

SOCIAL INCLUSION, HOUSING AND VOLUNTARY SECTOR COMMITTEE

Wednesday 2 February 2000
(Morning)

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CONTENTS

Wednesday 2 February 2000

	Col.
HOUSING STOCK TRANSFER	557
WORK PROGRAMME	602

SOCIAL INCLUSION, HOUSING AND VOLUNTARY SECTOR COMMITTEE 4th Meeting 2000 (Committee Room 1)

CONVENER :

*Ms Margaret Curran (Glasgow Baillieston) (Lab)

DEPUTY CONVENER :

*Fiona Hyslop (Lothians) (SNP)

COMMITTEE MEMBERS :

*Bill Aitken (Glasgow) (Con)
*Robert Brown (Glasgow) (LD)
*Cathie Craigie (Cumbernauld and Kilsyth) (Lab)
*Mr John McAllion (Dundee East) (Lab)
*Alex Neil (Central Scotland) (SNP)
*Mr Lloyd Quinan (West of Scotland) (SNP)
*Mr Keith Raffan (Mid Scotland and Fife) (LD)
Mike Watson (Glasgow Cathcart) (Lab)
*Karen Whitefield (Airdrie and Shotts) (Lab)

*attended

THE FOLLOWING ALSO ATTENDED :

Mr Kenneth Gibson (Glasgow) (SNP)

WITNESSES:

Councillor Charles Gordon (Glasgow City Council)
David Comley (Glasgow City Council)

CLERK TEAM LEADER :

Martin Verity

ASSISTANT CLERK:

Rodger Evans

ADVISER:

Mary Taylor

Scottish Parliament

Social Inclusion, Housing and Voluntary Sector Committee

Wednesday 2 February 2000

(Morning)

[THE CONVENER opened the meeting in private at 10:00]

10:19

Meeting continued in public.

Housing Stock Transfer

The Convener (Ms Margaret Curran): I extend a warm welcome to Councillor Charles Gordon, the leader of Glasgow City Council, and to David Comley, the director of housing in Glasgow City Council.

You will know that Glasgow is often the topic of our discussion. If you have paid any attention to our meetings, you will know that some evidence has been presented to us that you might want to challenge. You have an opportunity today to put the case for your policies and to make us aware of your views. We want to have a constructive interaction with the council.

I understand that you are going to make an opening statement, Councillor Gordon. That will be followed by a question and answer session. Be assured that you will have the opportunity to give your perspective through your answers to those questions.

Councillor Charles Gordon (Glasgow City Council): I have been told to restrict my comments to a minute.

The Convener: Have 10 minutes if that is what you need.

Councillor Gordon: I will need two minutes at the most. I am anxious that we get into the depths of this issue. Your suggestion that the questions should draw out the information is sensible. However, I hope that Mr Comley will deal in great depth with the process that he has been involved in.

The objective of the administration of Glasgow City Council as laid out in our manifesto was to find a way of obtaining major investment in the city's housing stock. It has been known for a long time that we have major problems due to a lack of investment in the city's housing stock. That has been made difficult to address by a huge debt

burden that we have carried for many years. In 1985, these issues were investigated at great depth and reported on by Professor Grieve. It is fair to say that not much has been done since then to address the issues that he highlighted.

At the moment, there is a 30-year backlog of major investment in the stock, as opposed to routine maintenance. Even if the debt were removed and the work was carried out in the traditional way, through our capital programme, the backlog would only come down to 17 years. Given that a quarter of our tenants are more than 70 years old, that time scale is not particularly comforting. Some of the tenants who are in their 70s have pointed out that our target of achieving the mopping up of the backlog in five or six years is not much use to them. However, we have to start somewhere. The objective is to have every council house in Glasgow modernised and damp-free by the end of that period.

There are other assurances that people will need in this process if it is to proceed. Tenants need security of tenure. I am sure that the committee is aware that council tenants are given statutory protection by secure tenancies. I was gratified that the Minister for Communities, Wendy Alexander, recently announced the intention to bring forward a bill to establish a new type of secure tenancy so that people who transfer out of direct council control will continue to be protected.

Rent stability is also important. In recent years, much of Glasgow's rental income has gone to address the debt burden. Approximately half of the rent has been used up by debt repayments. There have been increases over a number of years that are well in excess of inflation. We do not want the housing stock transfer to result in unjustified increases. We would like there to be a commitment to rent stability, for perhaps the first five years after transfer, with increases being no greater than the rate of inflation.

Tenants have to be at the heart of the housing stock transfer. It is important that they are empowered at a strategic level and have a say in the decision making of any new body that administers social rented housing in Glasgow. People want to know when their house, their street and their neighbourhood will be invested in. We are encouraging tenants to come up with wish lists so that the issue of investment decisions does not involve only professionals. Sometimes the tenants know more about what is needed than anyone else.

Job security is important. Many staff are affected by the stock transfer: housing staff, direct labour organisation staff, people from services that are involved in ground maintenance and people from central support services such as finance and the legal service. The trade union movement is

anxious to get the best deal in terms of continuity and security.

We should also think about targeted employment opportunities. A massive programme of modernisation of Glasgow's housing stock could create 4,000 jobs in the city's construction industry. We want to ensure that those employment opportunities are targeted to the people who need them most. For example, it has recently been highlighted that there is a bit of a mismatch between the unemployed in the deprived areas of Glasgow and the job vacancies that are available in industries such as tourism and retail. The recruitment policies of the firms concerned do not always provide the best fit in those sectors of the economy.

We think that there is enormous potential not for modern apprenticeships but for traditional craft apprenticeships, with the investment that I have mentioned and with the possible investment in the city's secondary schools. From what we know about private sector development plans for parts of the city—for the waterfront, for example—we have identified with the building industry a shortage of building craft operatives. The city council, with its own training centre in the building department, an accredited college, and in partnership with the city's further education colleges, estimates that, if all the investment goes ahead, it could train 1,000 apprentices a year in the city of Glasgow.

We are talking to all secondary schools to seek out the young people who are showing aptitude in technical subjects, including craft and design, and are trying to make that link so that, if the green light comes on, we will be able to proceed with a very bold programme of public works in Glasgow, financed by both the public and private sectors. We can achieve major social inclusion objectives by ensuring that the training places, which would lead to actual permanent jobs in the public and private sectors of the construction industry, are secured.

I know, having left school at 15 to start work as an apprentice joiner, that that opportunity does not just put money in young people's pockets, but socialises them. I can assure members that there are very quick and direct ways of correcting anti-social behaviour on a building site. Such opportunities could change the life chances of many people in Glasgow who might otherwise grow up in communities where there is despair and where, after a while, it is difficult to tell right from wrong. We think that that process should be integral to any investment programme.

The Convener: Thank you very much, Councillor Gordon. That was some minute.

I will start by asking some questions myself, and

we will move around the committee with different areas of questions.

You clearly have a strong commitment to tackling need in Glasgow as you have demonstrated in your opening remarks. Thank you also for your documentation. It is very detailed, and members have had time to go through it.

Why transfer the stock, and why transfer the whole stock in the manner that you have presented?

Councillor Gordon: Because it is the only deal that is on the table to remove the debt burden. It is felt—although I have difficulty in attributing motives to other people—that if we were simply to have the debt removed, which, as I pointed out, would only bring the waiting period down to 17 months, increased borrowing consent would also be required.

Alex Neil (Central Scotland) (SNP): Is it not 17 years?

Councillor Gordon: Yes, 17 years. I beg your pardon.

Some people say that we got into this mess, and ask what guarantee there would be that I and my successors would not, traditionally, get into a similar mess. There is also a perception abroad that tenant involvement in the municipal sector in Glasgow is not strong enough. I say a perception, because I do not think that that is the case. The services of our housing and building departments are delivered at neighbourhood level, through neighbourhood offices and depots. We have a menu of tenant involvement, and tenants from different parts of the city tend to pick from that.

I suppose that the strongest form of involvement that we have at the moment is tenant management co-ops, of which we have about 30 and in which letting is very much under tenants' control. However, not every tenant wants to get involved in management issues or to be on a committee. There is a perception that we need to strengthen not just tenant involvement, but community ownership.

10:30

The Convener: We will pursue the question of tenant participation, but why would transferring the housing stock solve the problems that you face and address housing need in Glasgow? Why do you plan a whole transfer?

Councillor Gordon: As I understand it, if we were to create a special purpose vehicle—in effect, a gigantic housing association—its borrowings would not score in the same way against the public sector borrowing requirement as the borrowings of the council would under

traditional borrowing consent. If we were transferring the housing stock without transferring the debt, the special purpose vehicle would be able to borrow against the rental income stream. It would also have title to the houses, which would be additional security for borrowing. The new organisation would be able to invest over a far shorter period for modernisation.

David Comley (Glasgow City Council): It is worth noting that the council has relatively recently come to the conclusion that whole stock transfer offers a solution to its difficulties. As the written evidence that we have supplied suggests, we have considered a range of other options since the Grieve report that Councillor Gordon mentioned. We have investigated all sorts of ways of increasing the level of investment in the city's stock that do not involve whole stock transfer, including the covenant scheme and partial stock transfer to housing associations funded through Scottish Homes and so on. We have also considered other options, such as the use of the private finance initiative and capital from current revenue. There is a back-up note in the pack explaining some of the work that we have done.

The conclusion that we have arrived at, based on substantial feasibility work that we have done, is that whole stock transfer offers the council the only way of achieving its objectives. A key issue is debt. Over the years we have very successfully transferred stock—there have been 46 separate stock transfers to housing associations—but the debt on those transfers has remained with the remaining council tenants. We have a situation of creeping residualisation of council housing stock, with an increasing burden of debt per house on the rent payers. The housing association transfers have also used substantial public money, via housing association grants. Those have recently begun to dry up in Glasgow, because Scottish Homes is unable to fund them.

We are trying to find a way of spreading the benefits that housing associations have undoubtedly created for tenants in the city to all the council's tenants. Whole stock transfer is the only way that is open to us, because it is the only way of resolving the debt issue. However, the intention is to build on the decentralised local involvement that we have in housing management and that is a feature of the housing association movement, and to incorporate that into a model that gives everybody investment over a reasonable period and solves the council's debt problem.

The Convener: It has been put to us that there should be a moratorium on what you are doing and that it should stop. What would be the consequences for Glasgow tenants if your proposals were stopped?

Councillor Gordon: The outlook would be quite bleak, because we would be left with a 30-year backlog of investment. At the moment, with our traditional housing capital programme, we are spreading the jam very thinly. For example, on an estate that requires window replacement we may do only one or two streets a year, when it would make sense to do the whole estate in a much shorter time. In the meantime, new needs arise, but because of the debt it is impossible for us to move forward. As well as having the debt written off, we need more resources for additional investment. People are getting very impatient.

The Convener: Are you saying that dealing with the debt is the fundamental issue in Glasgow?

Councillor Gordon: That issue has been around for a long time. It was highlighted in the Grieve report.

David Comley: Dealing with the debt is a fundamental prerequisite. In the discussion so far, we have rightly concentrated on investment, but service delivery is also an issue. We are not able to offer tenants in the city the kind of housing management and repair service that they rightly ask for. That is because roughly half of our revenue is going on debt servicing. If we are not able to address the issues of service delivery and investment, and if we do nothing, the future is an accelerated and precipitous decline in council housing, far more demolitions, continued marginalisation of council estates and the social exclusion of the people who live there. The council cannot countenance that.

The Convener: Councillor Gordon, you gave a stimulating statement in your introduction when you talked about social inclusion and urban regeneration. Assuming that goes ahead, what is your vision for the city? In five years' time, where will the city be in terms of the quality of the stock and in terms of the tenants being involved in investment decisions?

Councillor Gordon: I hope that we will not come up with second-class solutions by spreading the jam too thinly to keep unit costs down. I want world-class solutions for Glasgow. I want to see happy and well-motivated tenants who are heavily involved in influencing the detail not only of the investment but of the day-to-day management and maintenance of their stock.

If work took place and the face of the city was seen to be changing, the shot in the arm to Glasgow would be of incalculable benefit. We talk about regeneration and we forget that what the word means is new life. The work would contribute to giving new life to the city of Glasgow, especially to a sector of society that many people feel is being left behind by the relative success of the regeneration of the city in other spheres.

The Convener: Can you give us a summary of the main problems with the housing stock?

David Comley: In the copies of the housing plan that we provided for members, our estimated investment requirement is roughly £1.2 billion or £1.3 billion for the stock with a long-term life. That estimate has been confirmed by the work on the condition of the stock that was done for us as part of the feasibility study. The average is £17,000 a unit.

Our stock suffers from substantially greater problems of dampness than the Scottish average—something like 70,000 of our houses do not have full central heating. Many of the multi-storey blocks need recladding and need to have new windows and heating installed. Many of our tenements have had some incremental improvements such as repairs to windows. However, most of our tenements still require major work. We have major problems of damp and disrepair. Because of restraints on our resources, we are unable to keep all our stock in a satisfactorily windtight and watertight condition.

Even in the attractive and popular estates—the Knightswoods and the Mossbarks—the stock needs major investment, because the buildings are old and are failing. The houses in those areas will need new roofs, gutters, windows, downpipes and so on—a major fabric upgrade. Much of our stock probably needs to be remodelled, as we have too many tenements and multi-storey blocks.

There is a strong case for replacement of some of that stock with housing that better meets tenants' demands, which are increasingly for houses with front and back doors and gardens. Many of our schemes, particularly in peripheral estates, are extremely poor environmentally, and some of our inner-ring tenement schemes are grey, dull and featureless and have very unpleasant environments.

The Convener: My final question is about the steering group. Please give us an idea of its remit and responsibilities and bring us up to date with what is happening.

Councillor Gordon: It might save time if I leave the formal remit of the steering group with the committee. The steering group involves me and my deputy leader, Jim Coleman, who has political responsibility in the council for social inclusion, as well as the Minister for Communities, Wendy Alexander, and the Deputy Minister for Local Government, Frank McAveety. There are also representatives of the housing association movement and Scottish Homes, but it is fair to say that it is the council and the Scottish Executive that are principally involved.

Mr John McAllion (Dundee East) (Lab): Having criticised the inadequate evidence that was

submitted to this committee by the Department of Social Security, I congratulate Glasgow City Council on the comprehensive and detailed nature of its evidence, which will be very useful for members.

I want to follow up the convener's question about the steering group. Your submission refers to an advisory group for the feasibility study. There is an appendix that lists the membership of that group, which is largely internal to Glasgow City Council and its tenants. It was suggested in the press that the steering group was created because the Scottish Executive was not happy with the way in which the council was processing the study through the advisory group. Is there any truth to that suggestion and, if so, what was the difference of opinion between the council and the Scottish Executive?

Councillor Gordon: Perhaps you should ask the Scottish Executive.

The Convener: He will.

Councillor Gordon: The steering group is an unusual body. I am not aware of steering groups being involved in the stock transfer proposals of other local authorities. My initial reaction to the proposition that we have a special steering group was that it was recognition by the Scottish Executive that the sheer scale of Glasgow's problems merited special attention.

Mr McAllion: I was interested to hear you say that one argument against the council being able to borrow huge sums to invest was, "You got into this mess in the first place, so there is no guarantee that you will not get into the same mess again in the next 20 years." It struck me that you were being unfair to yourself. Everybody on this committee accepts that Glasgow faces a housing crisis.

Is it not the case that that crisis was not made in Glasgow, but was created by a succession of decisions by central Government in the past 20 years? I refer to the imposition of the right to buy, which forced councils to dispose of their stock at a discount but to carry the debt over to the remaining stock; the withdrawal of subsidy from council housing, which did not happen to housing associations or the private sector until recently; and the control of the amount of money that you invest. As the crisis was made at national level, surely it is the responsibility of national Government, as well as the council, to address it?

Councillor Gordon: I hope that I said that it was a perception that the crisis was our fault. I did not mean that I agreed with that. The factors that you mentioned have made a major contribution. Also, in real terms, the value of borrowing consents is lower than it has been. However, we are aware of the reason for that in every service.

We know that that macroeconomic view comes from UK level and is part of the Government's anti-inflation policy.

We are where we are, however. When it comes to finance—particularly capital finance—central Government, viewed from the position of local government, never does quite enough to tackle problems. When one considers that the amount that we borrow is legally controlled by central Government, we are not masters of our own destiny in terms of investment.

10:45

Mr McAllion: Mr Comley said that you had considered various other options. I remember that the same thing happened in Dundee and Tayside, when we considered covenant schemes; we considered any means of getting investment into council property. However, by and large, the other options have been closed down by central Government. If you come, reluctantly, to the conclusion that whole stock transfer is the only answer to the housing crisis in Glasgow, that is not because you want it to be the only answer; rather, it is the only answer available because of central Government policy and attitudes.

Councillor Gordon: You say "reluctantly", but I agree with the director of housing that the economics of council housing investment in Glasgow are such that the position is not sustainable. Therefore, pragmatically, my view is that, provided that certain safeguards are in place, moving to a different type of ownership of social rented housing might well be acceptable.

For example, the achievements of the housing association movement, in terms of investment, are not to be sniffed at. We must bear in mind housing associations' achievements in Glasgow over the years, when stock transfer was straightforward. They had the investment and we transferred stock to them. In looking at the bigger picture, the degree of difficulty is much more significant, as we are talking about transferring staff and making more complex and large-scale arrangements.

My view is that, provided that the investment issues and the concerns of tenants and staff are addressed, I am willing to be an enthusiastic advocate of such a change. In particular, I note that the minister, Wendy Alexander, has said that the strategic enabling housing powers currently controlled by Scottish Homes might transfer to local authorities. Local government could still have a major influence on housing in future, but it will be a different, more strategic influence.

Mr McAllion: Convener, may I have two minutes, or do you want me to leave my questions until later?

The Convener: We will move on to finance now. Do you want to start that?

Mr McAllion: I have a couple of questions about rents. I was interested in what you said about one of the great attractions of stock transfer for tenants being that it would introduce an element of rent stability, at least for the next five years, which has been impossible under the present financing arrangements for local government in Scotland.

However, the papers that you have given to the committee speak of rent increases before transfer of 6 per cent for each of the two years 2000-01 and 2001-02—a 2.5 per cent increase on current costs. You have already accepted that rents in Glasgow are high, but do you agree that rents will go even higher and affect affordability, which you also refer to in your submission to the committee?

Councillor Gordon: I will let Mr Comley answer that point in detail, but I want to make it clear that the rent stability is a demand principally raised by the tenants—a demand towards which I am sympathetic. The scenario that you describe, and which Mr Comley will explain, is not one that I support. We must find a model that guarantees better rent stability before we can sell the idea to tenants. Ultimately, nothing will happen unless tenants vote for stock transfer in a secret ballot.

David Comley: I should clarify the issue of the 6 per cent increases. The consultants who undertook the feasibility study for us needed to estimate the rental income at the point of transfer, which was taken as being two years after they started the study. They were not in a position to estimate that figure, so they asked council officers to give them an assumption that they would use to calculate rental income from the year of transfer onwards. That was done at a time when the council had not set its housing revenue account for the current financial year, let alone for the next financial year or the one after that, and before the recent substantial reductions in interest rates took place.

Officers estimated that it might be necessary for the council to increase rents by 6 per cent in each of the two years prior to transfer and gave that figure to the consultants as an assumption—and it was only an assumption. All the figures in the feasibility study are assumptions, to a greater or lesser extent. The consultants needed such figures to calculate stock valuations under the different structural options that they were considering. Each of those assumptions within the valuation model is subject to testing and improvement and, eventually, each assumption will come up as a real number. To take the figure of 6 per cent as an example, the council has fixed its rent increase for next financial year at 3 per cent.

The assumed figure of 6 per cent changes into an actual figure of 3 per cent, which is the figure that will be built into future evaluation models. All the figures in the evaluation models will eventually move from being assumptions to being hard, real figures, which will allow the relevant valuation to be calculated. There is no recommendation that rents should rise by 6 per cent before transfer; that was simply a technical assumption, which has already proved to be inaccurate, as the council has made a rent decision. That is true of all the figures.

As the consultants rightly identified, the issue is that rents in Glasgow are high compared with housing association provision in the city and, increasingly, with the cost of owner occupation at the lower end of the market. The consultants strongly advised us that, on transfer, rents in Glasgow must be limited to the lowest possible level commensurate with financial stability.

Over a period of time, we need to achieve a more level playing field so that the cost of living in council stock is more in line with the cost of housing from other providers. It has been strongly recommended that we set rent increases at the level of inflation determined by the retail price index. That is the figure that has been built into the feasibility study and which is guaranteed for the first five years and assumed for the whole 30-year business plan.

Mr McAllion: Nevertheless, it is still just an estimate that the increase for next year will come down from 6 per cent to 3 per cent. You have not got there yet.

David Comley: Yes, we have. The firm figure for next year's increase is 3 per cent. The council has agreed that.

Mr McAllion: That is still above the rate of inflation. The average rent level in Glasgow is £44.10 a week.

David Comley: It will be £45.23 from 1 April.

Mr McAllion: That is well above the level set by Scottish Homes' affordability criteria and the level at the lower end of the private sector market. The maintenance of high rent levels for tenants in Glasgow seems to be built into the proposal, partly because of the level from which we are starting, which I suppose is unavoidable.

Do you agree that that calls into question the viability of the project? Your submission says that your independent advisers accept that rents in Glasgow are very high and that the cash flow for any private investor will be heavily dependent on high rents continuing over the next 30 years. Is it not the case that the project will be vulnerable to the changes in housing benefit that the Government is considering? The high rent policy

means that the whole project could be fatally undermined if there are radical changes to housing benefit, to say nothing of the fact that the proposal remains unaffordable for most people who want to live in the new trust housing in Glasgow.

David Comley: If rents increase in line with the RPI for the 30-year period of the business plan—

Mr McAllion: There is no guarantee that they will.

David Comley: That level of increase will be guaranteed for five years.

Mr McAllion: But beyond five years there is no guarantee.

David Comley: There is no legally binding guarantee, but the assumption that is being built into the business plan is that we will aim to keep rent increases at that level. I would like there to be a legal guarantee for 10 years, but it remains to be seen whether that is possible. The minimum guarantee will be for five years. Increases in line with the RPI are built into the assumption of the income flow for the organisation.

At the end of the 30-year period, Glasgow ex-council rents will not be high compared with those of other providers in the city. We will have achieved a level playing field for rents well before 30 years. It is difficult to estimate exactly when it will happen, but it will probably be after 10 or 12 years. That is too long. We would like to be in the position of having rents that were not so high and that did not have to go up at all, but that is not achievable.

It is important to note that, while after 10 years or so people will be paying rents that will have increased in line with the RPI, they will also be living in improved housing conditions. The rent that they pay will buy them a decent place to live. At the moment, far too many people are paying high rents to live in extremely poor housing conditions. Increasingly in the city, people look across the road and see new-build and refurbished housing association property that is being rented at a lower price. Regrettably, we have to start from the position that we are at, but it will be possible with RPI increases to bring rents on to a level playing field over time.

Mr McAllion: When you initially advised your consultants that rents would increase by 6 per cent over the next two years, you also suggested that a £3 a week rent rise would be required at the end of five years. Where did that figure come from? How will that relate to RPI at the time? We cannot know that.

David Comley: One of the fundamental requirements placed on us by the Scottish Office—before the Scottish Parliament existed—

when the feasibility study new housing partnership money was approved was that we must maximise the valuation of the stock.

We took the view all the way through the feasibility study process that if any of the options produced a negative valuation, that is, if they required a greater subsidy to facilitate the transfer than is necessary to deal with the debt, we probably had a non-starter. To be blunt, the £3 a week increase after improvement was necessary in the feasibility study to generate a positive valuation. Nobody is either recommending that or is very comfortable with it, because rents are a fundamental problem, but on the assumption that we have to produce a proposal that will generate a positive valuation, we must make provision to do it.

Mr McAllion: But is not it the case that if you maximise the valuation at the point of transfer, you increase the likelihood of a high rent policy, whereas if you minimise the valuation, you increase the likelihood of a lower rent policy?

David Comley: Indeed.

Mr McAllion: So the Government is instructing Glasgow City Council to maximise the valuation to build into the project a high rent policy.

David Comley: Certainly to make it more difficult to achieve a low one, yes.

Mr McAllion: And that is because it would suit the private investors.

David Comley: It is more because it suited the Scottish Office, as it then was. A negative evaluation is a problem for the Government, because it means that it has to produce more public subsidy to make the project fly.

Mr McAllion: It is a question, then, of whether taxpayers pay or rent payers in Glasgow pay. It is the old division that we have had in Glasgow for the past 20 years. Some things never change.

Alex Neil: The more I hear about this matter, the more it is like the "Fiddler with the Roofs" rather than the "Fiddler on the Roof". We all agree that the council is between a rock and a hard place in regard to where Government policy is at the moment. Our questions are aimed at trying to understand where the council is at in terms of what it is trying to achieve.

From the high-quality evidence submitted by the council its objectives are clear. However, surely it is the case that under the current arrangements, if the public debt were written off and transferred to central Government, the investment backlog would come down from 30 years to 17 years? It is 17 years, and not five or 10 years, because that is all that the rental income would allow you to fund. In other words, you would be dependent upon the

rental income to fund the improvements over that period of time. Obviously, the funding available to you would be doubled if the debt servicing were transferred.

If the stock is transferred to a body that relies on private finance, do you agree that in order to attract the level of private finance needed to improve on the 17-year target, rents would have to be increased substantially? If they are not increased substantially over time, the revenue needed to attract the private finance—including the mark-up required for profit, which clearly is a feature of this scheme—would not be available. If you keep the rents down, you will not be able to find the private finance to undertake the investment that, quite rightly, you say is required, and which is required in much less time than 17 years; on the other hand, if you jack up the rents, you make social housing in Glasgow even less affordable than it is at present, which puts you between a rock and a hard place.

David Comley: The question you ask is fundamental to the feasibility study work, because clearly, first we have to establish whether a whole stock transfer proposal is feasible in the Glasgow context—and it has to be in the Glasgow context, because the context is different for every local authority in Scotland. So the feasibility study was designed to establish whether such a transfer was feasible. On the assumptions that were made, it had to determine the impact of the transfer on rent levels. In other words, what rent levels would be required to fund it?

11:00

It was important that the feasibility study was designed to assess the fundability of the proposal in a preliminary way. Things may look great on paper but someone has to lend money if it is to happen. Excessive rent levels are not in the interests of funders because that is likely to mean falling demand and no rent-paying tenants. That damages long-term fundability because then lenders do not have the security they are looking for. So the lenders' interest is in ensuring that there is demand for the property in terms of its physical condition and cost.

We must be able to put out a proposal that demonstrates to funders that they can have that long-term confidence. The feasibility study has demonstrated to us that, on the assumptions used, it would be possible to access the investment from private sources needed at rent levels that rise no more than the retail price index. Advisers have said to us that rents in the city are currently high and that, ideally, it would be better if they were lower, but they are not. Over time, we must aim for a level playing field.

Alex Neil: But there is absolutely no guarantee. If the assumptions are wrong and the situation changes, then investors will be able to jack up rents as much as they feel is necessary to pay back the investment.

David Comley: Funders will want to see mechanisms in the business plan to deal with unforeseen eventualities. They are less likely to want to see rents jacked up than a plan to deal with unforeseen eventualities by other mechanisms, for the reasons I gave: high rents mean no tenants and damage to the financial status of the organisation and funders will not want that. Funders will, of course, want to assess whether a proper risk assessment has been made and whether there are mechanisms in place that allow appropriate action to be taken in the event that business plan assumptions prove wrong.

Alex Neil: In Glasgow, as in many other local authorities, a high proportion of rental income comes from housing benefit. There are suggested changes to housing benefit, such as reducing the total funded from 100 per cent to 80 per cent. How can the feasibility study be completed and answers found on whether the wholesale stock transfer of Glasgow's housing to a third-party organisation is going to be viable when you do not know what reforms there will be to housing benefit?

David Comley: One never knows what might happen in terms of future legislation. No kind of feasibility work would be done or any advance made if we said we cannot do anything because we do not know what might happen in five or six years. Seventy per cent of our income derives from housing benefit, so you are right, it is a big issue. However, billions of pounds of private investment in housing association stock south of the border rides on housing benefit—

Alex Neil: But the whole reason for the stock transfer is to reduce the public sector borrowing requirement. If you transfer the subsidy to councils to subsidy to housing associations, at the end of the day it goes into the PSBR and we are back to square one.

David Comley: Our view is that if we transfer the stock at RPI rent increases, the long-term housing benefit bill is almost certain to be less than if that stock remains with the council, because it is unlikely that the council will be able to maintain RPI rent increases over a long period of time. That level of increase has been possible in the past couple of years, but the long-term trend has not been rent increases at RPI. Our calculations suggest that council rents have gone up on average by 10 per cent a year in the past 10 years. The past two years have been different.

Alex Neil: But if your debt had been written off

and transferred to central government that would not have been the case?

David Comley: No, but it has not been written off. Again, we start from where we are.

Alex Neil: I am suggesting that you could achieve what a third-party organisation could achieve if your debt was written off.

David Comley: We could achieve substantially more than we now achieve. It is worth noting that, as Councillor Gordon said, the council's original position ever since Grieve was that it wanted its debt to be written off, transferred from the rent payer or otherwise dealt with. Had that happened at the time of the Grieve report, we would certainly not be sitting here discussing whole stock transfer in Glasgow City Council.

Alex Neil: Exactly.

Fiona Hyslop (Lothians) (SNP): We are considering stock transfer throughout the country, but Glasgow is the main example that we are considering now. Our job is to examine the finances of the process. From what we have heard, there is a potential for increased rents because it suits the Executive to go through that process.

I would like to move away from rents and on to the debt issue, which is fundamental. Section 2 of your submission states that you approached the Scottish Office regarding housing debt. You say:

"If government was prepared to take on the servicing of Glasgow's HRA debt, then it seemed that it would be possible to fund a major improvement programme for the stock, using the rental income".

Could you achieve the level of investment envisaged? We are all enthusiastic about investment in housing, but could you achieve the same level of investment if your housing debt were either written off or serviced by central Government?

David Comley: It could not be done on the same time scale that could be achieved by transfer.

Fiona Hyslop: Would relaxation of borrowing consents with the same rental income stream allow you to achieve the same level of investment in the same time scale? I understand that Unison argues that, if borrowing consents were relaxed and debts transferred, the same level of investment could be achieved over the same period.

David Comley: By the relaxation of borrowing consents do you mean that there would be no control over the council's borrowing and that it could borrow whatever it felt was appropriate?

Fiona Hyslop: I mean that it could borrow what it could sustain.

David Comley: That is a fair comment. If the current debt were removed and the council were able to borrow a sum that rental incomes could sustain, yes, we could achieve investment on a faster time scale.

Fiona Hyslop: So your understanding is that the Government is prepared to assist with the council's debt only while it continues to be a landlord. Can you give us more details about the objections to being a landlord? Is it simply to do with the public sector borrowing requirement, or is it to do with the perception that, as a landlord, Glasgow City Council has made a mess of the city's housing?

Councillor Gordon: I referred to that perception, but it is a difficult area and I am tempted to say that you should ask the minister about it.

Fiona Hyslop: We will ask her later on.

Councillor Gordon: Wendy Alexander has considered the housing association movement and has perhaps come to the view that it has been more successful than councils have. That perception could be attributed to the fact that the housing association movement has had capital to invest. There is a view of housing management issues that perhaps contributes to the Government's position.

Fiona Hyslop: Where are we now on finance? From your submission, I understand the logic of where you had got to 10 months ago. You could achieve what you want to achieve by other means, but it suits the Government to pursue the current proposals. Is that correct?

Councillor Gordon: We are local government. Central Government always has the whip hand over local government and that is the framework in which we operate. We want to modernise houses and help tenants, so we do not want to continue in a dogmatic debate; we want to make progress. The tenants have said that they would consider supporting stock transfer if it will allow investment in their houses. They do not see dogmatic or ideological debate as the primary concern, so the council is taking a pragmatic view because we cannot control factors such as borrowing consent.

Fiona Hyslop: If you could influence the situation, what would you want to achieve? This committee can take a view on the finances of rents and—

Councillor Gordon: It is not in the gift of even the Scottish Parliament to sort out borrowing consent in the public sector.

The Convener: We are very ambitious.

Fiona Hyslop: We want to understand your decision-making process and how much you

pursue a line because you think that it is right or because you are constrained by the PSBR and the views of central Government about who is an effective landlord.

Councillor Gordon: It is more important to do the right thing for the tenants, even if some people find the method ideologically distasteful, than to do nothing.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): I want to echo other members' comments about the quality of the papers that you submitted to the committee. They were very useful.

I want to concentrate on the financial issues surrounding the stock transfer. The committee is interested in the guarantees that tenants will have about future rent levels. My question is for Mr Comley. Where is the greatest risk? Where can we get secure guarantees about the likely levels of future rent—from the housing transfer community co-operative or local government?

David Comley: There comes a point at which no one can give guarantees about the future. No one would give a legally enforceable 15, 20 or 30-year guarantee on rent levels. The discussion is likely to revolve around a guarantee of between five and 10 years. I would like to see a 10-year rent guarantee. That may not be possible, but the minimum should be five years. The new transfer vehicle should give a legally binding five-year guarantee on rent levels. It should clearly set out its assumptions about rent levels for the 30 years of the business plan.

After, say, five years, one can no longer give a legally binding guarantee, but the rent levels that are aimed for could be built into the financial framework of the business plan. If circumstances changed, it might not be possible to deliver that for the whole 30 years. However, our feasibility study suggests that it would be possible to generate the level of investment required for 30 years using rent levels pegged to RPI.

Councillor Gordon: That is a political matter. If there is the will to insist on a model that delivers rent stability for at least the first five years, we should simply tell the lawyers and the accountants the answer that we want to that dead hard sum. The tenants are telling me that they want rent stability because their rents are already excessively high. I accept the tenants' views. Whether or not the people who do the dead hard sums are comfortable with that, I am not prepared to subscribe to a model that involves unreasonable further rent increases for the tenants.

Cathie Craigie: I know that people on Glasgow City Council can do dead hard sums. Can you give your tenants a guarantee, now, about the rent levels for the next 10 years?

Councillor Gordon: No, we cannot. If we take the financial year that is about to start as an example, we have set a 3 per cent increase in rent levels. We have done that because tenants have said that we were not doing enough repairs. They know that half the rents go towards debt, but they do not want the level of repairs to decline in real terms. We have not set a zero rent increase—that was an option—because that would have led to a reduction in repairs. Through the application of best value, which we are applying systematically across the council, the housing and building departments have managed to make a modest increase in repairs expenditure—between £1 million and £1.5 million.

The tenants, when we consulted them, felt that that was probably the right balance. The pressures on us are such that it would be inconceivable for us to deliver a promise of rent freeze or rent stability for five years because the tenants might find that that would bring about an unacceptable decrease in repair activity in real terms.

David Comley: We are considering the possibility of having a rolling five-year rent guarantee; in other words, to review the situation after the first year after transfer and then to tell tenants that we can guarantee that, for the next five years, the organisation will be able to keep to RPI.

11:15

Cathie Craigie: I want to keep to the subject of finances, but I want to ask about the scale. In many ways, Glasgow City Council or, in the early 1980s, the City of Glasgow District Council, pioneered stock transfer and community ownership. We need only look at the areas of Glasgow concerned to see the success which that brought. In your vision, Charlie, it was not just a matter of modernising the houses and guaranteeing investment in housing, but was about wider community issues, including housing in general, employment and opportunities. I appreciate your point about opportunities for training.

The model of community ownership seems to work in Glasgow on a small scale. If you had the option, would money be well spent—would it be good value for the public purse—by promoting community ownership on a local level? How many years would it take to achieve the goal of the housing stock being up to the standard of the times that we live in?

Councillor Gordon: That scenario might not give best value. The administrative costs of housing associations in Glasgow are nearly double those of the municipal housing department. I know that some people subscribe to the view that

small is beautiful. I subscribe to the view that, all other things being equal, big units are better than small ones. Perhaps members would expect an ex-Strathclyde regional councillor to say that. *[Laughter.]*

Community ownership is indeed an issue. In a recent major survey of Glasgow tenants, it did not figure highly. Other issues, such as security of tenure, rent stability and investment were much more important to the tenants.

I think that the housing associations have achieved a lot, but it should be borne in mind that previous Governments gave them the borrowing consent that local councils did not get. Therefore, stock transfers became a case of “needs must”.

People are very pragmatic. They will say, “Ah’ll transfer tae him if he’s gaunae dae up ma hoose.” They will perhaps get involved in the management committee of a housing association until the money is invested, and they possibly will become less active afterwards. That is not a cynical view. It is a realistic view of what motivates most people. There are a number of tenants with an ideological commitment to community ownership, and good luck to them.

I do not have a window into the minister’s soul or into the tenant’s soul. I think it is more important to do the right thing, even for the wrong reasons, because I have seen too many wrong things being done for the best of reasons.

David Comley: The model that emerged from the feasibility study as the one which the council wanted to use as a framework for discussions with tenants tried to build community ownership into the process from day one. The framework which the consultants recommended to the council included a city-wide organisation which owned the stock, but which was itself owned by the local, community-based organisations, which had full responsibility in that model for local housing management, the delivery of the local housing service and the specification and management of their investment programme.

The things that tenants get involved with in community-based housing associations in Glasgow would be built into the stock transfer model, but in a way that would bring the tenants the advantages of, for example, cheaper procurement of capital programme and some services, including personnel, training, salaries, wages and administration, being organised by the city-wide organisation. They would be very expensive for small organisations to manage on their own, and cheaper to buy from elsewhere. We have tried to combine the undoubted advantages of community-based housing associations in Glasgow with additional benefits that they could not get if they were separate organisations.

Councillor Gordon: I feel very strongly that we must have one big ballot for one big transfer. If we have more than one ballot, we create the possibility of different ballot outcomes and of tenants in some stock losing out. By the same token, if we do not have one big, strong, overarching organisation, we take away the possibility of a solution for every home and every tenant.

This model will involve cross-subsidy, because houses in some parts of the city require much greater investment than others. Having a series of individual stock transfers would create the possibility of cherry-picking and might not be a solution for those parts of the city where needs are greatest. We must have one ballot and one transfer to allow cross-subsidy. That is an issue of social equity.

Cathie Craigie: I appreciate that. The papers that you have submitted have improved my understanding of that point—this is about bringing in investment for people's homes. If the proposal goes ahead, how much investment will it bring into the city of Glasgow over the course of the six years? I hope that we will get to the stage where people have central heating and modern homes to live in.

The proposal has been developed by Glasgow City Council, but do you have the Executive's agreement that it will take on the debt?

David Comley: Planned investment in the stock is £1.3 billion. There would also be continuing maintenance of the stock over the course of the 30-year business plan and beyond. We estimate, based on Scottish Executive figures for jobs created per £1 million of construction spending, that that would generate something like 4,000 new jobs in the city in the construction industry, the building supplies industry and so on.

Councillor Gordon: We misuse language when we talk about writing off Glasgow's housing debt. We are really talking about treatment of the debt, rather than transfer. It is being suggested that although, technically, the debt would remain on the books of the city council, the individual loans that make up that debt, which stands at £940 million, would be identified and be the subject of individual contractual commitments between the Scottish Executive and the council, which would receive pound-for-pound revenue support in future years. That would remove the difficulties in transferring a huge sum of money to the Government's books in a one-off, as it were.

David Comley: In the written evidence is a letter from the then minister Calum MacDonald—this was before the establishment of the Scottish Parliament—to the then councillor Frank McAveety—

Councillor Gordon: What happened to him?

Members: He is behind you.

Mr McAllion: With a shotgun.

David Comley: The letter sets out the arrangements as they were emerging between the Scottish Office and the council.

Robert Brown (Glasgow) (LD): I want to go back to the rent issue. You played down the importance of the figure of 6 per cent by saying that it was just a planning assumption and that the real figure was only 3 per cent, but is it not the case that the figure of 6 per cent is crucial to your proposal? You say that valuations are very sensitive to changes in assumption and point out that a reduction to 4 per cent would knock £82 million off the valuation. Regardless of what has happened this year, are we not still dealing with a two-year period from the start date? Is not the 6 per cent per annum endemic to the calculations that you have presented?

David Comley: No, it is not. The calculation in the feasibility study was carried out using the best figures available at the time. All those figures will be subject to scrutiny and will eventually turn from assumptions into actual figures. The assumption that rents will increase by 6 per cent rent in 2000-01 has already been replaced by the actual figure, which is 3 per cent. If one leaves all the other assumptions intact and reruns the valuation model on that basis, one comes out with a different figure—a minus, the exact level of which is dependent on which of the options one is looking at.

By the time the actual proposal is out for funding, all the other assumptions will have been tested and the proposal will contain actual figures. It is unproductive to guess how the other figures will change. I assume that the Scottish Executive will be looking for the council to maximise the valuation, commensurate with a proposal that works. We will need to identify the ways in which the answer to the hard sum can be generated that are commensurate with a proposal based on fundable rent levels.

Robert Brown: Is the key issue whether rent levels will have to go up in the period before the stock transfer takes off, in order to produce a positive valuation of the council's housing stock?

David Comley: No. I am trying to answer that question, but obviously not very successfully.

To do a feasibility study, particularly one that requires to calculate a valuation of stock on a 30-year cash flow model, we have to make a number of assumptions. We have to be able to calculate, for the 30 years of the business plan, the total expenditure of the transfer vehicle on management maintenance, capital investment,

debt charges and so on, and its income over the same period. The exercise is to compare those figures. If the expenditure exceeds the income, that is a negative valuation. If it is the other way round, it is a positive valuation.

The figures used at the time that the feasibility study was carried out were the best ones available—they were all based on assumptions. Some of them have been tested more than others, but the process of moving from here to an actual proposal will involve replacing those figures with real ones. That is an continuing process. Once we have arrived at real figures, we may have to decide how the proposal has to change to allow for the adverse effects of events that have occurred since it was first put together. We will then arrive at a proposal that may be fundable, and which may or may not be acceptable to the Scottish Executive, to the council and to the tenants. At the end of the day, all those people have to be happy that the package is deliverable, fundable and that the figures in it are correct.

Robert Brown: I may be being rather simplistic in my views on this; however, the council is telling us, in its evidence, that the valuations are very sensitive to changes to the assumptions. Other things being equal, we are being told that instead of a 6 per cent rent increase, there will a 3 per cent rent increase, which, to my mind, would produce less income. That presumably means that, to balance the books, you will need more income from somewhere else; alternatively, it will do funny things to the evaluation.

Councillor Gordon: We have to make it clear that Glasgow City Council's administration has not set next year's rent level with one eye on a possible stock transfer. We have set a 3 per cent increase for the reasons that I described earlier—the cost of the current level of service and a modest increase in repairs activities. I reject any notion that our decisions were influenced by the possibility of a stock transfer.

11:30

Robert Brown: I will put the question in a different way: do you expect that significant rent increases, greater than the 3 per cent of this year, will be required to make your model work?

David Comley: No.

Councillor Gordon: I would not agree to them anyway.

Robert Brown: That is an answer, but not quite to the question that I asked.

On page 6 of your report, you say that the representative of the Scottish Federation of Housing Associations on the project team left after a couple of weeks. I am not sure whether the

project team is the same as the advisory group. You will know that a minority on the advisory group produced a report that was extremely critical both of the information that was given to housing association representatives and of the assumptions that the council made. I am concerned about the lack of critical input by anyone with knowledge of the figures other than council representatives.

David Comley: The project team is different from the advisory group. The project team comprised in-house staff who worked with external advisers on the feasibility study. The advisory group was set up so that the wider interest groups in the city could be aware of the feasibility study and could make some input to it.

In response to Mr McAllion's earlier question on the advisory group, I should have said that its membership was agreed with the then minister. I think that at least one of the members was there at the request of the then minister.

Mr McAllion: And the now minister?

David Comley: The feasibility study was finished before the now minister—

Mr McAllion: Did she accept it?

David Comley: It was history by then.

The Convener: All right, come on, John. It was Robert's question.

Mr McAllion: We are talking about history.

David Comley: To return to Mr Brown's question, I am aware that a minority report was produced by some members of the advisory group. The report expressed concern about the amount of available information. However, the advisers and the project team have produced a huge amount of information as part of the work on the feasibility study. Today you have seen only the tip of iceberg; there are also detailed stock surveys and a wealth of background papers that identify and analyse in more detail the issues in the report that you have. That information has always been available and has been fully discussed, in my view, in the advisory group.

There were a number of concerns in the city about the process of investigating a whole stock transfer. The advisory group reflected those tensions; it is for others to offer their views on whether the criticisms were valid. Our view has always been clear: we were doing a feasibility study and we were not, at that point, developing a proposal on stock transfer. We were accused at the time of having a proposal that we were about to foist on to people. I welcome this opportunity to make it clear again that there is, at this point, no stock transfer proposal anywhere. There is a feasibility study that demonstrates that it would be

possible to develop a stock transfer proposal.

The council's view has always been clear. Since receiving the feasibility study, the council's instruction to officers has been that they should work with tenants to develop a stock transfer proposal. We have always envisaged that as being an open process involving tenants and other people with a legitimate interest in housing in the city.

Robert Brown: The members here are obviously not professional housing people. We do not have the expertise to make a critique of this. However, the people in the housing association movement do, and their critique is important. Have you now made available to the representatives of the housing associations the full information that they asked for at the time—for example, details of the alleged 20 per cent cost increase associated with the community-based option?

David Comley: They had that information anyway. To calculate the housing association costs in the feasibility study, our advisers drew on previously published material that the housing associations have. No secret information was drawn on, only published research and Scottish Homes material on housing associations costs that is freely available to any housing association. In fact, most of the information probably comes from housing associations.

Robert Brown: I want to move on to an issue that emerged from some of our discussions—the adequacy of the new investment that will be available to Glasgow City Council, which was said to average at about £17,500 a house. Do you accept that figure?

David Comley: The figure is just over £17,000.

Robert Brown: What is your view of the adequacy of that figure, in the light of previous modernisation work, the experience of other organisations and so on?

David Comley: I know that evidence submitted to the committee suggested that the figure was inadequate. I wish to make a number of points about that.

First, the figure is an average, and therefore conceals a wide range of investment requirements for particular house types and individual houses. The figure was confirmed by FPDSavills—it is not just our figure—the independent property consultant to the feasibility study, on the basis of a 5 per cent stock survey and a survey of each one of the 34 blocks of multi-storey flats in the city. It is interesting that FPDSavills's figure is close to our own estimate in the housing plan, which satisfies me that we had a pretty good knowledge base about our stock.

Secondly, some of our stock has had

comprehensive improvements already and does not need to be improved again, at least not in the next five or 10 years. Much of the stock has had incremental improvements, as I said earlier, receiving one or more elements of improvement—windows, heating, roofs or what have you—which will not necessarily need to be replaced. Therefore, the average figure conceals the fact that some of the stock has had comprehensive investment and that much of it has received at least some incremental improvements.

Thirdly, the figure for housing association costs quoted in previous evidence must be examined. By definition, previous stock transfers in Glasgow have involved the poorest-quality stock, in which there has often been no previous investment—not even incremental improvements. That stock will be at the high end of the expenditure requirement range.

When the council improved similar stock comprehensively, it spent more than £17,000 a unit on it. Therefore, the worst stock, which needs more money spent on it, has featured predominantly in the housing association transfers, and housing association unit costs will be higher than £17,000 for ex-council stock.

Finally, and perhaps more controversially, some of the work done by FPDSavills on procurement in the capital programme for the stock transfer vehicle suggests that there are substantial economies of scale to be gained by large-scale procurement. Compared with the costs of procuring housing association contracts—which, in Glasgow, are small, because the housing associations are small—there are substantial savings to be made in refurbishment costs, by procuring larger-scale contracts. That would be possible in a whole stock transfer.

I have confidence in the figure of £17,000, which has been confirmed by FPDSavills, although I can understand why others might have seen it as inadequate.

Robert Brown: Can you give more precise detail on the 20 per cent higher cost, which is assumed in the more devolved options in your paper? Do the options include an assumption about the future of the building works and housing management departments?

David Comley: Are you asking about the management costs or the procurement costs?

Robert Brown: The management costs.

David Comley: Page 31 of the feasibility study is probably the most relevant. The third paragraph of section 17.6 identifies the sources of information the advisers used on housing association costs. The next paragraph shows what has—and what has not—been included in those

costs. There is a fair bit of detail on the assumptions used by the consultants, such as the assumption about the expenditure for responsive and cyclical maintenance, the costs of the capital expenditure programme, the inflation figures used to calculate costs at the point of transfer and so on.

Alex Neil: Have sensitivity analyses been done?

David Comley: I am not sure that I understand.

Alex Neil: How sensitive is the proposal if one or two assumptions change slightly?

David Comley: Changes to the assumptions would feed back into the valuation calculation.

Mr Lloyd Quinan (West of Scotland) (SNP): Councillor Gordon, you said that, in effect, transfer was the only deal on the table, and Mr Comley said that the council would not do anything without considering the implications five or six years down the line. On a number of occasions I have asked the Minister for Communities what investment will be available and what the plan for housing will be if the stock transfer proposal is rejected at ballot. In light of those statements—this is similar to the convener's question—how do you envisage the situation in Glasgow if stock transfer is rejected at ballot?

Councillor Gordon: You are inviting me to predict what the Government might do if there is not a stock transfer to not-for-profit—

Mr Quinan: I am just wondering, as I have tried to get an answer.

Councillor Gordon: I will have a stab at answering although, obviously, I cannot speak for the minister. I think that the Government would begin a drip-feed of smaller stock transfers to the housing associations in Glasgow. It might be that the Government would make capital available for housing associations to rehabilitate that stock at a more local level.

Mr Quinan: I assume that you would not consider that process ideal.

Councillor Gordon: It would not be ideal because the tenants are in a hurry, as am I. It would not provide a quick solution or a solution for every tenant in every home, because it would not create a big model for cross-subsidy, which I am keen that there should be.

Mr Quinan: I think we all accept that private finance will invest in the income stream rather than in the fabric of the stock. Given that this is the only deal on the table and that you make plans over five or six years, is it not essential for you to have information about housing benefit so that you can communicate to potential lenders what they would invest in?

Councillor Gordon: Let us be clear about what we mean by private finance: we mean the banks. I take this opportunity to remind everybody that local authorities borrow money from banks all the time—there is nothing brand new about borrowing money from banks for public investment. I have discussed the general issue informally with one or two senior bankers, although it would be inappropriate for me to discuss any specific matters with them. At the moment, the banks are taking the relaxed view that this is not rocket science, because the sad fact is that, through housing benefit, the Treasury stands behind most of the rents that are payable by Glasgow tenants. Therefore, to say that this model is sensitive to changes in areas such as housing benefit is a considerable understatement.

Mr Quinan: In the feasibility study, did you model the cash flows on a universal right to buy or on a diminishing right to buy?

Councillor Gordon: That issue exercised us because one of my conditions for reaching a conclusion would be clarification of the Government's intentions for the right to buy. Our view is that what the minister announced about the right to buy will not have a critical impact—perhaps Mr Comley can quantify that. I do not think that the changes will cause such an increase in the right to buy that the model will not be viable.

David Comley: On the technical point, the assumption in the feasibility study was that there would be only the preserved right to buy, under which existing council tenants retain the right to buy, as that was the effect of the legislation that was in force then.

Since the announcement of the possible extension of the right to buy, we have looked again at its impact. Provided provisions such as the 10-year cost law rule are retained, the organisation would still be viable even although all tenants had the right to buy.

Mr Quinan: The Council of Mortgage Lenders will be giving evidence to us. What is your understanding of the security that it will require before lending the money to a new trust? In the worst-case scenario of a potential bankruptcy, would the lenders have the right to break up the stock for sale to recover their investment, or would they have to operate under current housing association rules?

11:45

Councillor Gordon: They are lending against the income stream from the rents, but they take a security over the title to the housing stock.

The Convener: We need to move on to other issues, but I will take a short question from Kenny

Gibson.

Mr Kenneth Gibson (Glasgow) (SNP): I feel a bit of an intruder here today—it feels like a Scottish Labour party reunion. Charlie, you talked about every tenant in every home, but the proposal is not about every tenant in every home. We talked about the assumptions in the feasibility study. If I remember rightly, when we discussed this on 22 September 1998 at the Glasgow City Council housing services committee, the report by HACAS Exchequer Services suggested that only 74,420 homes would be modernised under the project, yet around 94,000 are currently occupied. Given that the 20,000 or so that are occupied that will not be included if the transfer goes ahead are among the worst stock with some of the most socially excluded tenants, what provision is being made for them? Will the tenants concerned be advised pre-ballot that their homes will not be modernised under the scheme if it goes ahead?

Councillor Gordon: I will give a broad answer and David Comley can quantify it. We will not be party to a solution that does not deliver for every tenant in every home. We know that the demand for social rented housing nationally is declining. A major study, which is not quite complete, on the future demand for social rented housing in Glasgow suggests that the overall demand will be 70,000 to 75,000.

David Comley: That figure of 75,000 is another of the assumptions that are built into the feasibility study. It is the council's assumption rather than a calculation by the advisers. It comes from the council's housing plan and is our estimate of long-term demand—by that I mean 15 to 20 years. As Councillor Gordon said, there is a fall in demand for rented housing in the city. We need to have the best estimates of what demand will be. We have commissioned a study jointly with Scottish Homes that is very close to reporting—the final report is due in mid-February. I have no doubt that the final figure will be less than 95,000.

You will know that over the past 10 years the council has demolished a lot of housing stock because demand has been falling. Tenants have been rehoused elsewhere in the city either in city council or housing association stock and that process would continue. Once stock is identified for demolition, after—and only after—consultation and discussion with local residents, tenants are rehoused as part of the normal turnover of stock.

Post stock transfer, when a major investment programme is being delivered, those tenants will move into better accommodation because we will be able to invest in it. Our estimate is that there will be no difficulty in terms of normal turnover, both in our and housing association stock, in rehousing people from houses that need to be demolished, in the same way as we have up until

now. It is all based on projections of long-term demand and it is a process that will take a number of years to complete—we will not reduce from 94,000 to 75,000 in a year or so.

Mr Gibson: Can you—

The Convener: Kenny, I must move on as other members have not spoken and we are already over-running.

Karen Whitefield (Airdrie and Shotts) (Lab): I am pleased that the witnesses have indicated that they want this proposal to deliver for the tenants of Glasgow. It appears that the desire to push the housing stock transfer proposals forward comes from that.

Some Glasgow tenants have told the committee that they have not been fully consulted. They feel that they are not being included in the process. Councillor Gordon, are there reasons for tenants not to be included? You say that tenants will be engaged in the process. What does full engagement mean to you? How will you ensure that the tenants' agenda is delivered?

Councillor Gordon: I would be concerned if tenants were saying that they are not properly consulted by the council. I have had tenant delegates in from all the neighbourhood forums. I have told them what I was at liberty to divulge about the later stages of the process. In November, I wrote to every tenant in Glasgow to bring them up to speed on what is going on. However, there are no tenant representatives on the steering group. It could be argued that that is a weakness—if people are not involved, they do not feel included and might suspect that part of the agenda is being hidden from them.

I have made it clear that, this month, I would like to get beyond the steering group structure and set up a new structure—an interim board—that can develop a proposal. I want tenants to be at the heart of that. About a third of the seats on the board should go to tenant activists.

At the end of the day, the transfer will not happen unless tenants vote for it. We keep tenants in the dark at our peril. We should bring tenants' rights to the centre stage.

David Comley: It would be wrong to leave the committee with the impression that tenants have not been involved in the process. They have not been as involved as the council would have liked them to be, especially in recent months. Tenants are getting frustrated at the fact that, although they have achieved a level of involvement and knowledge, not much has happened in the last 10 months.

At the start of the process, when the feasibility study was being done, we established a city-wide tenants forum that commented on and was

involved in the production of the feasibility study and, in every housing management area, we have established neighbourhood forums that have been working throughout the process and have allowed tenants to become aware of what is going on and make a contribution.

Tenants have begun to think locally about what kind of housing service they want and what kind of investment programme they want in their area. We have proposals that were included in our most recent new housing partnerships bid to put more than £1 million into supporting tenants in the neighbourhood forums and in the city-wide tenants group. We have been unable to move those proposals forward because we do not yet have consent to the new housing partnerships bid that would fund independent tenant advisers for the neighbourhood forums and for the staff resources that we propose to provide.

We have recruited all the staff, but we are unable to put them in place and pay them because our new housing partnership bid has not yet been approved. We are ready to ratchet up tenant involvement very substantially and have always envisaged the tenants developing the stock transfer proposal, both as far as their local neighbourhood is concerned and as far as the city-wide process is concerned.

The city-wide tenants group is now fully representative—it includes representatives of every one of the neighbourhood forums. In some quarters we have been accused of hand-picking members of the group. That charge would not stand scrutiny if people went to one of its meetings, which demonstrate pretty well that representatives are not hand-picked and have a mind of their own. The secretary of the Glasgow Campaign Against Housing Stock Transfer is a member of her local neighbourhood forum. That suggests that if we are picking, we have not done a great job of it so far.

Karen Whitefield: Can you give us some idea of the remit for the forthcoming consultation? From the council's point of view, what are the objectives of the consultation? What do you see the tenants being able to contribute and what influence will they have?

Councillor Gordon: I would go further than that and say that the tenants should be leading the consultation. This month, if we have a deal between the council and the Scottish Executive, we must allow the tenants to form an interim board to knit together the local wish lists and notional investment plans that they have been drawing up in their neighbourhood forums into a city-wide investment plan. By the summer—perhaps June—they should produce a proposal that the board can consult the city's tenants on. Once the results of that consultation have been received, the board

can come forward with a final proposal for a stock transfer ballot.

At the end of the day, the only way that this will work is if we have a proposition that the tenants, through their representatives, have taken ownership of and that has been put before all tenants. We must move from a situation in which there is little involvement to one where the tenants are the principal group involved. To achieve that, we must resource the tenants movement and enhance its capacity. It is important that the independent advisers should work for the tenants—ideally, they should have been in place before now—so that tenants do not have to take the word of the city council, the Scottish Executive or anybody else, and are able to come to their own view on the basis of professional advice.

I am concerned that some of the housing partnership money has been held back and that conditions have been attached. I have written to the First Minister pointing out that it is important that the element of that money that pertains to the funding of independent tenant advisers is released immediately so that the tenants can move centre-stage—where they belong.

David Comley: I do not know whether your schedule permits it, but I have no doubt that the city-wide tenants group would welcome the opportunity to give evidence.

The Convener: It has written to us asking to do that. I will raise that issue with members later.

Karen Whitefield: My final point is not about participation, but housing allocations. If the stock transfer proves to be successful, will the council retain any stock at all? If not, how will you deal with your statutory obligations? What recommendations will you make to the Scottish Executive for the forthcoming housing bill? What do you think should be included in that bill to ensure that Glasgow City Council can deliver for homeless people in Glasgow?

Councillor Gordon: I mentioned earlier that we are keen for local government to be given the strategic enabling powers. We see that as a step towards eliminating the democratic deficit. As a rule, it is far better for issues to be dealt with by locally elected and accountable people, rather than quangos.

We are preparing a detailed submission on many aspects of housing legislation. We will not retain any stock in our ownership—we will cease to be a landlord and an operator of housing.

Careful thought has been given to our statutory responsibilities, including for the homeless. We now have a relationship with many housing associations in which we have nomination rights, for example for clearance or demolition, as Mr

Comley mentioned earlier. That will all be taken care of.

Karen Whitefield: Do you think that the existing legislation is sufficient? On the basis of what operates now, do you think that there will be enough leeway for homeless people in Glasgow to be housed by housing associations?

12:00

Councillor Gordon: We definitely need a new housing act for Scotland. If tenants do not get a new type of secure tenancy in which they are transferred from municipal control, I believe that they will reject any stock transfer. That is how strongly tenants feel about tenure.

I mentioned the strategic enabling powers. In my view, tackling homelessness is more about resources than legislation. We need capital to invest in modern, appropriate infrastructure to cope with the very complex social problems of homeless people. Homelessness is more than just a housing issue.

David Comley: It may be that new legislation is necessary to ensure that the council can deliver its statutory homelessness functions while it is not a landlord. As Councillor Gordon said, the council is currently working on what it thinks might be necessary for the new housing bill, and it will make a submission in due course about it. Homelessness will be examined in that submission.

Mr Keith Raffan (Mid Scotland and Fife) (LD): I want to make some points about the condition of the housing stock under the investment programme. In your submission, you cite the figure of £1.76 billion as being the investment required to bring the housing stock to an acceptable condition. The figure that you have used today for the amount of money that will be available as a result of stock transfer is £1.3 billion. That is a significant discrepancy of more than 30 per cent. Can you elaborate on that?

David Comley: I refer Mr Raffan to the first document inside the pack we distributed. It has a figure of £1.25 billion. We have refined our estimates over the years. From memory, the figure of £1.76 billion was based on an assumption that all the existing stock required investment.

We have now taken a view about longer-term demand. The figure of £1.25 billion comes from the estimate of the investment requirement of the stock with a long-term life.

Mr Raffan: So that covers modernisation, comprehensive improvement and so on?

David Comley: Yes.

Mr Raffan: That means, I take it, that demolition

and new build would come under other figures.

David Comley: The demolition requirement to get down to the figure of 75,000 houses with a long-term life is included.

Mr Raffan: Earlier, you mentioned there being too many multi-storey blocks. Would the demolition requirement mainly cover those, or would it involve different types of housing?

David Comley: This is preliminary, but I think that demolition will predominantly be of tenement and multi-storey stock.

Mr Raffan: Over what time scale will the investment programme for which we have a figure run?

David Comley: Every 10 years.

Mr Raffan: Otherwise, it would be in excess of 30. Councillor Gordon said that he linked the whole investment programme to training and job creation, and Mr Comley said that it could create up to 4,000 jobs. I was an MP when improvement grants were introduced. The Government of the time suddenly made large amounts of money available and the construction industry could not cope. A large amount of the work done was not just of bad quality, but sufficient for legal actions to be continuing now. Many cowboy builders were attracted at the time.

Much of that is not comparable, because it was on a much smaller scale. My concern is about the construction industry's ability to cope, even over 10 years.

Councillor Gordon: That is a valid concern. There could be difficulties. Arguably, we should have started to train building workers before now to prepare for the investment that may take place in Glasgow. There already are skills shortages in the private construction industry.

Mr Raffan: Mr Comley's remark that large contracts will produce procurement savings increases my concern. Large contracts can also lead to lower quality work. Councillor Gordon has said that big is beautiful: not the smaller or the phased housing stock transfers, but the wholesale transfer. I appreciate your arguments, but I have concerns about the investment programme being of sufficiently high quality.

Councillor Gordon: I do not think that I said that big is always beautiful; I made a more balanced statement. I would not like to give the impression that the renovation work or the maintenance arrangements would consist of one big contract. The industry would have to be organised in such a way that consortia of medium and small contractors would bring their resources to bear. Our current in-house resources would be available for maintenance work.

Mr Raffan has put his finger on an area of potential concern—the capacity of the industry to cope with the investment programme.

Mr Raffan: So would you be in less of a hurry?

Councillor Gordon: I am in a hurry because I have thousands of housing and building maintenance staff who try to go that extra mile for tenants, yet we do not have the resources to satisfy tenants. We have to say no too often. That affects the morale of the staff.

There is a sense of urgency, particularly when we consider the age profile of the tenants. How can we motivate someone to join a campaign to get their house done up in 17 years' time when they are already 73 years old? There is a balance to be struck. We do not yet have a detailed proposal and I expect difficulties with the time scale because of outside constraints, such as the capacity of the construction industry.

David Comley: It will have to be planned very carefully.

Mr Raffan: In your opening statement, you said that the council would have a more strategic role. Could you elaborate on what that role would be?

Councillor Gordon: Perhaps Mr Comley could outline that in terms of the professional issues. We would like local authorities to have some of the powers currently enjoyed by Scottish Homes. That is on the table and the minister has already made a statement on the matter. It is important that—in the delivery of other local services, particularly the social inclusion agenda—we have a strategic overview of what is happening in every housing sector. We would like to be in a position to hold the reins and to sustain partnership to ensure that housing delivers for the whole of Glasgow.

Mr Raffan: You have used some interesting terminology: “holding the reins” and “overview”. Those are the vague words that always seem to crop up when that ghastly phrase “social inclusion” is used. Nobody has defined that phrase to my satisfaction. Do you mean that you will monitor matters, but that you will not have much power?

Councillor Gordon: I am not in the business of giving away power.

Mr Raffan: I gather that.

Councillor Gordon: I leave that to others.

We are here to talk about housing, not the local government bill.

Partnership is important. The whole has to be greater than the sum of its parts when it comes to solving all of Glasgow's problems, not just its housing problems, and most of the agencies and the bulk of the private sector look to the city council for leadership on strategic issues. I am

comfortable with that.

Bill Aitken (Glasgow) (Con): It has been apparent for some years that fairly radical measures would be needed to solve the increasingly acute problem of Glasgow's housing stock. I am attracted by much of your submission—I have to retain some personal credibility by maintaining that attitude. That said, I still have concerns about the model that you have suggested. The success story in Scottish public housing over the past 20 years has undoubtedly been community-based housing associations, because people have been given ownership of problems and have responded positively to that responsibility. I am slightly concerned that any single, monolithic stock transfer, despite having community-based aspects, might lose sight of the fact that people respond positively when they see how effective their input has been on their area. Such a step might make them feel that they are remote from any decisions on housing.

Councillor Gordon: My response to the argument that community ownership is superior to municipal ownership is that it all depends on funding. Community ownership through stock transfer has been successful because it has been funded; municipal ownership in Glasgow has recently been perceived as unsuccessful because we have had no money. The fault is not inherent in the municipal model. Although I am comfortable with people perceiving community ownership as a priority, very few tenants questioned in one major survey raised it as an issue, and not every tenant would necessarily recognise or define the phrase “community ownership”.

This argument is similar to the argument about devolution and independence. It is one thing to maximise people's management of their own affairs; however, does every tenant want the formal and legal responsibility of managing their housing stock locally? I do not know.

There is a pressing practical reason for having one big stock transfer based on one big ballot: it is the only way to deliver a solution for every tenant in every home. However, there is scope for a city-wide organisation whose day-to-day service is organised locally in the same way as the city council's departments, so a great deal of administrative devolution is already built into the initial model. We are trying to develop criteria that will allow tenants to break away from that model later, if they want to. This is principally a democratic issue: no stock should be transferred unless tenants vote for it.

However, there must be financial arrangements between the new breakaway organisation and the organisation that is being left behind, as the financial model was based on other assumptions. Those second-stage transfers, as they are called,

should—and will—be catered for.

Bill Aitken: I want to pursue the question of the contractual relationships that are likely to evolve between city-wide and community-based organisations if the stock transfer goes ahead. What would be covered in such contracts? Will tenants have an input into any decisions on the terms of the contracts? Furthermore, what procedures will be put in place to resolve any disputes that are bound to arise in such a set-up?

Councillor Gordon: I should remind everyone that we do not yet have any proposals on that matter, so the area is still slightly speculative.

I see the city-wide organisation as a lean, mean machine. Although it would do the borrowing and hold title to the houses, it would not be a big bureaucracy. As Mr Comley said, ownership of the city-wide organisation would lie with a series of community-based housing organisations, and they would be responsible for shaping the daily delivery of services, such as maintenance and housing management. In this model, tenants have to be involved in making the decisions on the investment programme. They have to be involved in development issues rather than just in management issues. As I said, this is a slightly speculative area.

12:15

David Comley: The penultimate paper that we sent to the committee—"The Proposed Stock Transfer Concept"—was our attempt to put some flesh on the framework suggested by the advisers in the feasibility study. It contains a table showing the respective responsibilities of the city-wide organisation and the local organisations, for both capital investment and day-to-day housing management. We tried to give tenants as much control as possible and we proposed that the local organisations should have committees or boards made up only of tenants. The council has always intended that the staff who are responsible for delivering the local housing management service should work for the local tenants and should be directly accountable to them. There should be a formal mechanism of staff secondment or dual contracts to ensure that that can be delivered.

When we tried to allocate responsibilities to the two levels of organisation, we intended to give as many as possible to the local organisations. Certain performance standards would have to be set and agreed between the two levels, because the city-wide organisation is the borrower and needs to be able to satisfy lenders that it can deliver the critical components of the business plan. Those components would have to be translated into agreed performance targets for the local organisations. I would expect that to happen

after negotiation between the two levels.

Fiona Hyslop: Staffing is an important issue, and I would like to ask about the direct labour organisation and, in particular, about the model for one big-bang transfer and the minister's proposal—as we understand it—for having a series of smaller community-based organisations. Has there been any separation of staff who might be involved in the new venture? Is that why Mr Comley is not involved in the new steering group? What consultations have you had with the unions, and what are their roles and responsibilities? What is their view on the options available? Is their view what is driving you towards the one big-bang approach?

Councillor Gordon: I have regular meetings with the unions through the joint trade union committee in the council. When they contact my office to request a meeting, I try to meet them within at most 48 hours. As a lifelong trade unionist, I believe that the trade union movement should be properly consulted.

Fiona Hyslop: Do you foresee problems with the minister's proposal for a separation into 30 smaller units; or is your drive for the big bang partly in order to ensure that the DLO remains intact for the whole of Glasgow?

Councillor Gordon: The minister will have to speak for herself on her emerging thoughts. I do not think that there is much disagreement that the maintenance organisation must be city-wide, but that it must be organised at local level. Its maintenance contracts should be individual ones at a local level. That is not all that different from the status quo—at the moment, we have a city-wide DLO that is organised into local repair teams. Its focus is local, and the monitoring of its performance is local. Glasgow has a superb building department DLO. Given the level playing field of best value, the DLO will change, but I am confident that it will survive and prosper.

I return to my point about our having excellent staff whose morale has been affected by a lack of resources. If those people are given the resources that this scenario may present, I think that they will do great things for the tenants of Glasgow.

The Convener: Thank you. I would like to wind up—

Mr Gibson: I have to say, this is fundamental—

The Convener: With all due respect, I have a pattern for chairing these meetings that I think has the broad support of the committee. We are—

Mr Gibson: But—

The Convener: No. We are well over time. I have a couple of questions that I want to ask, to wind up. We have designed that method of doing

things. Please, Kenny; I let Fiona back in. You have to accept—

Mr Gibson: But this is fundamental to my constituents and—

The Convener: This is not the appropriate forum to raise constituency matters.

Mr Raffan: On a point of order. I do not know what other members of the committee think, but I am quite happy for Mr Gibson to ask one more question. I do not want in any way to question your authority, but—

The Convener: I do not think that this is the appropriate forum for a constituency matter. I am trying to be fair. Please, Kenny; I let you in earlier. We can pursue this later.

Mr Gibson: I think that this is very bad form and very discourteous.

The Convener: I am genuinely sorry about that, because I did want to let you in.

To wind up, Charlie—I mean, Councillor Gordon—

Councillor Gordon: Charlie is fine.

The Convener: Yes, I have known you for many years as Charlie.

I have listened to your evidence. Are you a pragmatist who is making the most politically of the situation in which the council finds itself? Or are you an enthusiast, driving this new, radical future agenda for Glasgow's tenants?

Councillor Gordon: I do not think that some people who are closely involved in this project would regard me as a visionary. However, as I said earlier, it is more important to do the right thing, even if it is for the wrong reasons. I am a pragmatist. There is more than one way to skin a cat. If the world were different, if the United Kingdom Parliament were different, and if the Scottish Parliament were different, things might be done differently. But the fact is that the tenants of Glasgow are living in houses that are, in the main, of an unacceptable standard. All of us have a responsibility to do something about that and we should not lightly discard any model that allows us to do something about that.

This project is very doable. The objectives that I mentioned earlier are deliverable. I am not in the business of selling out tenants, of selling out council staff, or of selling out the principle of social ownership of housing. I want to make it clear that we are talking about a not-for-profit organisation that would be a special-purpose vehicle for the provision, development, maintenance and improvement of social rented housing in Glasgow.

I suppose that that will mean the end to a

chapter of municipal ownership of social rented housing in Glasgow that was, in some parts, quite glorious in earlier days. We would never countenance going down that road if it created any dangers to tenure, or if it raised the possibility of exploitation of tenants—as sometimes happened in the bad old days—or if it involved betraying a conscientious but under-resourced work force. But the project is doable. If people do not think that I use the right language when I talk about it, I am sorry about that, but we should be judged on our actions. If we do not deliver for the tenants of Glasgow, we will all be judged harshly.

The Convener: My final question is on something that has come up on our agenda a number of times. Why should Glasgow dominate the agenda of Scottish housing so much?

Councillor Gordon: That question does not relate only to housing, does it? You could say the same about local government finance.

The reason why Glasgow merits so much attention is that it has so much need. It is not a question of demand. We should not be claiming that we can respond to every demand. But, if we are serious about social inclusion, we should do something where there is obvious need. The committee is well aware of the levels of poverty. Social exclusion is a fancy new name for poverty, although it can mean other things. But we are talking about poverty. Half the poor neighbourhoods in Scotland are in Glasgow. You know about the state of Glasgow's social rented housing stock. If we are serious about the social inclusion agenda, much of the attention and many of the resources have to be focused on Glasgow, on the basis of meeting objective need.

The Convener: Thank you for your evidence. We might be in touch again if we have other issues to raise with you as we reach the conclusion of our report, because we had a range of questions that we did not reach today. Thank you for the quality of your evidence.

Councillor Gordon: I do not know about that, but I enjoyed it.

The Convener: We are now moving into private session. I am sorry—I have been reminded that the reflection on the evidence is in public, and that we will go into private session after that.

We are now badly over time. I tried to do my best to keep to time, and I am quite annoyed that people questioned that. Can we have a brief discussion? We will have to return to our consideration of the evidence at our next committee meeting. Should we have a brief period of reflection to flag up points to be addressed?

Mr McAllion: I agree with that. I was interested by the evidence on how the debt is to be handled.

There is a portfolio of loans of £940 million, each of which is for a different amount. They will be subject to individual contracts that will have to be agreed with the Scottish Executive. We need to know more about that. Have the contracts been agreed? How firm is the Scottish Executive's commitment to agree each of those contracts with the council? Will the contracts be binding on successive Executives? If the revenue support grant is to service those debts pound for pound, what will be the impact on other Scottish local authorities? Is the funding coming out of the larger pool, which will affect other authorities? A wide area has been opened up for investigation.

Fiona Hyslop: I understand that in his evidence to the Finance Committee yesterday, Jack McConnell addressed the issues of what has been set aside, the deal that has been struck—which is an important factor in what we are looking at—and, if there is a debt servicing arrangement, the guarantees that there will be for a future Scottish Executive in 10 or 15 years' time. We can find out from the Minister for Finance what he perceives the financial arrangements will be, and follow up some of the points that were raised at that committee.

The Convener: We should get the evidence from the Finance Committee.

Fiona Hyslop: Yes. I am not sure whether the meeting was yesterday, but the evidence certainly was given at its previous meeting.

The Convener: We could get the evidence, and write to Jack once we have considered it.

Alex Neil: That is one aspect of the financial arrangement. I was struck by the fact that the assumptions on which the financial model is based are so susceptible to change, and that even relatively minor changes can have a major impact on the viability and feasibility of the whole project. We need to delve into the financial aspects of the matter, because I am not sure that the finances add up.

The Convener: I accept your points, but I feel a bit better because we heard convincing evidence.

Robert Brown: I share Alex's concern. Like you, convener, I was reassured to some extent, but I fear that the matter was treated superficially. There are a couple of other issues to be addressed. If one accepts that the way forward is debt guarantee and stock investment, there are different degrees of central procurement, and balances between central and local procurement. We have not got to the heart of the issue. Cross-subsidisation complicated the matter. We did not pursue it very far, so I would appreciate some guidance.

The Convener: I would have liked to address

the issue of cross-subsidy.

Robert Brown: Yes, and the matters of the direct labour organisation and the housing management department, and their involvement in all the options that are before us.

The Convener: There is a range of financial questions that we did not ask. We should either write to the council or find some other means of getting the information.

Cathie Craigie: What is the problem with cross-subsidy?

The Convener: I want to explore it more—I am not against it.

Cathie Craigie: I thought that it was attractive, as the burden would not fall on one group.

Robert Brown: However, cross-subsidy makes it difficult to break it down financially into the smaller groupings that most of us would like there to be.

The Convener: There are many questions about second-stage transfers that were not asked today. Our questioning was too broad.

Alex Neil: We need answers to many questions before we interview Wendy Alexander. Much of our discussion with her will be about the financial framework that is being set by the Scottish Executive. It was clear that much of the council's evidence bounced the questions back to the Executive. The council told us that it is doing the best that it can within the financial framework that it has been handed.

The Convener: I get the impression that Alex would like to write our questions for Wendy.

Mr McAllion: Much information is required. The feasibility study was written off, because it was said that there would be different figures in the real world, but the whole idea is being sold on the basis of the feasibility study.

12:30

Why will 87,000 houses be transferred when only 75,000 are judged to have a long-term life? Why will 8,000 be transferred and demolished in the first eight years? Is that because it will increase the valuation and allow a high rent policy, so that there are returns to the investor? We did not get the chance to explore such questions.

Bill Aitken: There were 138,000 houses not long ago. People's aspirations are now different.

Mr McAllion: The valuation will depend on the number of houses. Why are houses being transferred to a new trust, if they will be demolished?

Cathie Craigie: John McAllion suggested that

we consider the feasibility study and examine all the options, but we have to assess the recommended option. I do not know over what period the feasibility study was carried out, but I imagine that it required much time and effort by experts. At some point we have to accept that those professionals have been able to complete a thorough job. Their figures can only be estimates and guesstimates. It is only when work is done on a proper bid for the housing stock that the answers can be found to the questions that John asks. It is practically impossible to get into detailed financial arguments.

Fiona Hyslop: It is not our job to carry out an analysis of the Glasgow stock transfer—if it were, that would be all that we would examine. We must consider the robustness of what one council is doing and whether the process by which it has formed its proposals makes sense. We will have to challenge some figures to find out whether those proposals are robust, but our focus is the process of stock transfer across Scotland, using one council as an example. We should not get too tied up in the detail. We must test whether the proposals hold water. On some issues, the jury is out, so we have to tease out some of the information that we did not gather. That is why we have an adviser.

I do not know whether we should proceed by requesting written evidence or by John McAllion and me pursuing the matter separately and reporting back. We must get the additional information in time for our meeting with the minister.

Mary Taylor (Adviser): During the taking of evidence, it was said that the proposal should be scrutinised as it develops. One of the gaps that the committee needs to address is the question of who will scrutinise the proposal and for what purpose.

Although the council will scrutinise the proposal to find out how it affects its financial arrangements, another issue is the impact on public finances, not necessarily on the public sector borrowing requirement, but on general Government expenditure on housing benefit. There are a number of gaps into which the proposal could fall in terms of the responsibilities of Government departments. Evidence is required on the process of scrutiny of the proposals of Glasgow and other councils.

Mr McAllion: The whole idea is being sold on the basis of the success of the Glasgow transfer. If the figures for Glasgow are being rigged, the question of housing stock transfers—

The Convener: I thought that the witnesses were convincing today.

Mr McAllion: I am not talking about them.

Charlie Gordon is reacting to the Executive's decisions. The Executive is laying down rules that affect what Glasgow can and cannot do. The Executive is the engine behind stock transfers and it is clear that, if Glasgow had a choice, it would not transfer the housing stock.

Mr Quinan: Charlie Gordon said twice that this was the only deal on the table, and on three or four other occasions he referred to that without using those exact words. His answer to the question on whether he was enthusiastic about the transfer was clearly made in the knowledge that the minister was sitting behind him. He really meant, "The answer to your question is contained within your question—no, I'm not enthusiastic, but I am not going to say that up front." His position was clear both from his last answer and from his evidence.

The Convener: I am anxious to discuss our next meeting, as we need to get our heads round the questions for the Council of Mortgage Lenders. I have asked Martin Verity and Rodger Evans to do a bit of work on pulling together the different strands of our programme, as I am concerned about it. We should focus on the details of our next meeting.

Alex Neil: Is our next meeting on Monday, rather than Wednesday?

The Convener: Yes. I ask Martin to give us details about the next meeting.

Martin Verity (Clerk Team Leader): The meeting next Monday will include a visit to Queens Cross Housing Association in the morning. A programme has been drawn up for that visit, which has been e-mailed to members. In the afternoon, the committee will take evidence from the Council of Mortgage Lenders in Glasgow City Council's Geoff Shaw room. The committee may wish to hold the first 15 minutes of that meeting in private. That is the basic agenda for—

Bill Aitken: Where is the Geoff Shaw room?

The Convener: It is in a building that was formerly part of Strathclyde Regional Council.

Karen Whitefield: I thought that this morning's evidence session worked quite well, because we agreed our lines of questioning in advance. It would be useful to hold a short, private meeting before the next such session. It took us only 10 minutes to work out the areas on which we wanted to concentrate, and it would be productive if we could do that again on Monday, because we would get much more comprehensive evidence.

Today, we discovered that there are still gaps in the evidence and that we still want to revisit issues such as the impact on the direct labour organisation and on staff. However, we covered the issues much more comprehensively today

than might have been the case had we not been so well organised.

The Convener: That was not down to organisation alone—I wish that it had been—as Mary Taylor and Stephen Curtis had prepared questions. Some of the questions that we have already will inform our session on Monday, but we might need to tighten them up a bit.

Robert Brown: It would be worth repeating the exercise, if possible, by getting questions from Mary Taylor, as our next evidence session will cover a slightly more specialist area.

The Convener: Okay.

We all know what we are doing on Monday. I hope that the questions will be e-mailed to us before the meeting, as that will speed us up.

Work Programme

The Convener: The final item on the agenda is the work programme. We have a chance to add that item to the agenda for Monday's meeting. Should we discuss that item in private?

Members *indicated agreement.*

The Convener: We all know the arrangements for Monday—everyone is organised about that.

Meeting closed at 12:38.

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