date from existing resources has exceeded its targets, although there is an implication that it will no longer be able to do that. I will come on to the reduction of funding in a second. However, could Argyll Community Housing Association have sustained its performance of the past couple of years into the future if it had continued to have the same amount of funding?

**Alastair MacGregor:** Yes, I think so. Argyll Community Housing Association has come to the scene relatively recently. One of your colleagues, Stewart Maxwell, will launch our first new build in Campbeltown next Tuesday.

The four housing associations in Argyll and Bute have worked with the Scottish Government, through Communities Scotland, and with the local authority to plan well ahead and have pipeline developments ready to go. We have exceeded the amount of grant that was provided in the past few years because we have been able to take advantage of slippage in other programmes throughout Scotland, which has been commuted back to these areas to meet housing need on the ground. As I say in my written submission, if the need had not existed, Communities Scotland—as it was then—would not have allowed the schemes to go ahead. They have all gone ahead on the basis of the variety of housing needs that have required to be met.

However, we are concerned about the advice that we received from Scottish Government officials on 30 May that the funding for registered social landlords in Argyll and Bute is down to £14.75 million for the coming year, with a projected increase to just over £17 million for each of the next four years. Clearly, that will fund the four housing associations to do much less than they are able to do. That concerns us because of the demands that we talked about earlier.

**Peter Peacock:** You say in your written submission that you understand that the minister is looking for a lower unit cost per property. Is your understanding correct?

**Alastair MacGregor:** It was made pretty clear in the presentation that Nicola Sturgeon gave to the Scottish Federation of Housing Associations on Monday that the Government wants HAG levels to

come down near to those in the English model. The SFHA has expressed concerns about that. That is our understanding of where advice from Government officials is leading at present.

**Peter Peacock:** Does the difference in unit cost account for the difference in the total amount that you are getting, or are other factors—for example, just the supply of cash—affecting that? You talk about a 20 per cent reduction in funding in the case of Argyll and Bute. Is that due to the lower unit cost calculation or is there just a general reduction in the amount of cash?

**Alastair MacGregor:** If we were expected to work on reduced HAG levels, we would have to increase our rents by £20 a week to match the English levels. We think that that would be unaffordable, and that is the issue that is driving us on this.

**Peter Peacock:** How seriously concerned are you about the current supply of cash, both in Argyll and throughout Scotland? Does the unit cost issue have a particular effect on rural housing associations? I presume that unit costs are higher than average in rural areas. How worried are the housing association movement and the housing associations in Argyll about the reduction in cash and about the particular effect on rural housing associations?

**Alastair MacGregor:** When the Scottish Executive signed off the housing stock transfer in Argyll, there was a recognition that there had to be rural cost uplifts of around 10 per cent in the business plan for the housing association to reflect the construction cost increases in rural areas. That was accepted as a factor then, and it has an impact on our ability to deliver. If our resources are cut in the future, not only will we be hit by a cut in resources, we will be hit by the increase in construction costs as well. That is a double whammy. Added to those concerns are the credit crunch issues relating to the private borrowings that we need to support our development programme. Those three things coming at us are a problem.

**Jacqui Watt:** At the conference that finished at lunch time yesterday, there were about 230 delegates from housing associations throughout Scotland. It is fair to say that people left the conference with a great degree of anxiety. We got the HAG announcement at the end of May and we sort of knew what was coming. We are pleased that, over the summer, we will take part in a short-life working group on HAG and the bureaucracy that it involves. One of the pitches that we will make to that group is that, if you want to get more bang for your buck—which is how the situation is being put to us—we need to work according to three-year or even five-year programmes. We need to stop the annuality—the hugely



bureaucratic process of 12-month funding agreements. We will argue for that on the short-life working group.

The point that has been made about rural areas being particularly affected by reduced HAG levels is spot on. As Alastair MacGregor has said, construction costs are higher in rural areas, especially in an island economy. We have to raise more money privately in order to balance the costs, and that can be paid for only through rents. Rural Scotland already has a lower wage economy, with more people who are marginal, so any rise in rents will have an impact on them.

**Peter Peacock:** Are your worries sufficient for you to tell us that the Government needs, first, to rethink its approach to the reserves that you hold—touching on a point that Bill Wilson raised, I want to get a clear understanding of what those are allocated for, as I presume that that underlies some of the thinking here—and, secondly, to reflect on whether your ability to build the number of units that we all want to see and, indeed, want to see exceeded is severely compromised by the current situation? Is that a fair reflection of your position?

11:15

**Jacqui Watt:** It is, particularly for the smaller rural associations. Some of our members will do well out of the new arrangement because they are big enough to spread risk and get the best borrowing deals possible but, for the smaller rural associations, it is a triple whammy.

**Bill Wilson:** That brings us back to the question that I asked earlier about the Scottish Housing Regulator, which suggested that housing associations received about £10,000 more for each new house than the minimum necessary. If I understand your point correctly, you do not accept that, or you accept it for some associations but not others. Could you bring us some hard evidence to show that rural housing associations, particularly the small ones, are an exception to the Scottish Housing Regulator's overall conclusions? That would be interesting.

**Jacqui Watt:** Yes.

**The Convener:** What are the witnesses' views on the proposal for lead developers? How would that impact on rural Scotland?

**Jacqui Watt:** We do not think that a regional approach to lead development will work in parts of Scotland. There is a voluntary approach in some parts of Scotland—particularly Edinburgh, as well as the Highlands and Aberdeenshire to some extent—where housing associations are working it out for themselves, which seems to work. The SFHA has said that, because of the scale of the

housing programme in Scotland—we are building between 4,000 and 6,000 social housing units per year—it would be necessary to have one lead developer to get economies of scale.

**The Convener:** How many of those would be rural houses?

**Jacqui Watt:** Do you mean how many units of housing?

**The Convener:** You said that we are building about 4,000 to 6,000 units of affordable housing a year but you were talking about the whole of Scotland.

**Jacqui Watt:** Yes.

**The Convener:** How many of those units would be rural houses?

**Jacqui Watt:** I do not have the figures on that, but I can try to get them for you.

**The Convener:** It would be useful if you could. You say that 4,000 to 6,000 houses is the kind of number that one lead developer would build. What is that based on?

**Jacqui Watt:** It is based on how economies were driven into the English system, which is what the numbers proposed for Scotland are based on. We would not get away with having one lead developer in Scotland, because that would be against European Union state aid and competition rules, so we will have to wait and see what proposals are made later this month. There will be a consultation then, to which we will make a full and proper response.

**Des McNulty:** You said that there will be a short-life working group to work out the consequences of the decisions, but would it not have been better to have had a short-life working group before the decisions were made so that all the factors could have been taken into account?

On top of that, it seems to me that a model is being proposed—probably the arm's-length management organisation system that is used in England, where ALMOs are the bigger housing providers—and that the financial mechanism that has been put in place is driving us towards a different system from the one that we have had up to now. The Government should be up front about the fact that there is a policy change—that it will not support the system as it is and is driving towards a new system—but, instead, it is putting a financial mechanism in place and forcing an adaptive response. That is how it looks to me; is that how it looks to you?

**Jacqui Watt:** Yes. That is astute. The message that we took from the Deputy First Minister's address at our conference was that the Government is looking at the whole system, that it wants to get more units out the other end for the

same public subsidy and that we need to work with it on that. My point is that rural housing associations will particularly suffer in that equation and there is a danger that we will lose the value of the small, community-based organisations. We are working hard to avoid that.

Your point about the short-life working group is exactly the one that we made. We asked the Government to give us a bit of time and said that we would work with it over the summer to see what the system looks like. Unfortunately, the announcement on funding has been made. We will still participate in the group and consider how to make the housing association grant process less bureaucratic, but our members are deeply concerned.

**Des McNulty:** In a sense, there is not much for the short-life working group to do because the policy decisions have been made.

**The Convener:** Des, that point has been made.

**Des McNulty:** I want to develop it. The key point is the structural change and the model that lies behind it. The English model is fundamentally different, is it not? I am sure that the witnesses have considered it just as I did when I was the housing minister. It appears that the approach that has been tried in Bradford, Birmingham, Sheffield and other places is being embraced and applied in Scotland, but that is not what has been announced.

**The Convener:** I think that the witnesses have already said yes to that.

**Des McNulty:** I am asking the experts. Do they share that view?

**The Convener:** They have already said that they do, so there is no point in going over the issue again.

**Jacqui Watt:** Yes.

**The Convener:** The witnesses are just saying yes again.

**Alastair MacGregor:** I have a small point on a slightly different issue, which has perhaps been lost in the debate about lead developers.

I have worked in the housing association movement for just over 20 years. Over the years, I have been impressed by the strong grass-roots role that housing associations have played in development. The political consensus has been that their democratic history and community involvement have enabled tenants and community representatives to meet local needs by having an active lead development role. The Glasgow community-based movement has a long history in that area and continues to do useful work on the ground.

My great concern about the concept of a lead developer is that if it is driven wholly by cost, a template will be produced that will cover Highland and Argyll and Bute, but there will not be the local input that will allow us to get it right. We made enough mistakes in the 1950s, 1960s and 1970s, when we knocked houses down because of a lack of local perspective. I am worried about us throwing the baby out with the bathwater. If the driver is obtaining more houses, let us please not lose the concept of local community involvement and control, because if we get it wrong, it could end up costing us more.

**Bill Wilson:** It is clear that you are involved in a debate with the Scottish Housing Regulator. The convener requested that you provide more information on lead developers in the context of rural housing but, if I understand your argument correctly, the issue is small rural developers. Large rural developers may not have any problems. The Housing Regulator may be correct. When you provide data, perhaps you could subdivide it so that we can distinguish between smaller rural developers and larger rural developers.

**The Convener:** If you have such information, it would be extremely useful if you could forward it to us. Everyone on the committee would find that helpful.

We are coming towards the end of our questioning, but Mike Rumbles wants to ask about the council tax as it applies to holiday homes.

**Mike Rumbles:** As I think we are all aware, for the past three years local authorities have had the discretion to vary the council tax discount on second homes from 50 to 10 per cent, but there is an issue that I am perplexed about, which I hope you can help me out with.

From the information that the committee has received, it is obvious that a number of councils have not bothered to cut the discount—they have left it at 50 per cent. According to information that we have received from the Scottish Government, the councils that have reduced the discount have raised about £14 million to spend on affordable housing. That sounds like a lot of money, so why have other councils not gone down that route? Is the return too small, given the administrative burden that is involved? About 100 houses must be being built with the £14 million. Although that sounds like a lot of houses, it amounts to only three or four per council area. Why have some councils not reduced the discount to 10 per cent? How many houses are being built with the money that is being raised?

**Jacqui Watt:** I can certainly answer your second question. Your figure for the number of houses that are being built with the £14 million is just about right.

**Mike Rumbles:** How many houses could be built for that sum?

**Jacqui Watt:** Between about 100 and 150, depending on how many are built at any one time.

**Mike Rumbles:** Why are councils not going down that road?

**Alastair MacGregor:** Argyll and Bute Council has reduced the discount rate and has put the money into a strategic housing fund. It welcomes applications from housing associations in Argyll and Bute to use that money.

I do not want to speak for the council, but my understanding of how it administers the fund is that it views it as top-up money, which it will use to make a scheme that has tight margins work. That is the criterion that has been applied. The council has started to appraise applications on that basis. I cannot speak for any other local authority area.

**Marian Notman:** Highland Council has done the same. It has used its discretion to reduce the second-home discount from 50 to 10 per cent and has ring fenced the income from that for housing.

**Mike Rumbles:** So it is definitely top-up money—it is not going in one door and out the other.

**Marian Notman:** No.

**Alastair MacGregor:** No.

**Mike Rumbles:** I will play devil's advocate. If it is such a good scheme, why have all the councils not adopted it?

**Marian Notman:** You would need to ask them that question. I am sorry to be vague, but local authorities' approaches to the issue are as diverse as their approaches to housing provision.

**Norman Beaton:** Quite simply, we are talking about a variation on the land banking that we discussed earlier. For the time being, councils might prefer to hang on to the money while they decide what to do with it. Alastair MacGregor will correct me if I am wrong but, to my knowledge, Argyll and Bute Council has made no substantial contribution to housing of any kind from that source of income. It is sitting on that pot of money.

**Marian Notman:** Are members aware that the largest beneficiary of such revenue is the City of Edinburgh Council?

**The Convener:** That brings our questions to a close. Thank you for remaining with us for slightly longer than was originally indicated. You are free to leave, if you wish.

Under this agenda item, we will have a short discussion of whether there is merit in our appointing an adviser at this stage in the inquiry, as has been suggested. We have looked into the

matter and found that there are practical difficulties in our doing so. Even if we moved as fast as possible and the committee delegated to me almost all the decision making, we would be unable to have an adviser in place until after the committee's first meeting after the recess. Even if we motored through at an unbelievable rate of knots and members were happy to let me go ahead, it would be mid-September before an adviser was appointed.

We have also considered what the committee would want such an individual to be able to speak about. It would be challenging for us to find an independent candidate who could cover all bases, so we would probably have to focus on an issue such as funding or planning.

On closer inspection, we discovered that we could probably make use of internal resources, including SPICe, and alternative approaches. In particular, we could work with one individual in SPICe who has an extensive background in many of the issues that we are considering. I invite comment from members. Peter Peacock was especially keen to discuss the proposal.

**Peter Peacock:** I raised this matter because the issues that we are encountering are extremely complex and I have had difficulty understanding the interrelationship between them; I had therefore wondered whether we should appoint an adviser. However, since our previous meeting, I have had a chance to speak to the clerks about the matter. For the reasons that the convener has set out, appointing an adviser at this stage would probably be too complex. Provided that SPICe has the appropriate internal resources and is able to add to those to provide insights into things that we may formulate into recommendations in due course, I am content to leave matters as they are.

**The Convener:** I suspend the meeting briefly to allow members to have a quick break before we move to item 2. Do not all run away. The meeting will be suspended for no more than five minutes.

11:29

*Meeting suspended.*

11:34

*On resuming—*

## Subordinate Legislation

### Common Agricultural Policy (Single Farm Payment and Support Schemes and Cross-Compliance) (Scotland) Amendment Regulations 2008 (SSI 2008/184)

**The Convener:** Item 2 is a Scottish statutory instrument that is subject to the negative procedure. The Subordinate Legislation Committee had no comment to make on the regulations; no member has raised any issues; and no motions to annul have been lodged. Do members have any questions?

**Members:** No.

**The Convener:** Do we therefore agree to make no recommendation on the regulations?

**Members** *indicated agreement.*

## Budget Adviser

11:35

**The Convener:** Item 3 is a brief discussion on the appointment of an adviser for our budget scrutiny for 2009-10. It seems as if we have only just finished a period of budget scrutiny and yet we are planning for the next one. Some of the issues that have been raised during our rural housing inquiry are relevant to this, which is why we have put the item on the agenda as early as we have done.

We have received approval from the Parliamentary Bureau to appoint a budget adviser, so our next step is to agree a person specification. A draft has been provided for members in the annex to paper RAE/S3/08/12/6. If we agree to go ahead, SPICe will search the adviser database and an advertisement will be placed on the committee's web page. It is therefore likely that we will be asked to consider the prioritisation of a short leet at our first meeting in September, after the summer recess. Do members have any comments on the draft person specification?

**Des McNulty:** The only point that I would make is a procedural point. There is advantage in having continuity in the budget advice that we receive. We will be asking someone to cover all the different elements of the rural affairs and environment portfolio, and the lead-in time to learn about the budget procedures will be considerable. I accept that parliamentary procedures mean that we have to make a new appointment each year, but in order to have a degree of continuity there is an argument for having an adviser for two or three years at a stretch.

**The Convener:** That depends entirely on whether people are prepared to apply.

**Mike Rumbles:** I think that the procedures are right, because the person who was the budget adviser can apply again.

**The Convener:** Yes, and we can make a decision at that point.

**Mike Rumbles:** Of course.

**The Convener:** Are members happy with the adviser specification?

**Members** *indicated agreement.*

**The Convener:** And are members happy to discuss the short leet in private when it comes on to the agenda at a future meeting?

**Members** *indicated agreement.*

11:38

*Meeting continued in private until 12:08.*

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