

# **RURAL AFFAIRS AND ENVIRONMENT COMMITTEE**

Tuesday 2 September 2008

Session 3

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## RURAL AFFAIRS AND ENVIRONMENT COMMITTEE

14<sup>th</sup> Meeting 2008, Session 3

### CONVENER

\*Roseanna Cunningham (Perth) (SNP)

### DEPUTY CONVENER

\*John Scott (Ayr) (Con)

### COMMITTEE MEMBERS

\*Karen Gillon (Clydesdale) (Lab)  
Des McNulty (Clydebank and Milngavie) (Lab)  
\*Alasdair Morgan (South of Scotland) (SNP)  
\*Peter Peacock (Highlands and Islands) (Lab)  
Mike Rumbles (West Aberdeenshire and Kincardine) (LD)  
\*Bill Wilson (West of Scotland) (SNP)

### COMMITTEE SUBSTITUTES

Jamie Hepburn (Central Scotland) (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 ALSO ATTENDED:

Christine Grahame (South of Scotland) (SNP)

### THE FOLLOWING GAVE EVIDENCE:

Gerry Begg (Scottish Borders Council)  
Laurence Cox (Eildon Housing Association)  
Graeme Donald (Scottish Borders Community Council Network)  
Angela Foss (Scottish Environment Protection Agency)  
Martin Marsden (Scottish Environment Protection Agency)  
Andy Pearson (Tweed Homes)  
Alan Thomson (Scottish Water)  
Stephen Vickers (Buccleuch Estates)  
Martin Wanless (Scottish Borders Council)  
David Weber (Scottish Water)

### CLERK TO THE COMMITTEE

Peter McGrath

### SENIOR ASSISTANT CLERK

Roz Wheeler

### LOCATION

Corn Exchange, Melrose



## Scottish Parliament

### Rural Affairs and Environment Committee

*Tuesday 2 September 2008*

[THE CONVENER *opened the meeting at 10:04*]

**The Convener (Roseanna Cunningham):** I welcome all the various witnesses to this meeting, as well as all the members of the public who have come here this morning. Today's is the 14<sup>th</sup> meeting of the committee in 2008.

We are happy to be in the Scottish Borders. This is the first time that the Rural Affairs and Environment Committee has been in Melrose. It might be the first time that any parliamentary committee has come to Melrose.

Given the committee's remit, we have a commitment to getting out of Edinburgh when it is reasonable to do so and taking our work to the areas that we have under consideration. We have done that already in the context of our affordable rural housing inquiry during our visits to Perthshire. This is the only formal parliamentary committee meeting that we are having outside Edinburgh for the affordable rural housing inquiry. It is also good outreach for the committee and Parliament.

I remind everyone, including myself, to switch off all mobile phones and pagers. This is not just about not letting them ring in the middle of the meeting—they interfere with the sound system and make it very difficult for those who operate it.

The main purpose of today's meeting is to take evidence for our rural housing inquiry. We are looking at affordability and accessibility, and how the lack or otherwise of affordable housing can impact on rural communities. However, I have to deal with one or two other business matters first. A couple of agenda items do not relate to the rural housing inquiry, so those of you who are here for that will have to bear with me.

I have received formal apologies from Mike Rumbles MSP and Des McNulty MSP. We have Christine Grahame MSP with us. She is not a member of this committee, but every member of the Scottish Parliament is entitled to attend any committee meeting.

## Interests

10:08

**The Convener:** I move to agenda item 1 and welcome Alasdair Morgan, who recently replaced Jamie Hepburn on the committee. I invite Alasdair Morgan to declare any interests that are relevant to the committee's remit.

**Alasdair Morgan (South of Scotland) (SNP):** I have no relevant interests to declare, convener.

**The Convener:** Thank you.

## Subordinate Legislation

### Rural Development Contracts (Rural Priorities) (Scotland) Amendment Regulations 2008 (SSI 2008/233)

10:08

**The Convener:** Item 2 is consideration of a negative instrument. The Subordinate Legislation Committee has reported on the regulations and its comments have been circulated to all committee members. No concerns have been raised and no motion to annul has been lodged. As members have no comments, are we agreed that we will not make any recommendations on the regulations?

**Members indicated agreement.**

## Decision on Taking Business in Private

10:09

**The Convener:** Item 3 is the question of taking items in private. We are in the habit of immediately but briefly discussing in private the evidence that we take in evidence sessions. Is the committee agreed that we will do that again today?

**Members indicated agreement.**

**The Convener:** The second question is whether the committee's work programme should be discussed in private or in public at our next meeting. No precedent determines whether that is done in public or in private. Does any member have a view that they want to express?

**John Scott (Ayr) (Con):** I am happy for us to discuss the work programme in private. We will be able to have a fuller and franker discussion if we discuss it in private.

**The Convener:** Is it agreed that we will discuss our work programme in private at our next meeting?

**Members indicated agreement.**

**The Convener:** The third question is whether we should review the evidence that we have taken on food policy in private after the evidence sessions next week. Is that agreed?

**Members indicated agreement.**

**Peter Peacock (Highlands and Islands) (Lab):** Convener, can you clarify that we will be discussing the evidence on food policy in private, not taking that evidence in private?

**The Convener:** Yes. We will review the evidence in private, not take it in private. There will be two round-table discussions in public next Tuesday.

## Rural Housing Inquiry

10:11

**The Convener:** Item 4 is our on-going rural housing inquiry. We have witnesses with specific knowledge of issues surrounding rural housing in the Borders. The discussion will take a slightly different format from the usual panel of witnesses taking lots of questions from members. The round-table format can sometimes be a little challenging. Nevertheless, when it works it delivers a good deal more useful information.

The plan is to generate open discussion between witnesses as well as between members and witnesses. The witnesses are encouraged to have a dialogue with other witnesses at the table, if that is what they want: it is not going to be just questions and answers. If somebody says something that you disagree with, you can pipe up and say that, so that we will have a more free-flowing discussion. Committee members are here to facilitate that. Unusually, MSPs are asked, if not to take a back seat, not to dominate the discussion. They are here to participate in the discussion, not to hog it. I expect everybody around the table to play a reasonable part in the discussion without any one person or group of people dominating it.

I should also mention the sound system and the *Official Report*. You will see two people at the end of the table with a sign in front of them that says "Official Report". That is the Scottish Parliament's equivalent of *Hansard*, and those folk are taking down every single word for posterity. Apart from the burden that that places on our shoulders, it is important that, however free-flowing the discussion becomes, we do not have two, three or four people speaking at the same time. The official reporters must be able to get everything down, so there cannot be a complete free-for-all.

We will have a second evidence session today, on national issues, involving witnesses from Scottish Water and the Scottish Environment Protection Agency. That will follow the more formal method of evidence taking.

I ask everybody at the table briefly to introduce themselves—but no speeches.

**Peter McGrath (Clerk):** I am the clerk to the committee.

**Roz Wheeler (Clerk):** I am the senior assistant clerk to the committee.

**Laurence Cox (Eildon Housing Association):** I am the director of technical services at Eildon Housing Association.

**Christine Grahame (South of Scotland) (SNP):** I am Christine Grahame MSP.

**Graeme Donald (Scottish Borders Community Council Network):** I am the chair of the SBCCN, which represents the 67 community councils in the Scottish Borders.

**Bill Wilson (West of Scotland) (SNP):** I am Bill Wilson, MSP for the West of Scotland.

**Angela Foss (Scottish Environment Protection Agency):** I work in SEPA's Galashiels office, which covers the Borders area.

**Peter Peacock:** I am an MSP for the Highlands and Islands.

**David Weber (Scottish Water):** I am strategic account manager for Scottish Water.

**Martin Wanless (Scottish Borders Council):** I am plans and research manager at Scottish Borders Council.

**Gerry Begg (Scottish Borders Council):** I am housing strategy manager at Scottish Borders Council.

**Karen Gillon (Clydesdale) (Lab):** I am the MSP for Clydesdale.

**Stephen Vickers (Buccleuch Estates):** I am head of rural property for the Buccleuch Estates.

**Alasdair Morgan:** I am an MSP for the South of Scotland.

**Andy Pearson (Tweed Homes):** I am managing director of Tweed Homes.

**John Scott:** I am the MSP for Ayr and deputy convener of the committee.

10:15

**The Convener:** We have received written submissions from Buccleuch Estates, Scottish Borders Council, SEPA, Scottish Water and Tweed Homes. Scottish Borders Council has also provided a joint submission with the Borders housing network. Those papers have been circulated and have been on the committee's website, so all the witnesses will have been able to see them.

We will not have opening statements, because there would be too many. To kick off, I have a general question. Scottish Borders Council refers in its evidence to a phrase that it uses, which is "rural way of working". I want to explore for a few minutes whether people think that there is such a thing as a rural way of working and, if there is, what it might be. I ask Gerry Begg or Martin Wanless to say a few words to start us off, then everybody else can come in. "Rural way of working"—discuss. This is where the Borders Council witnesses go, "Whit?"

**Gerry Begg:** It is so obvious. The idea is driven by the fact that there are strong local networks. There are 90-odd recognised localities in the Scottish Borders. We recognise that there is no such thing as a standard, homogenised rural area—the Highlands and Islands experience is different to ours in the south of Scotland and the Scottish Borders. Even over the watershed, the situation is rather different if we compare and contrast the experience with our colleagues in Ayrshire or Dumfries and Galloway. It is a question of respecting local geography, issues and networks and trying to find local solutions to local challenges set in a framework of national issues. Does that go some way to answering the question?

**The Convener:** It tells us why there might be a rural way of working, but I am not sure that it tells us what that rural way of working is. Perhaps you are trying to say that there is a Borders way of working, which is slightly different.

**Gerry Begg:** Certainly we believe that we have a Borders way of working. I am sure that there is also a Highlands and Islands way of working to reflect local circumstances. I am not sure that a top-down, one-size-fits-all approach would work. One of our strengths in the Scottish Borders is the extent of the integration between locally active registered social landlords who work with the council through the housing strategy team and colleagues in the planning department. We have much closer integration with planning colleagues than do some of my colleagues in other councils. I hope that that is evidenced by the way that we work with Scottish Government colleagues based in Edinburgh and with colleagues from the two registered social landlords who are developing in the Borders to assist in the delivery of the local affordable housing programme. We also have good working links with the local construction and development industries.

**The Convener:** Does Tweed Homes operate outwith rural areas?

**Andy Pearson:** Not at present. The joy that I have is that I get in my car in the morning and it takes me five minutes to get to work. That really is quite nice. I get home at lunch time, which I could not do if I worked in the city. I also save the time that it would take to drive up to Edinburgh or Glasgow to work. Rather than sit on my backside listening to the radio for an hour each way, I can save that time and put it into my professional work.

**The Convener:** Laurence Cox, do you have something to say about a "rural way of working"?

**Laurence Cox:** Rural locations have a limited resource of people, which is to say that there are not that many of them. We find that we have to work together because, if we do not, we cannot

get anything done. That has a positive effect, as it means that we find joint and local solutions, which is probably different to what happens in other areas. We find that we can sit down and consider a problem and that, although we might not always entirely agree, we can always find a solution.

**The Convener:** So people do not go off into their separate professional bunkers and stay there.

**Laurence Cox:** People might do that. I would not say that the situation is perfect, as that would be misleading.

An example of what I am talking about involves Scottish Water. You hear a lot of bad things about how difficult Scottish Water is to work with, but we sat down with representatives of the company and outlined the problem. Once we found a common language, we began working together very well, and Scottish Water now meets us once a quarter, has an input into our strategic documents and works with us at an operational level. We will be building houses in Stichill in three years' time and, because of the communication with Scottish Water, we know that there will be sewerage capacity to cope with that by then.

**The Convener:** I am not sure why the situation in rural areas would be different from the situation in other areas.

**Stephen Vickers:** It is much harder for people to hide in rural areas, because there are fewer key players than there are in the urban fringe or in urban areas. The statutory agencies stand in much more stark relief than they do in an urban setting, and there are fewer developers and landowners. That means that, if people choose not to play the game, they can cause a greater impediment, but it also means that, if they choose to play the game, there is much more strength behind the delivery of projects. I hope that today is about all of those people coming together.

**John Scott:** Are you suggesting that that model should be rolled out across Scotland? If so, how do you deliver a uniform product throughout Scotland?

**Stephen Vickers:** Do you want a uniform product throughout Scotland?

**John Scott:** That is for you to tell us; we are seeking your views.

**Stephen Vickers:** I do not think that we can even have a uniform product throughout the Borders, because the diversity is so great—between Berwick-upon-Tweed and the shedding of the Moffat Water, the landscape is extremely varied. I was going to make the point later that, as Gerry Begg said, there are various settlement types in the area, and an affordable housing model that works for the larger settlements, such

as Hawick, Galashiels and Berwick-upon-Tweed, will not quite fit places such as Ettrickbridge and Stichill. We need to develop a ladder of mechanisms that can work across a range of environments. Affordable housing and key-worker provision is as important in the most rural areas as it is in the areas that we term the urban fringe. However, we accept that the edges of Galashiels are not perceived in quite the same way as London is.

**The Convener:** Angela Foss, the Scottish Environment Protection Agency covers the whole of Scotland. Do you detect any difference in how it engages with rural areas and urban areas?

**Angela Foss:** I can speak only from a Borders perspective, but I know that we engage in strong partnership working with stakeholders and other agencies on various issues. As others have said, that allows us to resolve local issues locally.

**The Convener:** May I make a criticism? All the comments sound like great press releases, but I am not getting a sense that the situation is particularly different here. Does the difference come down to the point that there are fewer faces on the scene and therefore it is easier to speak to people? Is that it?

**Bill Wilson:** It would have been useful to have had someone here who had worked outside the Borders and could have given clear examples comparing the Borders with where they worked previously.

**Stephen Vickers:** We liaise with the statutory agencies—we are not a statutory agency. My point was simply that there is sometimes a feeling that the funding that those agencies provide, whether it is calculated on a per-head basis or some other basis, has to work an awful lot harder to deliver infrastructure solutions in the rural setting, because people have to go a longer distance by road or whatever. The ability to work together is much stronger here, but today we will come back to the issue of money—the dirty issue of cash—because it costs more to deliver in the rural setting.

**David Weber:** My role in Scottish Water covers Edinburgh, the Lothians and the Borders, and I deal with several developers and organisations. For Scottish Water, the situation is slightly different in more rural settings, because we need more of our part 4 assets—treatment works—to serve smaller communities. That is the main difference for Scottish Water. Four treatment works might deal with the whole of a large conurbation such as Glasgow, but each small community may be fed from one treatment works. In trying to relieve constraints, most of our investment would be targeted on those assets.



As Stephen Vickers said, development in urban areas allows mass production. Lots of houses can be built in urban developments. That is not the case in the current climate, but it was happening six months ago. However, we do not get the same mass in the rural setting. Therefore, if investment is required in local infrastructure, that is a greater burden on the smaller development companies in rural settings.

**The Convener:** We will come in a moment to the constraints in rural areas compared with those in urban areas.

**Gerry Begg:** I have worked in Dundee, Perth and Edinburgh, so I can provide what Bill Wilson asked for. In my experience, the partnership working in the Borders is streets ahead of that in other areas, where the situation is characterised by fragmentation within local authorities and competition between registered social landlords. When I worked in those areas, there were rivalries between some RSLs and our work was fraught with commercial sensitivity issues. I did not experience the kind of co-operation and partnership working among RSLs and between RSLs and the council that I have experienced here. The stability here has cemented relationships. There are long-ingrained relationships between the staff who work here and between organisations. There is a culture of organisations relating to one another.

**Alasdair Morgan:** That is an interesting point, but if you are saying that things go swimmingly here compared with the situation in some conurbations, why are we holding a rural housing inquiry? If it is fine, should we not have an inquiry into urban housing, if that is where the problems are?

**The Convener:** Indeed, why did everybody in the Borders not say, "Why are you coming here, because we don't have any problems?"

**Andy Pearson:** The issue is interesting. Stephen Vickers mentioned dirty, filthy money, which is what the issue boils down to for a lot of people. Many people in the Borders choose to work here. They often earn a lot less than they would earn in the cities and they live in properties that cost a lot less than they would in the cities. That is a lifestyle choice. People in the Borders are far more active. They get out and about—they walk dogs in the country, fish and go to watch sport. That happens in the cities, but not to the same extent.

**The Convener:** Okay, but this is not about the contrast between urban and rural Scotland, although Alasdair Morgan posed his question in that way. Rural Scotland is huge. We have heard from Gerry Begg that the situation in the Borders area is great. If there is no problem in the

Borders—if the situation here is sorted—how come we did not receive a load of evidence from people asking why we were coming to the Borders? Clearly, it is not sorted, or you would not be here. Can we put all the press releases aside, please?

**Andy Pearson:** Well, we do have a problem.

**The Convener:** Great! We are going to hear about some problems.

10:30

**Andy Pearson:** In 2006, the council prepared a housing needs assessment that said that 301 affordable houses were required to be provided in the Borders each year over a five-year period. I understand that, in the first two years of that programme, the planning department has managed to deliver consents for a total of 193 houses. Those are not houses that have been built and completed. We are having problems in meeting our targets here. It will be interesting to hear from people around the table this morning what those problems are and what can be done to rectify the situation.

**Peter Peacock:** One of the reasons for our inquiry is the fact that there is a lack of affordable housing for those who require it. In the evidence that we have taken so far, we have kept coming across two things. The lack of land supply is one of the reasons for the shortage of affordable housing. The other big constraint is the planning system as people perceive it. I would be interested in people's views on whether Scotland's perception of planning—in particular, the perception of planning in the Borders—is altogether too restrictive. Do we think about rural Scotland in a particular way that has a major effect on the supply of land for housing? In other words, do we like tidy villages rather than scattered settlements, and is planning policy therefore far too restrictive? Is that the perception here? I am not asking the planners to comment at this point. Is the perception in the Borders that it is too difficult to get planning consent?

**Stephen Vickers:** It is not necessarily difficult to get planning consent. We have a very aesthetically pleasing landscape, which is challenging because the settlements need to be built on the flatter lands that tend to be under water from time to time.

We cannot ignore the aesthetic quality of the Borders, so the planning policy works quite well. The slight difficulty arises when strict mechanisms are applied to planning, such as the stipulation that a certain percentage of a development must be affordable. That creates a stick for the developers, which forces them to produce a lower-value product within the wider mix, and that starts

to break down the town and country planning aspect of settlements. My personal view is that we should move more towards a carrot situation, in which developers are encouraged to produce aesthetically landscaped affordable housing that looks no different from the market-level, privately owned houses. Many of the settlements in the area are designed settlements, such as Newcastleton and Langholm, although I appreciate that the latter is in Dumfries and Galloway.

It is really about the economic model. You are right, convener, to say that it sounds as though there is a huge love-in in the Borders and that everything is fantastic. We can build up momentum by working together, but that simply means that we hit the buffer harder and quicker than happens in urban areas because we hit an infrastructure and cost barrier. We just cannot make the models work to deliver what Laurence Cox and registered social landlords want, what Tweed Homes wants and what the council wants in terms of affordable housing. That is just not happening at the moment.

**Peter Peacock:** Can I push you on that a bit? From your point of view, the restriction is not planning policy or land zoning per se; it is the requirements around the use of that land for certain types of housing. It is not the planning; it is the economics that go with the planning.

**Stephen Vickers:** You would never expect a representative of a landowner to say that the planning system is perfect. There are issues with it, but the planning system is not necessarily the problem. The problem is that it tends to zone development around the larger settlements, although that is not necessarily where we would want affordable housing, especially for key workers. We have heard about the types of commute and the types of income that people in the Borders have. Given the present cost of travel, people on a typical Borders income are unable to travel long distances and must be based close to their work. We therefore need a planning system that allows a degree of exception planning away from key zoned areas for the one or two houses that will make a difference in the smaller settlements rather than the 20 to 25 houses that make a difference in the larger settlements.

**Peter Peacock:** Do you think that that needs to advance further in the Borders context?

**Stephen Vickers:** Yes.

**Karen Gillon:** I am interested in the idea of affordability in the planning system. According to what the council said about affordability in its submission, none of the houses that are available for sale in the Borders is affordable, unless someone wants to buy a house in Hawick or

Walkerburn. We can talk about the kind of houses that we want to provide and the aim of building 301 affordable homes per year but, given that houses are selling at double what people can afford and double what wages in the Borders can sustain in the long term, what is affordable? Is that not why we are where we are?

**The Convener:** Andy Pearson is a builder.

**Andy Pearson:** You have hit the nail on the head: what is affordable? Today's meeting gives us a great opportunity to clarify that.

I will begin by dealing briefly with Peter Peacock's point. The planning system in the Borders is pretty good; there is not much wrong with it, although we could do with more land being released. If more land were released for development, land prices would fall slightly and houses would become more affordable. The release of more land would make it possible to achieve the necessary ratio to make houses affordable. I am a member of Homes for Scotland, which meets the council regularly. We do a land audit together, on which we have not quite managed to agree, although we are working together and we will get the numbers right.

One problem is that we seem to get hung up on providing affordable houses for people on low incomes when, in line with Scottish planning policy 3, we should consider people on modest incomes—the guidance in SPP 3 directs that affordable homes should be provided for people on “modest incomes”. I have done some research on the issue and have visited several websites. Quite a bit of information is available on salary levels. An average policeman in Scotland, who is on an average banding of between £25,434 and £33,810, earns roughly £29,500. Someone at a similar level in the nursing profession would have an average salary of £26,500.

The housing strategy team in the Borders has produced a paper on affordability. If we multiply the combined income of the nurse and the police officer by a factor of 2.9, we find that that household could afford a property that would cost £167,000. In 2006, the entry level in the housing needs assessment for the Borders started at £75,000. Given that the figure should be reviewed annually, it probably stands at slightly more than £80,000. There is a big gap between a figure of £80,000, which is how much a property for people on a low income should cost, and one of £165,000 or £170,000, which is how much a property for people on a modest income should cost. We must examine the banding of affordable housing and not get caught up in providing low-cost solutions.

**The Convener:** Keep going—members are beginning to wave their hands.

**Andy Pearson:** Good.

When it comes to the provision of affordable housing, a much lower level of subsidy is required for people on modest incomes who cannot quite afford a property than is required for people on low incomes. Many more homes could be dealt with. We must examine the sinking of big subsidies into low-income households. The expenditure of Government funds must be evaluated extremely carefully. I am sure that at some point Laurence Cox will tell us that not enough money is coming through the system.

There is a way forward—a way of providing affordable housing without requiring any Government funding—which I will come back to.

**The Convener:** I am sure that we will all be interested to hear what you have to say.

**Karen Gillon:** I am very interested in the notion of a modest income. I come from Jedburgh, where my family still stay. I do not know of many households in places such as Jedburgh that have the level of combined income that you mentioned. Most people work in the service sector, the lower-paid end of the public sector or—to a decreasing extent—the manufacturing sector. They are not able to afford houses priced at £167,000, and I do not know a lot of households where two people are earning the kind of salaries that Andy Pearson was referring to. Unless the Borders is very different from most other parts of Scotland that we have visited, it is not the houses priced between £130,000 and £190,000 that are in short supply. They are being built and are being made available. The difficulty lies with properties priced below that level.

I return to issues concerning councils. We have heard evidence from Homes for Scotland in the past that councils are turning down large numbers of private sector planning applications for affordable housing. The organisation has not been able to back that up with any evidence but, if you were approached by a developer that asked you whether it could build 20 houses to sell in the £75,000 to £120,000 bracket, would you be likely—given the evidence that you have presented today—to turn that application down, if it met the other planning requirements?

**Martin Wanless:** I had been staying quiet, because the convener said at the start that she did not want a planning view. I thought that, at the outset, I would hear what other people had to say. Peter Peacock asked whether this is a planning issue. Our discussion has moved on to the realisation that it might not be; rather, the issue might concern finance and budgets.

Scottish Borders Council has submitted a structure plan alteration to Scottish ministers. It covers the provision of land under the terms of the requirements that are set by the General Register

Office for Scotland, and adds 20 per cent of flexibility to that. In other words, the council takes a proactive approach towards the provision of land. In addition, the council is about to consider a local plan amendment, which will take forward the allowances within the structure plan. That will identify additional land within each settlement in the Borders. On planning policy, the Borders does not have a blanket prohibition on housing in the countryside. Our policy allows development to take place in association with building groups and the like.

To return to the point that was made a minute ago about affordable housing, the council has a specific policy that, if there is a proposal for affordable housing outwith a settlement or a zoned site, it may be considered positively by the council. Those policy elements lead us to the conclusion that the issue is not one of land per se; it is much more to do with budgets, economics and so on.

**Peter Peacock:** I would like to press you on that further. I hear what you say, but are you telling me that there is not a land problem in the Borders, either in terms of supply or in terms of zoning? Referring to Andy Pearson's point, are you saying that there is adequate zoned land to ensure that land does not trade at very high values, as there is plenty of it available?

**Martin Wanless:** I am saying that the council has taken steps to address any land issue that might exist. Assuming that the Scottish ministers approve the structure plan alteration in front of them, we can bring forward all the land that is required through local plan amendments.

**Bill Wilson:** I want to return to some of Andy Pearson's comments. I would take a similar line to that of Karen Gillon. If you are going to set levels of housing support, you must surely consider median, not average, incomes. The median income is under £20,000, I think, so two people on a median income in a rural area—where it is lower—are probably not earning more than £36,000. Using the multiplier that has been mentioned, they could not afford houses over £100,000. If houses are priced over £100,000, would that not exclude at least half the Scottish population, or certainly half the rural population?

**Andy Pearson:** It is a matter of providing solutions for households, whereby the more people who can be addressed at the outset, the quicker we can close the gap. We have spoken about an £80,000 gap, but I described a couple who could afford a house at £167,000. People at such levels can be dealt with very quickly, and if we address 100 households of people at that level, the gap closes very quickly. To close the gap down here, however, given the way in which the system is set up, we probably need 10 times the level of subsidy, so we might be able to spend

the public money available to deal with only eight to 10 households. The use of the money to deal with a big chunk would deal with the problem right away and it would close the gap.

**Bill Wilson:** The problem is that there may not be a return. I suspect that the incomes that you mention may not apply to more than 10, 15 or 20 per cent of the rural population and a large section of those people already own houses. What you outline would address only a very small proportion of those who are looking for houses. That is why I think that we have to look at median incomes.

**Karen Gillon:** What evidence have you got to suggest that a large number of people in the Borders who earn the kind of salaries that you mention and live in joint households are not able to buy a house? They are not the people whom I am aware of, who are stuck living with their parents because they cannot get on to the housing ladder or get a council house. If my two friends are a nurse and a policeman, they are in their own home because they are able to buy at the market level because, as you rightly say, they have the salary to enable them to do that, but if they work respectively in Mainetti's and in a low-level public sector job, they are not able to buy at the current market level because that is not sustainable for someone who is on the average income in the Borders. You can build as many houses at £167,000 as you like, but that will not be sustainable, given incomes in the Borders. You have to build houses that people can afford to buy, or we will just reinvent the credit crunch and the crisis that we have created.

10:45

**Christine Grahame:** I endorse Karen Gillon's comments. Andy Pearson talks as if we are talking about a generality throughout the Borders, but those of us who know the Borders know that there are great differences in median income between various parts. Peebles is a relatively affluent part of the Borders, but Hawick and other settlements are not. What you talk about as being affordable in one part of the Borders may not be in another. You said that there are 90 recognised localities. You will find great discrepancies between them. Some of them, such as Galashiels, are up and coming; it went through a bad time when Viasystems closed, but property prices are now rising because of the railway. We must consider that issue.

I also ask the witnesses to address social rented housing in the Borders, because much of what comes across my desk is about people who are not even looking at trying to buy. They just want to move into a property that is suitable for their needs. You will notice from the committee papers that many people in the Borders are in the wrong

rented housing and cannot move to other rented housing, because it is not there. We must bear in mind that if someone is in Melrose, they might not be able to move to Peebles if a house is available there, because they would not be able to travel to their work or to school.

**The Convener:** Quite a few people want to come in now, which is great. I will bring Andy Pearson in because some of the issues arise directly from what he said. We will then go to Gerry Begg and Graeme Donald.

**Andy Pearson:** I will address Martin Wanless's point. As I said in my opening remarks, there is not terribly much wrong with the planning system in the Borders. Martin's department allows a 20 per cent margin for error, but the difficulty in the Borders comes when landowners and developers bank land and land supply therefore becomes ineffective. The council does not have control over that.

The next problem in delivering affordable housing is that we are at the start of what could be a long economic downturn. House builders will not be building and will not produce their share of affordable housing. Because they are not doing that, the problem will get worse before it gets better.

**The Convener:** I am aware that we started the inquiry before the current circumstances became evident. As we have gone on, current circumstances have overtaken some parts of our inquiry.

**Gerry Begg:** Recognising the sort of Happy Valley nirvana situation that was portrayed earlier—

**The Convener:** I ask you to shift your microphone as it is difficult to hear you clearly. Members of the public must also be having difficulty hearing you.

**Gerry Begg:** I hope that everyone can hear me now.

Notwithstanding the positive situation to which I referred in respect of how we go about our business and the partnership working that takes place, we clearly face a number of big challenges. Those include funding, land supplies, water and sewerage, the capacity of the construction industry, public utilities and flood risk.

I take exception to some of the views punted by Andy Pearson because our efforts have been to assist those people who cannot enter the property market. I align myself with Karen Gillon on that point.

There are historical issues in the Borders to do with the impact of the right to buy and how that manifests itself locally. A big problem in some

areas is that there is a mismatch in terms of house type and size. We have a large number and range of settlements, and there are totally different challenges at different levels.

The Borders is a big local authority entity. It is not an island; we are part of the Edinburgh city region planning area. From the research that the council has carried out, we reckon that there are in effect four housing market areas in the Borders. We had thought that there were seven, but we recognised the changing patterns of house purchasers and came to the view that there are four. We understand that—

**The Convener:** Are the four areas geographically divided?

**Gerry Begg:** Yes, they are geographically defined areas.

**The Convener:** Tell us what the four markets are.

**Gerry Begg:** The areas are Berwickshire; the central Borders; a small urban fringe in the south-west of the Borders near Dumfries and Galloway—the hill country; and the northern Borders. There are huge challenges. The northern Borders is closely aligned to Edinburgh. A two-tier housing market area operates in a part—arguably, a growing part—of the Borders. Local people are purchasing houses in a much lower price range than those more affluent people who come into the Borders. It is not an island; there is a lot of migration within the Borders as well as from other areas in Scotland and the north of England. Whether we like it or not, Berwick-upon-Tweed is the largest town in the eastern borders—

**Karen Gillon:** Do not go there, Gerry.

**Gerry Begg:** By a quirk of history, it is on the English side of the border. There is a lot of movement across boundaries.

**The Convener:** We could always fix that in the future.

**Gerry Begg:** As I said, there are issues with the right to buy and its impact at different locality levels. We have seen all the affordable housing wiped out in some of the smaller settlements. Typically, rates of new-build completions by the RSLs have been outstripped by a factor of three by right-to-buy sales. We recognise that there have been changes in the impact of the right to buy. Right-to-buy sales have been tailing off over some years, notwithstanding the introduction of pressured area status. There seems little appetite to go down that road, both because of the perceived bureaucracy of the mechanism for making applications and, in the case of the RSLs, because the council is a stock transfer authority and not a landlord. We have to take on board the views of the RSLs that are active in the area.

There is little appetite among the RSLs to make a pressured area status bid because they rely on the capital receipts that flow from right-to-buy sales in order to reinvest in their stock so that the standard of the stock can be brought up to meet the Scottish housing quality standard.

The elephant in the corner is that many of the problems go back to money, as Stephen Vickers and Andy Pearson in particular mentioned. In common with other local authorities in south-east Scotland and Fife, we have a problem with how the national Scottish Government affordable housing investment is divvied up. We contend that perhaps too much is going to Glasgow.

From our perspective, we see a third of the Scottish affordable housing investment programme budget going to Glasgow. We await clarity on how the national budget will be allocated in the light of the developing strategic housing investment framework and strategic housing investment planning system. In concert with our RSL counterparts, we at local authority level would like to see a more transparent divvying up of the AHIP budget. In particular, we would like to see issues such as population growth, which we are experiencing in the wider Edinburgh city area, being taken on board.

**The Convener:** Obviously, quite a lot of that applies to much of rural Scotland, too. I am surprised about the lack of appetite for pressured area status, given that that has worked quite well in other areas.

**Graeme Donald:** It is interesting to listen to what the housing professionals and providers on the panel have to say. I am afraid that I will be a little bit more anecdotal in my evidence. I am speaking on behalf of those who are buying houses and not those who make them available. I support the earlier comments on the planning authority. In general terms, community councils are very happy with our close working with the planners. That brings me back to the point that was made about rural working. In rural areas there is a closeness between people—everybody knows everybody and everyone wears more than one hat. At times, that can be too comfortable, but it is helpful.

In advance of appearing at the committee today, I contacted 48 of the 60-odd community councils that have a direct interest in the discussion this morning. I wanted to give them the opportunity of feeding information through me to this gathering. I received replies from 12 per cent of them. Perhaps that indicates that people are not as concerned about the issue as we think they are.

I received only one comment on the planning side, which was that at times it is necessary to be reactive rather than think strategically. Although

from what we have heard, it may appear that a lot of strategic thinking is going on, I am feeding the views of others and, when the situation is seen through the eyes of those who are looking to buy or for accommodation in their local community, that may not appear to be the case. The comment that I received was that low-income occupancies should be near places of employment and services such as schools, shops, and health centres, and should have accessible public transport links. If a percentage of affordable housing is located in the middle of large estates, people do not necessarily get immediate access to services.

One or two councils commented strongly on the allocation of a percentage of affordable housing in larger private developments; if half a dozen houses in a development are built to accommodate a particular social group, but the others are not, there may not be a good fit. That is an example of where the planning system and planning gain have been reactive rather than the result of strategic thinking.

Other panel members made an important point about the term "affordable". The man or lady in the street does not talk about affordable housing—they are being forced into using that terminology because it is what the professionals use. People want to know about rented accommodation, the availability of properties for sale between £80,000 and £100,000, or about another aspect that has not yet been mentioned, which is where they can get a site to build their own house, as some people say that they can build a home much more cheaply than they can buy one. Self-build is a category of affordable housing. People talk about those three categories of housing; they do not use the collective term "affordable housing".

The issue of land was raised on several occasions. Peter Peacock asked whether the planning system is restrictive. Our general comment is that it is not. The issue of land is much more restrictive, however. Locally, we know where there is land—of course we know that. We are small communities; we know exactly who has got what. However, we also know that the landowners are not prepared to sell their land at a price that is lower than what they want and they will not get the price that they want if the land is to be used for social housing and rented accommodation.

**The Convener:** Some people have suggested that we should have not just a designation for land for housing, but a separate designation for land for affordable housing, which would perhaps deal with some of the ability to sell land. Obviously, if someone can sell land at £150,000 for a quarter of an acre because it is designated for housing, why would they sell it cheaper? I just throw in that point.

11:00

**Graeme Donald:** Some who responded took the view that the landowners want to choose their neighbours. Land may be designated for a particular purpose, but that does not necessarily encourage the landowner to sell that land for affordable housing without knowing who their neighbours might be. That is an issue.

There is, of course, a suggestion that local authorities should buy back former council housing when it comes on the market or when the owners have trouble paying for it. That involves the question of being able to turn over property. As you know, people in communities in the Borders—the same may be true elsewhere, although I do not know—want to live where they were born and brought up. There are examples of people moving 20 or 30 miles to the nearest affordable housing for two or three months, but moving back when a house comes up in their home area. That is a very rural way of doing things. Being Aberdeen born and bred, I suggest that the situation in the cities is different.

I will comment on other issues later. However, as it has not been mentioned so far, forgive me for quoting from the recent Westminster-commissioned Taylor report on housing:

"If we fail to build affordable homes to enable the people who work in the countryside to live there we risk turning our villages into gated communities of wealthy commuters and the retired. In many cases just a handful of well-designed homes, kept affordable in perpetuity for local people, will make all the difference to the sustainability of a village."

It is our understanding that, when a right-to-buy house is sold on for the second and third time, it quickly becomes unaffordable and unavailable to the people living in that community. There must be a way of holding on to houses in a community and allowing the people who are born and bred there to have first access.

**The Convener:** Loads of people want to come in, but Martin Wanless is first.

**Martin Wanless:** First, I will give a quick response to your suggestion of having some kind of affordable housing zoning.

**The Convener:** It is not my suggestion. It was made previously and it is out there for people to discuss what consensus there is on it.

**Martin Wanless:** The idea may be superficially attractive. The reason is that immediately a site is zoned for any kind of housing, a value is attached to it. I can foresee that compulsory purchase order powers may have to be resorted to in order to bring the land forward.

I want to pick up on Gerry Begg's comment about future population figures for the Borders. The Government's population forecasters at

GROS say that there will be a 16 per cent increase in the Borders population by 2031. They also say that, over the same period, there will be a 26 per cent increase in the number of households. That gives you an idea of the scale of the issue facing the Borders. However, along with that, we are looking at significant population structure change. For example, there will be twice as many over-65s in the Borders in 2031 as there are now. Future Government policy on the number and types of units will need to address all those factors.

**The Convener:** The changing nature of households is also important. In a sense, single-person households, which are increasing hugely in number, are not being catered for.

**Stephen Vickers:** Before I make my main point, I will address the suggestion that areas be zoned. The people whom we are discussing have enough challenges in their lives without our ghettoising their living standard. If we zone areas for affordable housing, we may create ghettos, which we do not want to do. We are talking about people who are an awfully long way from the bottom rung of the housing ladder. So far we have spoken a great deal about getting people on to the first step of the ladder, but for many of the people to whom Karen Gillon referred that will be a step too far. Rented housing must be a more reasonable solution for those people.

At the moment, there is strong provision of rented housing through RSLs, but in tough trading climates, as at present, we must get the best bang for our buck. That will force us to concentrate on the edges of larger settlements and sites that are easier to service. However, if we are thinking about key worker provision, enabling families to succeed in communities and preventing out-migration of younger people and skills, we must deal with sites where it is expensive to provide infrastructure.

I will ignore the issue of land value for the time being, as there are people who are willing to take a more altruistic view on land. However, providing the infrastructure for social rented housing is extremely expensive. It is correct that we should focus on social rented housing, because that is where affordability is to be found, but we need to address the economic gap that makes it difficult for people to build houses for rent. That brings us back to the issue of dirty cash. Under the homes-for-rent model that the Scottish Government has developed with the Scottish Rural Property and Business Association, we introduced land at nil value to the key settlement of Newcastleton, where there is identified demand for 12 affordable units, but infrastructure costs killed the project. We did not even get close to what was needed. The landowner was asked to provide the sum of nearly £200,000 to subsidise the scheme.

**John Scott:** What should be done?

**Stephen Vickers:** To help disadvantaged people, a grant or subsidy system is required—there is no way around that. We need something that allows the economic model to work by plugging the gap. The concern is then to protect affordability and to ensure that Government subsidy in the system is not lost to profit making in the private sector. Through section 75 agreements and various other mechanisms, affordability can be protected in perpetuity and we can ensure that money is delivered to meeting need, instead of getting lost in the wider system. The Scottish Government is all about transparency; much of the private sector is also happy to have transparency in all dealings.

**The Convener:** In its evidence, Tweed Homes is particularly excoriating on infrastructure problems. I was struck by its comments on Scottish Power's demands for cash up front. I have come across the problem in my constituency vis-à-vis individuals, so I was interested to hear about it from the perspective of Tweed Homes. No doubt Andy Pearson has something to say on the issue.

**Andy Pearson:** I will go back one step and talk about some of the other utilities. Two or three years ago, Scottish Water was in a similar state of disarray. The Scottish Executive issued a very effective directive instructing Scottish Water to remove constraints relating to the treatment of sewage, and these days the performance of Scottish Water is far better. That is an example of Government intervention that has worked. The same must happen with Scottish Power.

**The Convener:** Scottish Power and Scottish Water are very different animals.

**Andy Pearson:** Scottish Power is a private company, but it must respond to legislation on the provision of power. At the moment, Scottish Power has a monopoly—if we want overhead cables to be diverted, only Scottish Power does that. The current arrangements are that we phone Scottish Power, we try to find someone to speak to and eventually we give up and send a letter by recorded delivery, in case it gets lost in the post. The letter contains a plan that shows what we want to do, and we hope and pray that someone will phone us back or arrange a meeting. Eventually we get the ball rolling and after two or three months Scottish Power gives a quotation for the work—that is the price, because there is no competition.

Scottish Power's terms of business are somewhat draconian: it wants the money up front, regardless of how good or bad a job it will do. The company says that it has a 12-week lead-in period, but in reality it is more like seven or eight

months before someone turns up. We can understand a three-month delay and we can programme that, but we cannot programme an extra three or four months and the delay causes utter mayhem. Builders must try to get on with the development and houses that have been completed must wait for meters to be installed and power to be activated—[*Interruption.*]

On a few occasions, householders have turned up with a removal truck, which has had to wait in the drive while Scottish Power powers up the house. The building control officer has to wait for Scottish Power to finish up before he can sign off the building.

**The Convener:** John Scott was muttering to me that we need corroboration of what you are describing, but I muttered back that there is corroboration, because I have a constituency case about precisely the point that you made. Other members, too, might have come across the issue—I think that Peter Peacock has done so.

**John Scott:** Have other witnesses who deal with Scottish Power daily had the same experience?

**Stephen Vickers:** We are in a unique position, in that regardless of the legislation Scottish Power has to have access across our land. However, even when we threaten to withdraw access nothing happens—there is an extremely arrogant attitude. We wait, pay our money up front and are frustrated, like everyone else.

**Graeme Donald:** Community councils share that view. Scottish Power is a law unto itself. It does things as and when it requires to do them and it holds up a lot of initiatives, which are often community-based initiatives.

**Laurence Cox:** Our experience is similar. Also, the quotations for connection charges that we get from the utilities companies are valid for three months, but the work is not done for nigh on 12 months. We are bound by the utilities companies and their contractors, who come back to us and double or triple the quotation. That happens all the time.

**The Convener:** Does anyone else want to comment?

**Peter Peacock:** I want to make a slightly different point.

**The Convener:** Before we move on, I will allow Andy Pearson and Laurence Cox to comment.

**Andy Pearson:** Can the Government do something to help us? Perhaps tripartite workshops could be held around the country, hosted by the Scottish Parliament. Scottish Power could attend and the house building industry could be represented. We could get round the table,

identify the problems and challenge Scottish Power to do something about them. We could also consider whether the monopoly that the company enjoys can be dismantled, so that we can get better value for money and some service, for a change.

**Laurence Cox:** I want to comment on a number of points that were made. The planning authority works well with us, but getting through the planning system is more difficult. It takes much longer to get an application through the system than it did 10 years ago. There is much overlaying legislation to which planning is subservient and which takes much more time to deal with. For example, a project that would have taken 12 months from inception to fruition 10 years ago now takes 18 months to two years. That is to do with the planning system, not the planning authority, which must work within the system. I do not know whether anybody else can corroborate that, but it is something that the Eildon Housing Association experiences.

**Andy Pearson:** I agree with what you say, Laurence.

11:15

**Laurence Cox:** Zoning land for affordable housing might work in some small rural communities, but Martin Wanless is correct that it would probably be necessary to use CPOs in many instances because landowners will not give away land. The valuation for land for affordable housing is much lower than that for land for general-needs housing. It is not a good idea to zone larger rural settlements purely for affordable housing. "Firm Foundations: The Future of Housing in Scotland" wanted tenure-blind housing development and such zoning would work against that general principle.

I will go on to the dirty question of money, which is at the root of much of what we are talking about. The funding for affordable housing that comes to the Scottish Borders from the Scottish Government is not enough to provide the affordable housing that is required in the region in light of the projected population growth and the housing need that is currently identified through the housing needs assessment. We must remember that population growth in the Scottish Borders is projected to be the second or third fastest in Scotland, but that is not reflected in the amount of funding that comes to the area.

**Peter Peacock:** I think that Andy Pearson said a good bit earlier that landowners and developers are banking land that is zoned for housing and probably has consent. Therefore, the land is not being developed despite the fact that it has consent and is zoned. I ask him and Stephen Vickers to comment a bit more on that.



I would also be interested in the planners' views. Should planning consent be revoked after a period of years to try to create an incentive for development? Is there a reluctance to undertake compulsory purchase? For example, Graeme Donald indicated that he knew there was land but the problem was how to get it. Why do people not use compulsory purchase?

**Andy Pearson:** Tweed Homes does not bank land. We cannot afford to; we have to get on with building on the land that we acquire. Land is scarce and difficult to acquire. Many cash-rich companies look for not only a five-year supply of land, but a 10 or 15-year supply. They buy land, sit on it and consider the strategic way forward for the company. They bank land.

Landowners have their own reasons for banking land. They want to add value to their land and, if land is zoned for housing or gets consent, that adds value to it. They also have their own reasons for selling land. Timing issues, such as their tax position, may come into it.

There are a number of factors that are way beyond the control of any planning department. We find the situation frustrating, because the allocation of houses is taken up by organisations that bank land, which makes it harder for companies such as ours to get land. At the same time, the council is not able to achieve its targets.

**Peter Peacock:** Would you revoke consent after a period of years if land had not been developed?

**Andy Pearson:** I wish I had that authority.

**The Convener:** Would you call for that? Would you see it as a useful tool if, after a certain length of time, land that was zoned for housing but which had not been built on could lose its zoned status?

**Andy Pearson:** That is a very interesting and challenging question. I would like to reflect on that before I commit myself to a view.

**Alasdair Morgan:** What is happening currently? A lot of developers will not be building houses anyway because nobody would buy them.

**The Convener:** We will come on to that. I want to spend a bit of time on that, but not quite yet.

**Stephen Vickers:** I will duck the question, as the company that I represent is not a typical landowner with land surrounding the settlements and towns. Because of our scale, we can work closely with the planning authority to plan and deliver zoning on the basis of demand, whether for market-level housing, affordable housing or a mixture of the two. For a number of the smaller landowners, we are talking about their pension sitting in a small plot of land in an infill site in a village. In talking about the role that private enterprise has to play, it is easy to make sweeping

statements but difficult to deliver without infringing someone's individual right to survive and earn money.

We try to deliver and do not sit on land banks—you could say that the whole estate is a land bank, but a lot of it could not be developed because it is too steep, wet and high. Generally, we work with the planners to zone land for development. There is a certain attraction to the proposal that zonings could be withdrawn if the land is not developed after a certain period, as long as people understand why the land is not being developed. That may be to do with infrastructure issues, with the current credit situation or with a lack of desire from the individual who secured the zoning to release the land for development. My argument against that is that, if land has been zoned, it has been zoned because of need and it should be released for development as long as it is economic to do so.

**The Convener:** I will bring in Christine Grahame, Bill Wilson and Martin Wanless. We will then return to Alasdair Morgan's question about the current circumstances.

**Christine Grahame:** I want to pursue a couple of issues with Laurence Cox. My first question is a sensitive one. As registered social landlords, you have statutory duties in allocating housing. Does that cause you any difficulties with the contained communities in the Borders when you want to build social rented housing? People may, frankly, say that they do not want that here. We must face that issue.

Secondly, you must be disappointed with the implementation of the Planning etc (Scotland) Bill, which the Parliament passed recently. The bill aimed to accelerate planning and get over the hurdles that communities might face—such as the example that I gave earlier—in advance, to reduce resistance to planning applications. Can you give a specific example of an area in which the time that a planning application has taken has been extended—has even almost doubled—from what it would have been previously, in spite of the fact that we have tried to improve the planning process?

**Laurence Cox:** We come across the not-in-my-backyard scenario largely in the smaller settlements—new development does not really have any impact in the larger settlements. We normally find that those who are most against building in those areas are people who have moved into the areas in the past five years. That is not just typical of the Borders; it is the same everywhere.

The Planning etc (Scotland) Bill—

**The Convener:** It is now an act.

**Christine Grahame:** It is not in force yet.

**Laurence Cox:** It is not in force yet, so it is difficult to answer your question. I am led to believe that discussion is still going on between heads of planning and the Scottish Government about how the act will work. Therefore, Martin Wanless might be better placed to answer your question.

It is not so much an immediate "Oh, this has happened" as it is a drip, drip, drip over the years and we are finding that things are taking longer and longer. It is not something that has happened overnight. It is not a direct result of the act that has yet to be implemented.

**Bill Wilson:** I would be interested to hear Martin Wanless and Gerry Begg's views on dezoning. As an aside, you are not keen on the idea of zoning specifically for affordable housing, but what about zoning for rented housing? Do you have the same view about that?

**Martin Wanless:** I have never thought of the question in those terms. I suppose—

**The Convener:** I cannot remember who first raised the issue, but a witness raised it a considerable time ago. I think that it was at the seminar that we held in Aviemore at the start of the inquiry. Somebody suggested it as a way forward.

**Martin Wanless:** I suppose that my immediate reaction, without thinking about the idea in great detail, is that the principle of zoning for affordable housing and the principle of zoning for rented housing are pretty much the same, in the sense that the hoped-for value of the land still applies. The landowner, depending on his circumstances, might well choose to wait until a more appropriate zoning came forward. I am not sure that the idea bypasses the issue.

**Bill Wilson:** Might dezoning, for example, change the situation? We could say, "Well, the land hasn't been used. It is now dezoned."

**Martin Wanless:** I was going to touch on dezoning, or revocation. At present, when a site has planning permission, the permission is deemed to have been implemented when any development takes place. In other words, if a trench is built on the site, the permission has been implemented. That immediately raises issues in relation to revocation. You would have to go back into the heart of the legislation in order to change the situation. It would be difficult to set up systems to determine when planning permission was or was not being implemented.

**The Convener:** To clarify, you are saying that, if we did the superficial thing of introducing revocation, under the current system, all that the owner would need to do would be to stick a spade in the ground, dig a small hole—

**Martin Wanless:** And take a picture.

**The Convener:** And that would be it.

**Martin Wanless:** Yes. From a local perspective, I am aware of sites in the Borders that have been under development for 20 years. That is just the nature of the market. The council addresses that by building enough flexibility into its housing allowances and allocations. Any land banking can be taken care of in that way rather than by specifically addressing the issue.

**Bill Wilson:** Given the caveat that it would perhaps be complex to make the change, are you broadly supportive of the principle?

**Martin Wanless:** It would be difficult to set the criteria under which one would make the case for revocation. You would have to set criteria to determine when permission could be revoked, and any smart landowner or developer would soon develop ways in which they could meet those criteria. The idea could be considered in detail. I have not considered it before today, but I envisage that it would be extremely complex and difficult.

**Karen Gillon:** It does not seem extremely complex and difficult to me. If there are no houses on a site, it has not been developed. The change seems quite a straightforward one to make. If someone is given five years in which to build houses on a site and they have not built them in that time, their planning permission could be revoked or the land could be purchased compulsorily and developed, especially if it was zoned for rented accommodation. We are in danger of making the change seem too complicated because we are scared of the reaction from the private building sector.

**Martin Wanless:** To clarify, convener, I am saying that, at present, a site is under development if a trench is built. Karen Gillon's point is that, if there are no houses on a site, planning permission could be revoked, but how many houses would there have to be on the site to avoid that—one, two, three, four, or five? Whatever number was chosen, the landowner or developer would put that number of houses on the site to avoid revocation.

**Karen Gillon:** If a piece of land has been zoned for housing with outline planning permission for 25 houses and those houses have not been built five or 10 years later, it seems to me straightforward to say that that land is being banked.

If a council has allocated land based on need—that is why land is allocated—for private rented accommodation because the population during the next 20 to 30 years is due to rise by 16 per cent, it is a simple case of us, as legislators, providing the mechanisms that will allow the councils to tell the landowners to build the houses that they have

permission to build or the land will be taken off them and given to someone else who will do it. They do not have the land just because it is a nice piece of land and because we do not need the houses; we need the houses, so we must make the system work to provide the necessary housing.

**The Convener:** Martin Wanless's point is that the legislation would need to be changed to allow that to be done, and his concern is that so many potential exceptions would have to be allowed for that it might not be worth doing at the end of the day. Is that a fair summation?

**Martin Wanless:** I am suggesting that anything is possible, but it would be difficult to produce the legislation to achieve what you need to achieve.

**The Convener:** I do not want to get too bogged down in this issue because I want to go back to some of the issues on which Alasdair Morgan was beginning to touch. We have about 15 minutes left. Alasdair, can you remind us what you were trying to chuck into the mix?

11:30

**Alasdair Morgan:** It is not unrelated to what we have been talking about. A lot of the problems that we are facing have arisen in the context of the buoyant housing market that we have had for 10 or 20 years or longer and the general economy. The current economic crisis—the credit crunch or whatever you want to call it—has clearly changed the situation, although we do not know for how long. House sales seem to be pretty well drying up—I assume that the situation in the Borders is no different—which implies that house building will also dry up. Therefore, the land banking that we are talking about will get even worse. No developer will build houses if no one is buying them.

People should be asking whether that changes the fundamental nature of the problems that we are facing. You might think that prices might fall, which would make houses more affordable, perchance—I do not know. What can the Government do, apart from the macroeconomic things that we can do? Should we respond in any particular way to the changed housing situation? Should we change our policies in some way and, if so, how?

**The Convener:** The obvious person to go to first is Andy Pearson.

**Andy Pearson:** I am worried that the convener is saying that there is a limited amount of time available. I think that we have kicked the ball around quite a lot and that it is now time to talk about delivering solutions. Are you comfortable with that, convener?

**The Convener:** Well, these are the circumstances that we are in.

**Andy Pearson:** It has become clear this morning that we are looking for a good mix of housing tenure, with affordable houses delivered at the right price; everyone here is looking for just that.

There is a way of doing that, which involves local government and the house building industry, bringing RSLs to the table at some point. We must look at dormant council assets—land that is owned by councils but is sitting doing nothing. We need to identify sites that could accommodate affordable housing and enter into agreements to develop those sites under licence, whereby the house builder would not own the land; we would merely provide houses at a discount. We would bring our expertise to the table and provide affordable houses at a greatly reduced margin. That would allow us to produce a number of house types.

For example, I have looked at a costing arrangement for a site in Galashiels. Under the proposals, we could produce two-bedroom apartments—Karen Gillon will like this—for £80,000, two to three-bedroom terraced houses for £105,000 to £125,000 and four-bedroom properties for £130,000. No Government funding would be required.

Affordable housing could be delivered in a prompt, cost-effective way without being delayed by constraints in public expenditure programmes. A significant contribution could be made towards meeting a council's target for the provision of affordable housing, such as the 301 houses that we have to provide in the Borders. It is important to say that the council would remain a stakeholder in the completed property, and its position would be enhanced by combining the land's value and the discount accrued from the householder. Its position as a stakeholder would be retained on the council's balance sheet and public assets would not be given away. Households would have the opportunity to obtain a property that could be rented or bought on a shared ownership basis and the house building industry could protect jobs and continue to develop the skills base to meet future housing demands.

Those houses could be produced at £80,000, £105,000 or £130,000 without any Government money. At that point, an organisation such as Laurence Cox's company, Eildon Housing Association, could come in. If it says that the price is a wee bit too much, it could find a subsidy, and the level of subsidy that it would have to find would be less than would otherwise be required, which would pull the whole equation together.

**The Convener:** I presume that that would depend on a great deal of land that is owned by councils being suitable for housing.

**Alasdair Morgan:** I wonder how Andy Pearson's proposal, which might work well in the times that we have just come through, could be insulated from the current housing market. The problem now is not that there is a shortage of housing but that there is far too much housing that nobody wants to buy. Houses are for sale, but nobody is prepared to buy them. I know that such housing is not affordable housing, but there are too many houses and not enough buyers, and conventional economic wisdom suggests—it may be wrong—that when there is an imbalance of supply and demand, supply should not be increased any further.

**John Scott:** The submission from Tweed Homes indicates that Andy Pearson's proposal is not new. Why did the council not go ahead with it, if it is such a sure-fire winner? I am sure that the council has its reasons. We have heard one side of the argument, but there has to be another side.

**Gerry Begg:** I can perhaps pick up on—

**The Convener:** Can you keep your comments relatively brief? I want us to have a conversation about the current economic circumstances and how they have changed things—if at all.

**Gerry Begg:** I am unfamiliar with the scenario of the site in Galashiels that Andy Pearson mentioned. However, although I do not know the site that he is referring to, some interesting principles are involved. We would have to have a further discussion off-stage with other colleagues, notably the council's legal and finance people, because it is beyond my technical competence to provide a view.

On the situation that Andy Pearson outlined in his submission, it is fair to say that the council had different ideas for land use at the sites that he mentioned. The land has been developed through a different route and plans are in train to deliver additional affordable houses for a particular client group. That perhaps explains why we did not bite his hand off in 2003.

The local authority has been active in assisting local RSLs through the disposal of its former housing revenue account land bank. It was not a big land bank, but we have transferred it over to Eildon Housing Association for a token £1 so that those sites can be developed for affordable housing, and a number of them have been. That has been a big factor in keeping the affordable housing programme afloat in the Borders. Had it not been for the strategic release of the ex-HRA sites and of some other sites that the council disposed of to RSLs at the district valuer's valuation, the affordable housing investment programme would have crashed in the Borders because of the difficulties that locally active RSLs encountered in securing land in the marketplace.

**Stephen Vickers:** On the credit conditions, we keep coming back to the idea of owner-occupiers and affordability in relation to buying, rather than renting. We have talked about £80,000 as an entry level, but it will be incredibly difficult for those people to secure borrowing of even £80,000 in the current climate. They are potential lendees of the sort that the banks will not want to approach, because, essentially, overlending to that sector of the community—I accept that that was principally done in America—created some of the current conditions.

During difficult credit conditions, it is a lot easier to maintain the affordability of rents than the affordability of capital to purchase. I emphasise again that we should not ignore the part that the rented affordable housing market can play in delivering real solutions, irrespective of external conditions.

**Graeme Donald:** On the question of how the credit crunch is hitting the person in the street—and as a follow-up to Stephen Vickers's comments about access to mortgages—I have to say that you do not need me to give you anecdotal evidence on this issue. You have only to read the papers to see that many properties are on the market because, even if people have £80,000 or £100,000 deposits, they still cannot get loans. Stephen has been the first to raise that issue, which comes from the point of view of buyers rather than providers—who are, after all, heavily represented around the table.

I also support Stephen Vickers's views on rent. However, as I said earlier—the RSLs might wish to comment on this—my understanding is that there is no priority for local people. People hope to stay close to their families not only for child support reasons but for all sorts of reasons, both parochial and practical. Because of the rules and regulations that we have been led to believe the RSLs have to work to, there is no guarantee that, when a local property comes up for rent, local people will get first choice.

**The Convener:** Would it be helpful to have a local housing need category?

**Graeme Donald:** Absolutely. We started this morning's discussion by wondering whether there was a rural way of working. Some might see such a view as very parochial and think that those people simply want to stay where they are and are not prepared to move or to get on their bikes. However, that is where we are. We cannot simply ignore those people when they say, "I want to stay where my family is," and tell them that, according to the theory, it is better for them to move to where the house, the work or whatever might be.

We have not discussed the community's right to buy, community land trusts and giving

communities a greater role in satisfying their own needs. There is a huge amount of common land in this country, most of which lies in rural areas. Such land should not be banked; instead, it should be used to benefit the people in a community. The suggestion is serious, but it has not been touched on at all this morning.

**The Convener:** Of course, to a certain extent, it is up to communities, not anyone else, to move on that.

**Graeme Donald:** Absolutely. However, support for or encouragement to communities would help.

**Alasdair Morgan:** And money.

**Graeme Donald:** No, it is not just about money. It is a personal comment, Alasdair.

**The Convener:** I know that what you suggest happens in other areas. All I can say is that any community interested in such an approach should get in contact with other areas where it has been extremely successful. Indeed, I can tell you about one in my constituency.

**Graeme Donald:** Indeed. The housing association in Renton, for example, has been down to the Borders to show people what it has been doing.

As for Alasdair Morgan's comment, it is not all about money. Of course, money is needed to do anything and everything, but a bit of encouragement is also needed. A lot of the initiative in communities is not about hard cash but about cash in kind in the form of professionalism and information. However, such aspects are not being tapped because communities are not being encouraged to develop their own thinking. Everything is done to them, rather than directly with them, and they need the opportunity to develop things from the bottom up.

**Laurence Cox:** It is quite correct to say that there is no priority for local people in the rented sector. However, when you look at the allocation of houses, you find that 90-odd per cent of those who get them are local people. The problem is that, at the outset, we cannot guarantee that all the houses will be let to people who live in a particular settlement. After all, we are using public subsidies to build houses, and the need goes wider than the very local level. There is a slight conflict there but, as I say, local people by and large get these houses. That said, I know of a house in Morebattle that was given to someone from Kelso, which is a good 8 miles away.

**Christine Grahame:** That would be dynamite.

11:45

**Laurence Cox:** That is the level of parochialism that we sometimes have to cope with.

Although we have talked about affordable rented housing, the credit crunch and so on, we have not really considered the fact that affordable rented housing tends to be seen as a homogeneous mass and as a single rental structure. There was a suggestion in "Firm Foundations" with regard to mid-market rented housing, but no mechanism has been put in place to bring that forward. Such a category would be useful, because we think that, particularly in these times, there is a place in the market for it.

Every year, we provide a small number of new affordable houses—about 80 to 100 maximum—which cannot serve everyone's need. Some lucky people get those houses, whereas the others have to find a house elsewhere, usually at market rent. However, paying market rent means that they will never be able to save money for a deposit to allow them to get into the shared equity market—they do not have enough income to get into that market. We should certainly consider how mid-market rents might be introduced and used. Of course, the issue is not purely rural, but it has a big impact in the Scottish Borders.

**The Convener:** It is worth remembering that when money is expensive it is expensive for everyone, including housing associations and councils. Things are not necessarily as easy as they might seem.

I see that other people want to comment, but we have come to the end of the time that we have for this discussion. As I say to everyone who appears before the committee, if any issues that you feel strongly about have not been raised or discussed this morning or if you have any questions that you wanted to ask but did not, you should get them to the clerks. Equally, if, later on, you think of solutions that you wish that you had mentioned at this meeting or issues that we did not cover, you should flag them up to us. This does not have to be the end of the discussion—please continue to communicate with us.

I thank everyone for coming and suspend the meeting for 10 minutes.

11:46

*Meeting suspended.*

12:03

*On resuming—*

**The Convener:** We will now have a more traditional question-and-answer session. The panel of witnesses comprises Alan Thomson, who is the head of community affairs at Scottish Water, and Martin Marsden, who is the Scottish Environment Protection Agency's water unit manager. Their submissions have been circulated.

We will not hear opening statements; I will go straight to questions.

**Peter Peacock:** What are your thoughts on the new planning system and your role in it? What are your agencies' experiences of the bureaucracy that is attached to the system, of which—no doubt—you are part? Is the system functioning adequately? Could it be improved further? I ask for general perspectives.

**The Convener:** We aim to finish by about 25 past 12, so we are not looking for great long theses.

**Martin Marsden (Scottish Environment Protection Agency):** We think that the planning system works pretty well, but the process of modernising it—we now have a fairly clear view of where it is going—is a productive improvement.

SEPA is reviewing how it handles planning. We are going to put far more of our effort into national and major developments. With other consultees, we are developing a process to ensure that we consult in a co-ordinated way, to minimise the delay that multiple consultations with potentially conflicting views might cause. We expect a significant improvement in how we contribute to the planning system.

**Alan Thomson (Scottish Water):** I will back up what Martin Marsden said. Scottish Water is supportive of the planning system. About two years ago, we made a fundamental change to the management of our customers, which has been mentioned. We tended to manage our customers through the planning system, which caused us all sorts of issues and problems with communication, so we worked with the Government to produce new planning advice note 79 and we changed our approach.

If a local authority is minded to grant planning permission, that does not necessarily mean that the customer will get a water or waste water connection. Several customers had gone through the planning system and started to build without their founds—perhaps on single plots up in the Highlands—before thinking about water and drainage. They would know their electricity and gas situations, but they would never think about us as just another utility. We had to break that attitude, so we decided to align ourselves with other utilities on the management of the customer.

Scottish Water now takes a twin-track approach to planning. We are involved with local authorities and developers in account managing and early engagement in big developments such as the large A96 corridor and the Clyde gateway, but we also manage individual customers who come through the planning system and want connections. We work with them on our ability to service a site and on costs and timing. Two years

ago, we fundamentally changed how we manage our customers throughout that process.

**The Convener:** The results of that change have been evident. I am sure that your experience today will be different from appearing before a committee three or four years ago.

**Peter Peacock:** Both witnesses' organisations have a national perspective of the planning system. To what extent does it function throughout Scotland in developing infrastructure and putting all the necessary permissions and consents in place? Does management by planning authorities throughout Scotland vary hugely? If so, do you have examples of the system working extremely well when you are partners in the planning process, which therefore facilitates effectively the supply of land for affordable housing? Does practice vary a lot or is it pretty standard?

**Alan Thomson:** There have been pockets of good practice where we have worked more closely with local authorities and developers. For example, local plans go out to consultation for a period. We want to focus on what is happening and when. I was pleased to hear this morning about our close work with Scottish Borders Council. Two or three years ago, issues existed with Highland Council, but when we drilled into them, many of them concerned prioritisation. A utility such as Scottish Water, which covers a third of the United Kingdom's landmass and has 29,000 miles of water pipes, is in a different position, so we must work closely with local authorities on what is happening and when. We have targeted that issue in a number of areas, including Dumfries and Galloway, Argyll and Bute and Highland. As part of that, we wanted to find out what the local priorities were so that we could go and get things moving.

**The Convener:** Can you point us in the direction of councils that you would hold up as good examples?

**Alan Thomson:** There are a number of good examples, including Glasgow City Council and the City of Edinburgh Council, which we do a lot of work with. Of the rural authorities, we hope that Scottish Borders Council, Dumfries and Galloway Council, Argyll and Bute Council and Highland Council feel that there is a lot more engagement now. With that engagement, we need certainty, as that is how we can get on and get things done.

**Martin Marsden:** Let me give some examples of where we have worked together to deliver effective solutions. In 2004, Scottish Water and SEPA sat down and worked out where we had constraints. From SEPA's perspective, a constraint is an area where, for example, the environment has no capacity for further sewage discharges. From Scottish Water's perspective, a

constraint might be where its treatment works can take no more effluent. We sat down and worked out where the problem sites were in Dumfries and Galloway. We then had a meeting with the local council at which we looked through all the potential problem sites and worked out where we could fix the problems to clear the development constraints. The dialogue that we started with Dumfries and Galloway Council was effective, so we rolled out that model to the rest of the country. Highland Council is a good example of where the process now works well.

How that process fits in with future development is quite interesting. If we have maps that show where environmental or infrastructure constraints exist, we can provide that information as an early input into the development planning process, which can be helpful to local authorities when they are developing local plans and deciding where development should occur. If an authority decides that development should occur on a site where we have an environmental or infrastructure constraint, there is the potential to do something about that if we know about the situation early enough. Such information also provides developers with a warning that a particular location is an amber site in terms of Scottish Water assets, so the development will potentially cost more. Providing that information up front within the new planning system will make a big difference over the medium term as the right sort of information is made available to local authorities to allow them to make the right decisions. That will also allow developers to understand the potential liabilities for sites that have constraints.

**John Scott:** Many barriers have obviously been eradicated, but which ones remain? What needs to be done to remove them? Do any key issues spring to mind?

**The Convener:** Obviously, Martin Marsden has already identified the need to get information as early as possible on which sites councils are considering for development.

**Martin Marsden:** That is the answer to the question from my perspective. We have done the work in identifying where the constraints are for Scottish Water and SEPA, so we have done that technical job. We have started the process of dialogue with local authorities and we now need to have information up front about how local plans are developing.

**Alan Thomson:** Issues could arise in small rural communities that are serviced off a mains that runs for, say, 10km and needs to be upgraded. Economies of scale come into that. The current framework of rules has moved forward a lot in terms of who pays for what and reasonable cost contributions. That has given the market a great deal of certainty that the goalposts will not change.

However, where we might hear about issues is where the costs for upgrading the infrastructure for four or five houses might not stack up. What the mechanism is for unblocking those situations is perhaps an issue.

For example, a ring-fenced grant of £14 million per annum was allocated to Communities Scotland for water and waste water infrastructure, to support housing in areas where the need is greatest. We do not see that money and we do not find out where it goes, but we know that £14 million per annum is ring fenced for such work. People bid for the money on the basis that the work will have an above-affordable cost but should be subsidised because the need is great.

The committee could consider a rural grants system, whereby grants would be targeted at areas of need. Such issues could be considered.

12:15

**Alasdair Morgan:** SEPA's submission, in the context of planning advice note 79, says:

"While the environmental and amenity impacts resulting from the drainage of individual small-scale developments in a rural area may not be a cause for concern, the proliferation of private systems may give rise to problems."

I might be putting words into SEPA's mouth, but you seem to be saying that, although individual schemes might not present a problem, you would be concerned if there were many such schemes. How do you assess whether you will object to an individual scheme? It seems that you are in danger of objecting to a scheme not because something is wrong with it but because you think that many more such schemes will come along, which seems a bit unfair.

**Martin Marsden:** It would be unfair if we operated in that way. There is much dispersed housing throughout Scotland and we receive many applications for individual houses or small developments with private provision in the countryside. We have no problem in dealing with such applications quickly and efficiently. For example, if a housing development has fewer than three houses the application can be made through our website and the process is very quick. We give people licences or authorisations within a month.

The process of dealing with individual applications is fine, but the judgment is complicated if there are many properties in the area. As you can imagine, most people drain by septic tanks to land. That is an effective, straightforward and cheap way of dealing with effluent, but it is also one of the major causes of complaint, because septic tanks do not treat effluent but just take out the lumps. The effluent remains highly polluting. Septic tanks that are in the wrong place and soakaways that fail are major

causes of complaint, because the smell and appearance are horrible and affect people's quality of life. If there are too many septic tanks in a small area there can be serious problems. For example, soakaways drain into groundwater, but people's drinking water comes from groundwater. The scattered communities along the west coast drain into shellfish-growing areas and multiple small-scale developments on the coast cause problems with shellfish quality.

It is those cumulative impacts that cause us to say, "No." When we are faced with one application after another it is difficult to decide when to say, "No", but eventually we identify communities that are problematic and say, "Right, from our perspective you cannot develop further here. You need a first-time sewerage scheme from Scottish Water, to pick up the existing houses and treat them to a higher standard and then provide greater capacity, to allow further development."

That links to Alan Thomson's comments about grants. In some situations, Scottish Water can afford to provide a first-time sewerage scheme, for example if the houses are very close together. However, if the houses are scattered Scottish Water will not do the work. Under such circumstances, a rural grant that would allow people to upgrade their sewerage facilities would create the capacity for further development in the catchment.

**Alasdair Morgan:** I take it that there is no general presumption and that each decision is specific to the particular case.

**Martin Marsden:** Yes.

**Alasdair Morgan:** We used to come across cases in which people who lived in areas that were served by Scottish Water, but where the treatment works were full, wanted to put in septic tanks, perhaps just on a temporary basis until Scottish Water could improve its stage 4 provision, but you had a presumption against such an approach. Has that problem been sorted?

**Martin Marsden:** I do not think that we have a problem any more. We published a policy about two years ago that explains how we handle those kinds of issues. You are right that in areas that are served by a Scottish Water sewer, we start with a presumption that people should connect to that sewer. There is no question that the Victorians were right: urban areas should be drained through a sewer to a professionally run sewage treatment works.

However, in a situation in which the system is constrained and there is a clear way forward—for example, it will be upgraded in five years—we are entirely comfortable with the idea of temporary provision of private systems. We confirmed that position about two years ago, as I said, and that

should now be our standard response for any such situation. If you are aware of a situation in which we have not followed that line, it should not be happening.

**Alasdair Morgan:** Right, but when you talk about "a clear way forward", does that mean that Scottish Water must have a plan in place to do something?

**Martin Marsden:** We have said that either the system must be identified as receiving an investment that will be delivered as part of the next quality and standards round, or there must be an agreement with other developers, which is more or less sorted, that will involve funding an upgrade of the system.

We are talking about situations in which it is clear that there is a way forward. We are not, at the moment, saying that we will automatically give permission for private systems in situations in which there is no sign of improvement whatsoever. The reason for that is that if we allow lots of small sewage treatment works around a small settlement, for example, the potential for having a strategic system is virtually sterilised. A big development with a sewer on the outskirts of the settlement could connect to the main Scottish Water asset, but it would be surrounded by a ring of private provision. It would then be very expensive to say, "Okay, we're going to make a connection straight through, and we will try to connect up the other ones", and it would also make planning difficult. Primarily, it is a planning issue rather than an issue for SEPA. It is not SEPA's job to make those planning decisions, but we are usually not too keen to support private systems on the outskirts of a town where there is no sign whatsoever of the upgrading of a system. We think that the system should be upgraded to provide the continuation of a strategic drainage network rather than allowing a concentration of private systems, which cause problems.

**Peter Peacock:** I am curious about some of this. I understand the general points that you have made, but are you saying that the modern ways of treating sewage with private systems, which have come on enormously in a technical sense, are currently—in SEPA's view—not capable of providing long-term solutions, and that that is therefore a constraint? Surely the technology has moved on to such an extent that such systems could provide long-term solutions, because the treatment that can be carried out in one's own garden is of a far higher standard than that of the old septic tanks? Is it not pretty acceptable now to use that technology for the long term?

**Martin Marsden:** As I said, it is not a problem in the wider countryside. We have effective passive treatment systems that treat sewage to a high standard. Our concern is when there are lots of



private systems within urban settlement areas, where neighbours live side by side. The higher levels of treatment that you mention are quite often achieved using mechanical plants that smell and have to be maintained. If it is one person's plant, maybe there is a chance of dealing with it, but in urban areas we typically find 15 houses that have their own private system.

When I first started in this business, I was responsible for a settlement at Brig o' Turk, where there were 14 houses and a sewage works that was not maintained. We said to the householders, "You have to maintain this"; wrote letters to them that said, "You'd better maintain this"; and eventually we said, "We'll take you to court if you do not maintain this". We took samples and evidence to each of the 14 houses and then we went to the procurator fiscal, who said, "It will take two days of court time to prosecute every single householder in the development; we're not doing it".

The problem lies within urban areas. If there is a large number of houses—imagine a 50-house development, or ten 50-house developments, in an urban area—we are supposed to regulate and control each of those 50 households to ensure that they run their sewage works and their sewers properly. The Victorians were very sensible when they stopped sewers running down the centre of streets, which is what we would end up with in those cases.

**Peter Peacock:** So the constraint is purely limited to the fringes of existing settlements that contain the basic infrastructure. Beyond that—in areas towards the Dumfries and Galloway border, in the Borders or on the west coast of the Highlands—you do not see a need for constraints because of the technology.

**Martin Marsden:** We have no problem at all with private provision. We license it all the time.

**John Scott:** I have a question about sustainable urban drainage systems and PAN 61. SEPA has suggested that that guidance needs to be reviewed. Will you talk us through what the problem is and why the guidance needs to be reviewed?

**Martin Marsden:** SUD systems and the legislative framework for them have advanced fairly dramatically over the past five years. The most important change is that Scottish Water will now adopt SUD systems. For that to happen, they have to be designed appropriately. That is the major change that the guidance now needs to reflect so that developers are clear up front that, if they are developing a SUD system on the scale that Scottish Water will adopt, they need to do so to the appropriate standards.

**John Scott:** Does Alan Thomson want to say anything or is he happy with that answer?

**Alan Thomson:** I am happy with it. Scottish Water will adopt SUD systems and we believe that that is the correct thing to do for surface water management. We hear a lot about flooding. Perhaps people do not want to talk about surface water management much—there are costs, of course—but we must consider it globally because of climate change. What has happened in the past two or three weeks is evidence of that.

**Bill Wilson:** You note:

"There are 'different' and more sustainable ways of building that are not the norm, but are nevertheless compliant with building regulations. Such techniques have become the preserve of a few highly skilled and costly operators."

Will you suggest ways in which you might assist the building industry to make those ways of building the norm and take them out of the hands of a few people? How might you encourage their use? Will you give some examples of good practice?

**Alan Thomson:** Are you talking about the development industry?

**Bill Wilson:** Yes.

**Alan Thomson:** The legislation on SUDS is new and we are working closely with developers. I am not an expert on that, although I can get more information on the technical aspects. Some of the early feedback is about the amount of land that a SUD system will take up. However, we want to ensure that, if we adopt a system, it is built to a good technical standard because, if we adopt it and it does not work, the public purse will pick up the charges for it.

We have to work closely with developers. As part of the changes that we made a couple of years ago, we instituted a developers forum and a technical forum. We go round the country inviting developers and local authorities to the technical forum to try to work with them on the standards so that we can get it right first time and ensure that, when a developer brings a system to us for technical approval, their consultants know what we will be looking for and provide designs that will get through our system.

**Martin Marsden:** Did I understand Bill Wilson's question correctly? Was he asking about the design of houses rather the design of infrastructure or did I misunderstand that?

**Bill Wilson:** I was asking more about the design of houses on the back of my quotation from your submission, in which you refer to "sustainable ways of building". The other point was interesting anyway, so I thought that I would hear what Alan Thomson had to say.

**Martin Marsden:** I was hoping that you would not ask me a question about that because it is not

really a question that I can answer, I am afraid. I would have to go back to my colleagues in SEPA who had an input into that text and give you a written response.

**Bill Wilson:** In that case, to narrow it down slightly, how might you encourage the construction or greater use of water-efficient technologies in the home?

**Martin Marsden:** That is something that Scottish Water and SEPA have recently been talking about. One of my jobs is to help to produce the river basin management plan, which will be an environmental plan for water. We are publishing that towards the end of the year and have been talking about how to promote water efficiency and the use of better technologies within existing houses. At the moment, we are trying to scope out the type of publicity that we could use to push that agenda.

We are considering whether we should include leaflets in Scottish Water correspondence or whether we should go into schools and try to use children to influence their parents about technologies that could be used—simple measures can be taken to reduce the amount of water that people use in showers or in the toilet system. Currently, education seems to be a good way of moving things forward, but it is obvious that the longer-term solution is to change building standards for new stock.

We think that much can be done about water use and the pollutants that people create in their households. An education initiative along those lines between SEPA and Scottish Water could be productive.

12:30

**Bill Wilson:** Can you give examples of pollutants that you are thinking about?

**The Convener:** I do not want to go too far down the road of what SEPA and Scottish Water will do to publicise water-efficiency technologies, which takes us too far from affordable housing.

**Bill Wilson:** I was talking about housing, because Mr Marsden mentioned the pollutants that are produced in houses. I wondered what pollutants he meant and how they might be reduced.

**Martin Marsden:** Perhaps we could follow that up outside the meeting.

**The Convener:** I do not want the discussion to move too far away from housing. We are considering affordable rural housing, so the cost impact of such technologies might be a big issue.

**Martin Marsden:** I will give a two-sentence answer. I was thinking about detergents, for

example, because the amount of nutrients and phosphorus in detergents varies greatly. Such pollutants have a big impact on the environment, so the use of low-phosphorus detergents has a big impact on Scottish Water's treatment costs. That is a simple message, of which people could easily take note.

**The Convener:** Karen Gillon wants to raise a different issue, but I remind her that we are bang up against time and I ask her to make her point very quickly.

**Karen Gillon:** In one of the written submissions from the previous panel of witnesses it was noted that Scottish Water is requiring developers to engage in modelling for developments, which has cost implications for developers. Why has Scottish Water adopted that position and what are the long-term benefits to local communities?

**Alan Thomson:** There have been fundamental changes in that regard, so I will explain the previous approach and why the comments to which you referred might have been made. In our previous investment programme, quality and standards II, we were not funded for modelling and much of our modelling network capability was not as it should have been—I mentioned our 29,000 miles of pipes—so we spent a lot of money bringing network models on stream.

In the past, when a developer said to us, "I'm thinking of building 50 houses over there", we had to ask them to build and run a model, because we had no network model and were not funded to produce one. There were two elements to the model: the build and the run. Customers, who might want to run a model with 70 or 30 houses, thought that the approach was grossly unfair. We took on board their comments and said that from 2006 we would pay for the model build if we did not have a model of the area.

We said that we would not pay for the model run, because such costs are speculative. We do not know whether the developer will ever build in the area; they might just be considering scenarios. We thought that it would be fair to pay the majority of the costs of getting the model built if the developer paid for the model run for as many scenarios as they wanted. If the developer ultimately built a house that was connected and we started to receive income from customers, we would refund the model running costs, within reason, and retain the model. We took on board developers' concerns about costs, so there has been significant movement on the issue.

The approach is fair to customers, because if we ran models all over Scotland we would incur sizeable costs, which would be passed on to our customers, even though some of the houses might never be built.

**Karen Gillon:** In the past, developments were consented to without modelling having being done and flooding occurred five or 10 years down the line. Does your approach resolve that issue?

**Alan Thomson:** Yes. If a customer comes online we must consider flooding. That is why models are important. We cannot have someone else flooded because a new house has been built.

**The Convener:** I thank the witnesses for their attendance. You both said that you might produce further information for us—it is open to you to do that—and we might come back to you to ask for more information. Of course, you are free to sit through the remainder of our public meeting, and we will see you again over lunch.

## Budget Process 2009-10

12:35

**The Convener:** Item 5 is consideration of the committee's approach to its annual scrutiny of the Government's budget, which is coming up fast. Draft budget documents are expected to be published later this month. Committee paper RAE/S3/08/14/11 sets out a possible overall approach and includes a timetable in paragraphs 6, 7 and 8. I need an indication from members that you agree the approach that is laid out.

**Peter Peacock:** I am pretty content with the approach, but I still think that we should give attention to the extent to which ministers have discretion to shift money around below the big budget heads, which is always a bit of a mystery.

**The Convener:** Okay.

We are moving into private session, so I close the public part of the meeting and thank everyone who came along to listen. I will see some of you again over lunch.

12:36

*Meeting continued in private until 12:56.*



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