

SOCIAL INCLUSION, HOUSING AND VOLUNTARY SECTOR COMMITTEE

Wednesday 16 February 2000
(Morning)

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SOCIAL INCLUSION, HOUSING AND VOLUNTARY SECTOR COMMITTEE 6th Meeting 2000, Session 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

WITNESSES

Councillor John Forteath (Dumfries and Galloway Council)

Philip Jones (Dumfries and Galloway Council)

Yvonne MacQuarrie (Dumfries and Galloway Council)

Andrene Scott (Dumfries and Galloway Housing Consultative Group)

CLERK TEAM LEADER

Martin Verity

ASSISTANT CLERK

Rodger Evans

LOCATION

Committee Room 1

Scottish Parliament

Social Inclusion, Housing and Voluntary Sector Committee

Wednesday 16 February 2000

(Morning)

[THE DEPUTY CONVENER *opened the meeting in private at 10:14*]

10:29

Meeting continued in public.

Housing Stock Transfer

The Convener (Ms Margaret Curran): I formally open the public meeting and welcome the witnesses from Dumfries and Galloway. The west of Scotland members have had transport difficulties this morning, and I hope that the witnesses' travel was not too traumatic. I thank them for coming to this meeting.

We are aware that you are in the middle of the process of housing stock transfer. We would like you to assist our inquiry into the transfer so that we can raise issues that might be helpful as the Executive and Parliament pursue this matter. This will be an exploratory discussion, in which it will be helpful if you explain some of the processes that you are going through.

I do not know whether you have read the *Official Report* of any of our meetings. We ask witnesses to give a brief introduction before we move to questions. We will ask a series of questions, but that should not restrict interaction between us, if you wish to highlight any matters or if members wish to pursue points that are raised. I thank you for your interesting written evidence, which will help us to understand the issues. I understand that you have circulated a statement this morning.

Before we move to questions, please introduce yourselves and give an opening statement.

Councillor John Forteath (Dumfries and Galloway Council): Thank you for that warm welcome; it certainly was not too warm when we left Dumfries this morning. We appreciate the committee's invitation.

I will introduce my colleagues. Phil Jones is chief executive of Dumfries and Galloway Council. Phil liaises closely with Yvonne MacQuarrie, who is director of housing services, and who has the main role in taking forward the new housing partnership. In a moment I will explain about the

high priority that we have attached to consultation during the option appraisal. I am also delighted that Andrene Scott—not Andrew Scott, as her name appears on the agenda—is here. She is a member of our housing consultative group. Several of her fellow tenants and one or two councillors are in the gallery to give her moral support.

I am grateful for this opportunity to make some brief points before the question session begins, and I hope that they will help members to understand our council's position. I am sure that members of the committee will have had the opportunity to consider the documents that we have submitted. We are happy to submit any other relevant material that the committee wishes to receive.

The new housing partnership policy offers a potential route to increased investment in our housing stock. My fellow councillors and I have a responsibility to our staff and tenants to examine that opportunity. Social inclusion is one of the four main themes of the council's corporate plan, as is quality of life for people of all ages. It is our key priority to attend to the needs of the most vulnerable in our society, especially older people and families living in poorer houses. However, the reality is that, like all councils, Dumfries and Galloway has had to face pressures on its borrowing consent. For example, in 1996, our consent was £9.3 million; this year, it is down to £4.2 million.

As members will see from the housing plan we sent the committee, two years ago the council faced up to the reality of this and took a conscious decision to spend our available resources as wisely as possible. Since then, we have spent most of our resources on keeping people's homes warm, dry and with an adequate source of heating. That has meant a great deal of expenditure on the fabric of our houses.

The downside is that we have been unable to do much to improve the insides of the houses, which have become very dated. Many houses have small, unfitted kitchens with inside coal stores. The layout is not acceptable under today's standards and the houses need to be enlarged as well as upgraded. Many others have heating systems that are old and inefficient, and tenants tell us that they cannot afford to run them.

As the committee will appreciate, tenants place a high priority on the internal condition of their properties. So far, the feedback from our consultation is that tenants want substantial modernisation. Furthermore, in some of our popular villages, the social rented stock has been reduced by sales to sitting tenants; for those communities, new build is high on the agenda. In meeting that need, therefore, my council is

determined to explore every avenue.

Last year, we transferred 382 unmodernised houses in Stakeford, Dumfries to a housing association. A high number of people voted, 73 per cent of whom chose to transfer their houses. Tenants' houses in Stakeford are now being brought up to a high standard, which is something we were unable to do. While it is early days, we understand that the tenants see that as a positive development. From the council's point of view, it has encouraged us to find out more about what might be involved, were we to develop a similar proposition for all our tenants.

The problem with Stakeford was that the transfer price left the council with residual debt, the cost of which had to be spread over our remaining tenants. We could do that for 382 houses, but not for 13,000. For us, the promise of having our debt addressed is one of the biggest attractions of the new housing partnership. It is important that we make the same proposition to all our tenants in any future proposal and that we can place them at the heart of decision making.

It is against that background that the council and its tenants, through our consultation process, are considering the option of a new landlord organisation. We are grateful for the financial assistance that we have been given to consider the options. However, I must stress that we have reached no decision to transfer our stock. We have employed consultants to consider the options available within a single stock transfer and we will consider their report in June.

We are concentrating our resources on consulting widely across Dumfries and Galloway, working with our tenants and staff to establish what a new organisation might be able to deliver and to what extent people want to get involved in the running of it. The latest step here is our 100 per cent tenants survey, which is included in the pack. We are also carrying out a survey of elected members, to establish the key areas of concern for their constituents, and we are holding focus group sessions with staff, to ensure that they, as well as tenants, are involved in the process that we are undertaking.

We want to identify problems from the ground up, and develop the solutions together, not to impose something on our tenants. We have appointed an independent tenant adviser to ensure that, at this early stage, our tenants get impartial advice. Members will see in their information packs a brief synopsis of our consultation strategy and the various groups that are involved. The director of housing can provide more detail.

Our consultation is a huge exercise. The new housing partnership policy clearly encourages

councils to transfer all their stock housing in a single transfer. To develop such a proposition, we must build a broad consensus within the community; in our case, that is quite an undertaking. As the committee will appreciate, Dumfries and Galloway is a large and diverse community, and housing issues and needs vary from area to area. Important rural dimensions are often lost when the debate focuses on larger urban transfers.

Our housing staff currently provide a vast range of services from small local offices. As well as collecting rent and council tax, they sell travel passes, fishing permits and even baby milk. Many of our housing staff in rural areas provide registration services and deal with births, deaths and marriages. The community values that service and does not want to lose it. To date, in other transfers, it has been the practice for new organisations to establish separate offices very quickly. We do not think that that is the best approach for Dumfries and Galloway, and we are looking for a solution that continues to provide an integrated service to all the community.

The committee will know that we are developing our thinking at the local level at a time when the policy framework is being dramatically overhauled at the national level. A raft of new proposals on tenant rights, regulation and monitoring and housing planning and investment is in the pipeline. We are having to respond to those as we go along. For example, last summer, one of the attractions of stock transfers to many members of the council was the prospect that fewer properties would be lost under the right to buy. We must now digest the new proposals, and consider what they will mean for any new landlord organisation and how such an organisation will respond.

It is already clear to all of us—councillors, officers, staff and tenants—that the learning curve is steep. Irrespective of the decision that the council arrives at, we will be all the better for knowing much more about the condition of our housing, about housing needs, and, most important, about what our customers, the tenants, think about the service that we provide. By June, we will know a great deal more. Until then, the council is keeping an open mind on the issue, and we are asking our tenants to do the same.

Convener, thank you very much for the opportunity to make those opening remarks.

The Convener: Thank you very much indeed for an excellent opening, which was very much to the point. I take your points on board, and I would like the committee to explore them. We will go through the questions that we want to raise with you in relation to those points systematically.

We appreciate that no decision has been made;

in a sense, that is why you can assist us in our work. We would like to know the processes that you are going through, and we are interested in examples of good practice that you may have used. We are very much aware that we cannot just focus on the large urban transfers in cities, although they are significant. We are a Scottish committee, and we have to consider the whole Scottish picture. You made your points well, and we appreciate them.

You said that debt is the big issue that you face. We are all on a steep learning curve, but may I ask you why you would transfer your stock? Is it because of the debt alone, or are other issues involved?

Councillor Forteath: It is certainly not just because of the debt, although, as I said, dealing with that is an attractive option. It is more that it would allow us the opportunity to improve the standard and the quality of housing, which our tenants expect us to do. We are already finding from the consultative forums that we are having with tenants that housing repairs and modernisation are the biggest issues for them. The director for housing services may wish to say a few words.

10:45

Yvonne MacQuarrie (Dumfries and Galloway Council): Debt is a key issue, because at the moment, something like 48p in every pound of tenants' rent goes toward paying debt. Obviously, tenants do not think that that is good value for money. The debt is for houses that were built a long time ago, some of which we no longer own and some of which have been demolished. The council took on that debt to carry out improvements and repairs, which now need to be done again. The problem is that because such a high percentage of tenants' rent goes on paying off debt, there is not a lot of scope for new investment without increasing rent levels. The NHP proposals are attractive to the council, because they afford the opportunity to be clear of any remaining debt after a transfer takes place.

However, as Councillor Forteath said, a transfer is not just about clearing debt, because there are other issues. In a rural authority such as Dumfries and Galloway there are many areas, particularly in our small villages, in which houses have been sold and where the people who bought them no longer live there. We have houses that were once council houses but which are now used as holiday homes and are empty for part of the year. From the new housing partnership, the council would like the opportunity not just to invest in existing stock, but to replace the houses that we no longer have.

The Convener: How did you come to the

decision about the transfer proposals? What processes did you go through?

Yvonne MacQuarrie: In the council's housing plan, which we sent you, you will see that the council took a decision two years ago that, in the short term, it would invest its limited resources in keeping the houses windproof and watertight, and in giving everyone an adequate source of heating. In other words, the council took the decision that if it had only limited funds, there was little point in putting in a new kitchen and bathroom if the roof was leaking, so it concentrated on structural work.

The council also took the decision that, in the medium to long term, it would have to explore more innovative ways of investing in the housing stock, and it employed a firm of consultants to carry out a feasibility study on the available options. The consultants considered the options of stock retention, of partial transfer and of total transfer, and advised the council that a total transfer was feasible. As you know, the council bid for a share of new housing partnership funding, and was pleased to receive £3.9 million to help it explore the options further.

When the new administration came in last May, it was particularly keen to ensure that all suitable options were examined within the context of a single transfer. It took the decision to employ another set of consultants to look at those areas in depth. Those consultants will be advising the council in May or June of this year. Obviously, the decision that the council has taken has been within the framework of new housing partnership.

The Convener: I appreciate that. We will explore some of those other issues with you. How many houses do you own? Do you see all of them transferring? Are there any plans to demolish housing stock?

Yvonne MacQuarrie: The council currently owns approximately 13,500 houses. If a transfer takes place, it will be some way down the line, and there will likely be some right-to-buy sales between now and then. The council's plan at the moment is to pursue a transfer of all its housing; therefore, all housing stock will transfer if that option is chosen.

Regarding demolition, we have housing stock in two areas that is difficult to let. The council has carried out an options study on those areas separate from new housing partnership proposals. It has not taken a decision on their future, but one of the options may be to demolish a percentage of the housing stock. However, I stress that the percentage would be small.

The Convener: I appreciate that you have not made any final decisions yet, but, assuming that you go down the road of stock transfer, have you thought through the possible structures for

handling the stock transfer by establishing a housing trust or whatever?

Yvonne MacQuarrie: As Councillor Forteath said, the council is tackling that issue by examining it from the ground up, as it is keen to ensure that it does not impose a structure on anyone. We are considering what new services our tenants would like to have provided by a new organisation and examining closely how much involvement tenants want in the running of the housing service.

We have sent a questionnaire, a copy of which is in members' packs, to every tenant. We are trying to establish whether tenants are interested simply in being consulted or whether they would like to take part in the running of the housing service. Depending on the feedback, we will use that information to shape the proposals for the structure, which the council will consider in June.

The Convener: Your previous experience of small-scale stock transfer has been positive. Most people have a positive response to that.

Yvonne MacQuarrie: I think that the chief executive may want to come in, before I answer.

Philip Jones (Dumfries and Galloway Council): I wish to comment on the principles behind the way in which we are progressing stock transfer, particularly in terms of tenant consultation and the examination of all suitable options. Those principles are embodied not only in the housing committee's arrangements and policies, but in the council's corporate plan.

In May, when the council was first appointed, it developed a corporate plan that covered a number of issues, such as quality of life and social inclusion, and the stock transfer proposals are specifically highlighted within that framework. The key issues are tenant participation and the examination of all suitable options. The single transfer proposals include options for management, local delivery and, in particular, tenant participation.

The Convener: We will now explore the issues of finance and participation among others.

Fiona Hyslop (Lothians) (SNP): I wish to pursue some questions on finance and, in particular, on debt, which you have identified as an issue. You indicated that Dumfries and Galloway Council's residual debt sits at about £20 million. I understand from your initial feasibility study that you valued your stock at about £87 million. Could you tell us about the current actual level of housing debt?

Yvonne MacQuarrie: The actual level of debt, including breakage costs, will be in the region of £120 million. The initial feasibility study considered a valuation of around £80 million, which would

have left a residual debt. However, I stress that that figure is now two years old and was based on information available at that time. Since then, we have commissioned a thorough stock condition survey from a reputable company and that will give potential funders warranties in future. As we have yet to receive that information from the survey company, I cannot specify the valuation at this stage and, because of that, I cannot specify the residual debt.

Fiona Hyslop: So you have difficulties valuing your current stock, the value of which will fluctuate. What specific issues will affect that fluctuation? I take it from what you said that you want to give lenders some guarantees in the form of warranties when you have the final valuation. Can you explain that in more detail?

Yvonne MacQuarrie: The funders would expect guarantees.

Fiona Hyslop: Who is conducting the valuation? Who will verify the figure once it has been established in the valuation report?

Yvonne MacQuarrie: Convener, am I allowed to name professional companies?

The Convener: I think so. I will take some advice on that. Yes, you are.

Yvonne MacQuarrie: The council has employed FPD Savill's to carry out its stock condition survey. Not only will the amount of investment that is required affect the valuation, but the period within which that investment takes place will affect it. For example, more investment might be required in the early years. We must take account not only of the investment that is required, but of the scheduling of that investment over the 30-year period.

You asked who would validate the report. The FPD Savill's survey is being carried out for the council's option appraisal stage. If the council decided that it liked the options sufficiently to put the proposals to the tenants in a ballot, the council would at that stage set up a fledgling organisation, which would have to ensure that the figures were validated. The council would require its own assurance at that point too.

Fiona Hyslop: From whom would you seek that assurance? We have had discussions with lenders about this. Depending on what proposals are put forward, rents could be increased, for example, before the final proposal is put to tenants. There are other ways to value the stock. Valuation is key. As far as the public purse is concerned, who would you expect to validate the valuation as part of the final deal?

Yvonne MacQuarrie: Before talking about the new organisation's level of rents, I should perhaps recap: the council has made it clear that

affordability is a key factor. The council is very unlikely to sign up to any business plan or evaluation that requires high rents.

Dumfries and Galloway is a low-wage economy, and our rent levels are currently slightly below the Scottish average. The council is very reluctant to consider anything that might push more tenants on to housing benefit and benefit dependency, or anything that would raise our rents significantly beyond the current levels.

I can best answer Fiona Hyslop's question by saying that the starting point for the council is an affordable rent. If the project cannot deliver an affordable rent, the council will not consider it.

Fiona Hyslop: The debt issue is clearly key. You are saying that 48p in the pound of rent is currently being used to pay off debt. If you could relieve that, it would obviously make a big difference to what you can do. The Executive may decide that it could remove that without requiring you to transfer your stock, although that is not currently on the table.

What guarantees have you received that the Executive will either transfer or service the debt? More important, what assurances do you require to have confidence that what you will be signing up to for the next 20 or 30 years will protect your tenants in the future? You are obviously relying on future Governments to carry that guarantee through.

Philip Jones: We have met the Deputy Minister for Local Government, and have had other discussions with the Scottish Executive. We have been given assurances that the debt settlements would be covered. There was no guarantee that it would be written off, but funding would be provided to compensate for the debt repayments. Councils would be treated differently according to their circumstances. If the stock transfer proposals were to go forward, we are confident that contractual arrangements would be entered into which would cover the debt profile for the period of debt, which would extend beyond political terms of office.

Fiona Hyslop: Would those assurances be for the whole receipt, or would they be partial?

Philip Jones: As we understood it, it was for the whole receipt.

Fiona Hyslop: To ask a straight, final question: if you could relieve the debt without transferring your stock, would you consider it?

Councillor Forteath: We would certainly consider it. I understand that that option is not on the table at this stage, however.

I would like to reinforce what was said about rents: we intend to increase our rents by 2.5 per

cent this year, and do not see trying to increase the value of the stock to hike the rents as an option. Affordability is an important matter, and, as has been discussed a fair bit in relation to poverty and the rural economy, we are a low-wage economy. All those points must be taken into consideration.

On the point about the possibility of writing off the debt, as I understand it, the large-scale stock transfer is all that is on offer now.

Philip Jones: There are three strands within the council's policy. One is to maximise investment in the housing stock, another is to secure stability of rent and the third is to increase tenant participation. The option appraisal study, the stock condition survey, the questionnaires we have sent out and the tenant consultations will all be brought together to inform the council's decisions. As Councillor Forteath said, the only way forward under current arrangements is through new housing partnership. That is the framework against which we are measuring. If the rules change, then we will have that information against which to measure our proposals. We are working with the rules that are in place.

11:00

Mr John McAllion (Dundee East) (Lab): On the issue of rent increases, I notice from your tenant survey that six out of the seven local tenant forums raised the possibility of higher rents as a result of stock transfer; in fact, along with repairs, it was their top concern. I understand what you are saying about affordable rents as a starting point for the council, but what has the pattern of recent rent increases been in Dumfries and Galloway and what rent increases are projected?

Yvonne MacQuarrie: After reorganisation in 1996, the council decided to harmonise rents. In some areas people were paying much higher rents than others, and the council took the view that everyone should pay an equitable rent for the same level of service. The following year there were no rent increases. Thereafter, the council raised rents by 4 per cent, and this year the council raised rents by 2.5 per cent. At this stage, like other councils, we cannot give you an indication of future rent rises because of the uncertainty over annual capital consent.

Mr McAllion: Surely that creates a problem. Conditional to the commitment you mentioned by the Scottish Executive to cover the requirements of servicing the debt for the council is that you obtain the best possible receipt for the houses on sale. Any lender will be looking at the level of rents that will fund any borrowing. They may be concerned that a level of rent that is affordable for your tenants will not be sufficient to finance the

borrowing you are asking for and to guarantee an income for the next 30 years. How do you resolve that?

Councillor Forteath: There is no political will to increase rents to increase the value of the stock.

Mr McAllion: I understand that because the debt will have been taken away, you do not have any political will to do so, but the Scottish Executive will certainly have a political will to ensure that it gets the best possible receipt. If it can get a better receipt through your raising rents before transfer, it might make taking over the funding of your debt conditional on that.

Councillor Forteath: That is an area that we will have to look at. Certainly, as I said, there is no political will and our tenants—

Mr McAllion: If you were faced with the alternatives of putting up the rents to fund the stock transfer or the stock transfer being cancelled, what would be the council's position?

Councillor Forteath: The council's position would need to be weighed up in the context of stock transfer. As we consult tenants we are finding that they are very concerned, not about what happens now but about what happens if there is a stock transfer. They want guarantees. In a rural area and a low-wage economy a substantial increase in rents would be very difficult for tenants and for elected members.

Yvonne MacQuarrie: The aim is to achieve a solution that is acceptable to all the stakeholders. There are a number of interested parties, including the Scottish Executive, the council and the tenants. We are looking for a win-win solution and we are confident that we can find one, without necessarily requiring rents to rise above an affordable level.

You asked whether funders would want there to be rent rises to maintain their income. As I understand it, funders are not necessarily keen to maintain their income through rent rises, because rent increases can affect demand for properties. The key factor for funders is that houses should always be maintained in an attractive condition so that tenants will always want to rent them.

Mr McAllion: How many of your tenants are in receipt of housing benefit?

Yvonne MacQuarrie: Fifty-four per cent of our income comes from housing benefit.

Mr McAllion: So although you refer to affordable rents, at present rents are not affordable for tenants, who are responsible for 54 per cent of your income. What percentage of your tenants are on housing benefit?

Yvonne MacQuarrie: Roughly two thirds of our tenants are on some form of benefit. They will not

all be on full benefit.

Mr McAllion: So rents are not affordable for two thirds of your tenants?

Yvonne MacQuarrie: Housing benefit is a national scheme, for which two thirds of our tenants qualify.

Mr McAllion: I know. I always thought that affordable rents meant that all tenants could pay them out of their own resources.

I am concerned about this. Obviously, you have a long-term investment strategy for the housing stock after it has been transferred. How much money will you seek to borrow? How will that borrowing be phased? Will there be high levels of borrowing initially to carry out improvements over the first five years, or will the borrowing be phased over the 30-year programme? What proposals are the council likely to present?

Yvonne MacQuarrie: We made it clear that the council will not consider the feasibility study or the full option appraisal until June. Until we have that information, I cannot tell you how much any new landlord would need to borrow or what the phasing of the borrowing would be. We await that information with interest and expect to have it in the next few weeks. We will report that information to our consultative group first, and it will be presented to our tenants and the council by late spring.

Mr McAllion: According to the information that you submitted to the committee, it is likely that investment of between £400 million and £500 million will be required in the housing stock of Dumfries and Galloway. That level of investment is higher than your figures suggest is needed for the problems that you face. Would the new landlord not be in a position that was at least as bad as that of the council, because of the required level of investment and the inability to fund that investment through private borrowing?

Yvonne MacQuarrie: The figures you give are from our housing plan. Those estimates are based on preliminary research into our stock that was carried out nearly three years ago. That is why the council is undertaking a thorough investigation into the condition of its stock. We will not know what the precise position is until we have the results of that investigation.

Mr McAllion: Are those three-year-old estimates likely to be overestimates or underestimates? From my experience of housing, I think that it is likely that they will be underestimates because the condition of housing in Scotland has deteriorated in recent years. It is likely that you will have to raise more money than the amount that is given in your housing plan.

Yvonne MacQuarrie: Those figures are based

on the information that we had at the time. We are carrying out a robust exercise, which will establish the precise state of the housing stock.

Mr McAllion: From your knowledge of your housing stock, and from instinct, do you think that the revised figure will be more or less than £400 million to £500 million?

Yvonne MacQuarrie: My instincts do not come into it.

Mr McAllion: From your knowledge of your housing stock.

Yvonne MacQuarrie: The professional valuation of the stock will form the basis of the council's decision in June.

Mr McAllion: Therefore, at the moment, neither the council nor its tenants know what the likely proposal on stock transfer will be, and you cannot give details to this committee?

Yvonne MacQuarrie: That is the point that we wanted to make at the beginning. This is the stage that the council has reached.

Mr McAllion: Finally, is it the case that you cannot tell us how the investment would be phased, what the level of investment would be or whether there would be guarantees for tenants that there would be no rent increases for five, 10 or 15 years?

Yvonne MacQuarrie: I cannot tell you precisely what level of investment would be required but I can tell you a bit about rent guarantees. The council is keen to ensure that any proposal achieves affordability so the council will want a guarantee of rent rises built into the proposals that come forward. It is normal practice for tenants to be given a guarantee of around five years in circumstances such as these. The council would want that to appear in the proposals as well.

Mr McAllion: There is a five-year guarantee, then. Is it something like the retail price index plus 5 per cent?

Yvonne MacQuarrie: I did not say that. I said that the council is looking for—

Mr McAllion: I am trying to put words in your mouth.

The Convener: Mr McAllion is quite a character.

Yvonne MacQuarrie: I am trying not to let you put words in my mouth. The council wants a proposal that gives its tenants affordability. In normal practice, that would mean that rent increases would be limited to a certain amount above RPI.

Mr McAllion: Would the council be opposed to an increase in rent levels to fund the borrowing for the stock transfer?

Councillor Forteath: I do not think that I can answer that truthfully at this stage. As I said earlier, I do not think that elected members would want there to be high increases to increase the value of our stock.

Mr McAllion: As they say, the devil is in the detail. However, we do not know the details yet.

Councillor Forteath: That is correct.

Robert Brown (Glasgow) (LD): I want to ask about the level of investment. Is it the intention to deliver the £400 million, £500 million, or whatever the final figure is, from further borrowing during a 10-year period?

Yvonne MacQuarrie: We consider the investment that the stock requires over a 30-year period. For the sake of argument, we will say that that might come out as £400 million. The new organisation will borrow the money as it is required, but that is dependent on the scheduling of the work. For instance, if the feedback from the stock condition survey tells us that we have to do work on kitchens in year 3 or year 5, the new organisation will have to borrow to ensure that it is able to do that work at that time. During the 30-year period, the work is built into the organisation's business plan. A lot depends on the life expectancy of the element. Rewiring might have to take place every 15 years, a kitchen might last for 10 years and a roof might last up to 30 years.

Robert Brown: I follow that. I want to find out whether you intend to deliver all the investment over whatever period is decided on. I think that you said that you had about £120 million of outstanding debt. Is that right?

Yvonne MacQuarrie: We estimate that the debt, including breakage costs, would be in the region of £120 million.

Robert Brown: Could you give us some idea of the structure and profile of the debt—the number of loans that are involved, the period of time that is involved, the interest rates and so on?

Yvonne MacQuarrie: There are a wide variety of loans. Some are of long standing, others were taken out recently. The rate of interest that we pay depends on the rate of interest at the time that the loan was taken out. I cannot give you any particular figure.

Robert Brown: Have you any idea of the average rate of interest?

Yvonne MacQuarrie: It is around 7.3 per cent.

Robert Brown: Have you had any talks with lenders about any potential interest in the proposals that might emerge from the project that we are discussing?

Yvonne MacQuarrie: At this stage, it is too

early to have discussions with individual lenders. However, we have taken advice from professional companies, who can tell us what lenders are looking for in such a project, what sort of guarantees they might require and what level of interest there will be in a transfer of this size. The current advice is that lenders would be happy to fund such a project.

Robert Brown: I want to explore the potential pros and cons of that a little further. Do lenders have any view on the question of cross-subsidy between less attractive houses and more popular ones? Does that issue affect the position of the lenders?

11:15

Yvonne MacQuarrie: As far as I know, the primary concern of the lenders is to ensure that their income stream is protected. They want to ensure that the houses are well managed and that the rent is paid so that their debt is met. At this point, we have not had any discussions about cross-subsidies. As I said earlier, lenders take the view that it is important that there are enough houses of sufficient quality to attract tenants over a long period. That is their primary interest.

Robert Brown: I presume that the lenders and the council together will take the risk of there being too many voids. Have worries about hard-to-let areas been under discussion?

Yvonne MacQuarrie: The number of voids is built into any provisional business plan. It is one of the assumptions on which a valuation is based. We will have to consider carefully any voids, just as we must consider any other aspect of rental income.

Robert Brown: Earlier, you mentioned the value of the stock and the stock condition survey. I think that you said that you began in a position of more negative equity.

Yvonne MacQuarrie: We have never really examined that in depth. After reorganisation, the council lacked robust information on the condition of its stock. The council carried out an outline stock condition survey to inform our capital programme. That information was used to inform our original new housing partnership bid. However, I must emphasise that we are not using that as the basis for the current option appraisal. We are carrying out a rigorous appraisal and the information that we gain from that will inform our future plans.

Robert Brown: Having reached a more solid basis on which to value your assets, have you any indication from interested developers of their approach? Would they take account of the rental stream, or how would they approach the matter?

Yvonne MacQuarrie: We have not had such discussions at this point.

Robert Brown: Has any consideration been given to the question of adding developable land to the package to make it more attractive?

Yvonne MacQuarrie: Convener, I wish that we were coming to you later on in the process, when we would have more detailed information. I am sorry to have to keep saying that I cannot tell you at the moment. However, once again, I must tell you that we have not taken that point into consideration yet.

Robert Brown: My final point relates to the right-to-buy proposals and their extension. Is that something that bothers the council? Will an extended right to buy lead to difficulties with the lenders?

Yvonne MacQuarrie: As Councillor Forteath said in his opening remarks, the right to buy is an issue for the council. Initially, as part of our stock transfer proposals, the council was attracted by the idea that the right to buy would be gradually phased out. We know that the proposals are on the table, although at this stage they are only proposals. When we have more details we will be able to incorporate that into our calculations.

Our greatest concern is a replacement policy. The issue is whether we can replace houses that have been sold in particular areas. There are different areas of demand across Dumfries and Galloway, and the right to buy might cause us problems in some areas rather than in others. The key issue is whether the council is able to replace a house and, if so, at what price.

Robert Brown: Are there any problems with the availability of land in villages or local areas that might inhibit the council's ability to replace stock in such a situation?

Councillor Forteath: Through our structural and local plans, we try to make land available, particularly within villages. I have already mentioned the rural context, in which right to buy and new building are serious concerns. There would need to be reassurances or safeguards that any new houses that are built will not then just be sold off. Council house properties have almost sold out in some villages; some of those houses are being used as holiday homes, which is not a situation that we should allow to develop.

Robert Brown: Thank you for taking that point on board. However, my question was about whether there are any difficulties with land supply. Even if the money were available, would it be possible to replace houses that have been or might be sold in local areas? Is land supply a constraint in that respect?

Councillor Forteath: Not that we are aware of.

Mr Keith Raffan (Mid Scotland and Fife) (LD):

I want to follow on from Robert Brown's point about land availability. Is not it within the council's power to extend the village envelopes to bring in new land?

Councillor Forteath: Yes, we can do that within the structure plan.

Mr Raffan: And even without it.

Councillor Forteath: Absolutely. The structure plan provides guidance, and we are currently developing our local plans. As we also have a hamlets policy, I do not see any great problem with identifying sites in villages or extending the village envelopes if necessary.

Philip Jones: Just to return to right to buy, the clarity of the policy framework is important to the council. We need to know about the policy on right to buy in order to measure our emerging business plan against it.

Mr Raffan: It might be helpful to pursue a couple of Robert Brown's points about right to buy. To what extent has your housing stock diminished since right to buy was introduced?

Yvonne MacQuarrie: At the moment, the council is selling about 300 houses a year. That figure has dropped slightly over the past four years. Four years ago, we were selling around 400 houses a year. However, although that is a reduction, it is still a significant number of properties for the council.

Mr Raffan: My question was about the extent to which housing stock had been reduced to 13,500 over the period of right to buy. What was the initial figure of your housing stock?

Yvonne MacQuarrie: I can send you the precise figures, but I think that there were 18,000 properties to begin with. As you say, that figure is now down to 13,500.

Mr Raffan: How many of those 4,500 are now second homes?

Yvonne MacQuarrie: I cannot answer that at the moment.

Mr Raffan: I would like to have those figures. To what extent has your waiting list increased?

Yvonne MacQuarrie: There are currently 4,500 on the waiting list. What is interesting is not so much how many people are on the waiting list, but how the list is broken down. About 50 per cent of the people on the list are single, and one of our greatest shortages is housing for such people. I am talking not just about young, single people, but about older and even elderly single people. We do not have suitable accommodation for them.

Mr Raffan: So you have a shortage of sheltered

accommodation for elderly people.

Yvonne MacQuarrie: Not only that, but there is a mismatch between the demand for types of accommodation and the kind of houses that are available.

Mr Raffan: Despite the internal condition of your stock, your waiting list is relatively long. There is no lack of demand for housing.

Yvonne MacQuarrie: For certain types of housing.

Mr Raffan: From your previous answers, it seems that you are at a very early stage of this process. Glasgow City Council, which has already given evidence to the committee, is further along the route. I want to pursue some points about renovation, although you might not be able to answer them. You said that your housing stock might require an investment of £400 million or £500 million. Is that a three-year-old figure or an eight-year-old figure? I could not quite hear you at the time.

Yvonne MacQuarrie: It is based on a study of the stock that began three years ago.

Mr Raffan: Are you now undertaking a robust survey?

Yvonne MacQuarrie: Absolutely.

Mr Raffan: That is to confirm the figure, or almost certainly increase it. I realise that you cannot give a definite answer, but could you say how long you expect the work to take—10 years, 15 years, how long?

Yvonne MacQuarrie: We are looking at an investment programme for the stock over 30 years. This all depends on what we are talking about. A kitchen may have to be replaced every 10 years; the usual lifespan of wiring is about 15 years; and a roof may last for 30 years or even 60 years, depending on the material. The partnership proposals that the council is considering are long term, over a period of 30 years. We would spread any work over that period as the need arose.

Mr Raffan: Your tenants are not going to benefit from that, are they?

Yvonne MacQuarrie: That is not the case. Whatever work has to be done in the early years will be costed into the plans.

Mr Raffan: Yes, but a lot of your tenants are of an age at which they are not going to benefit if you phase the work over 30 years.

Yvonne MacQuarrie: I think that you may be picking me up wrongly. I am saying that we would want to maintain the house at a certain standard over 30 years, but that some work will have to be done in the early years.

Mr Raffan: So it will be front-end loaded; you will concentrate your work in the early years.

Yvonne MacQuarrie: We will spend money where it is needed and when it is needed. In some cases that will be at the beginning of the project, and in some cases it will be later.

Mr Raffan: The point that I am leading up to is one that I have raised before. Will the local construction industry be able to cope? You will recall the whole saga of improvement grants in the early 1980s—I certainly do.

Yvonne MacQuarrie: Yes.

Mr Raffan: The Treasury opened the gates, a lot of money was made available, a lot of cowboys appeared from nowhere and a lot of extremely bad work was done. The important thing with renovation and modernisation is the quality of the work, so that properties can be maintained over 30 years. However, if things are rushed, there is a danger that a lot of inadequate work will be done, which will not exactly make your tenants happy.

Councillor Forteath: You are right to say that the work will be front-end loaded—it will be, but over what period of time I am not sure. We certainly want older properties and those most in need of modernisation to be modernised as soon as possible into the transfer. I believe that that would lead to opportunities for the local economy. If a programme of work can be identified, there would need to be discussions with local tradespeople through the enterprise company to ensure that the skills were available.

Mr Raffan: I have heard that argument before. It sounds admirable and as if it would create jobs and involve training and the local enterprise company. However, the specialist trades involved in building—plumbing, electrical work, carpentry—require not just training but experience, and if a whole load of newly trained people are suddenly unleashed, a lot of inadequate work will be done. What you are saying sounds admirable, but when you take it apart, problems arise.

Councillor Forteath: That point has to be considered. When people are acquiring new skills, they obviously have to be trained first and then gain experience. However, training was built into the Stakeford transfer, for example, as part of the deal. A total of eight or perhaps 10 individuals from that estate are undergoing training and carrying out the work to satisfactory levels.

Mr Raffan: I would like to make a final point about housing mismatches. It is clear that you will require new build—your housing stock does not match the breakdown of your waiting list. According to all indications, the number of single people on that list is likely to increase. How will you deal with that? That emphasises still further

the point that Mr Brown made about making land available for development and ensuring that what is built on that land matches your needs.

11.30

Yvonne MacQuarrie: We are in the middle of a thorough study of need and demand in the area and are considering the short, medium and longer term. We are considering not only what the council might provide, but what other housing associations in the area can contribute. We will look at things together in Dumfries and Galloway.

The Convener: I would like to move on to the issue of participation.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): John, in your introduction this morning, and in the papers that you were kind enough to forward to us, you laid great emphasis on the importance of the tenants and on the fact that they would be the ones to make the decisions on any move to transfer stock. To what extent have the tenants been involved in the feasibility process? How did you go about involving them?

Councillor Forteath: I will set the scene a little, and then I am sure that Andrene Scott will want to comment.

Tenants sit on our housing services committee, taking part and having their say, although at this stage they do not have a vote. We have also set up a consultative group, which is made up of seven tenants, seven community representatives, businesses and seven councillors. The tenants have played a very active role in that group.

In our wider consultation, we have set up seven tenants forums. We are in the process of holding four meetings in each of those seven areas; this week we have embarked on the second tranche of meetings. Through those forums, we are genuinely trying to get out to meet tenants and to listen to what they are saying. On top of that, in the past week we have issued every tenant with the questionnaire that is in your information pack. We are trying to get information from tenants, and we are trying to encourage their participation and co-operation. If we decide to go for stock transfers, it will be the tenants who are affected. It is important that they know what to expect.

Andrene Scott (Dumfries and Galloway Housing Consultative Group): When the council started the consultation process more than two years ago, it set up a working group in which tenants played a part. Members of the group considered the whole process of a possible stock transfer. We helped to choose the consultants—Chapman Hendy Associates—who would carry out the feasibility study. We went through that process before recommending to the housing

committee that we preferred the option of transferring the stock to a single landlord.

Cathie Craigie: Do you feel that, because the council had to make bids for the housing partnership money, you have been rushed? Would it have helped to have had a longer time?

Andrene Scott: During the feasibility process, we were not rushed at all. I have been in on this from the start and, to be honest, I am beginning to wish that the process would hurry up and get to the ballot stage. It seems to have been going on for ever.

Councillor Forteath: I was speaking to one of the tenants' representatives earlier, and that same wish was expressed—that elected members and councillors would get a move on and arrive at some conclusions. I do not think that the tenants feel that they are being rushed.

Cathie Craigie: Keith Raffan, Robert Brown and John McAllion raised points about future rent levels, the evaluation of stock, what work is needed, and when in the 30-year cycle of borrowing you will do the work. Have the tenants been involved in setting the priorities for the type of work that should be done and when it should be done? Have you got down to that sort of detail yet?

Andrene Scott: Not officially, but we have talked about it. We had a full session with the independent tenant advisers; part of our time with them was to allow us to decide what we thought were the priorities for our homes for the next 30 years. We made up our own list of priorities, which we will keep at the back of our minds until the time comes for the new landlord to be formed. That will be the time for us to start bargaining for what we want.

Cathie Craigie: Was it useful to go through that process with the independent tenant advisers? Were the advisers able to inform the tenants of the line of questioning that they should follow with the council and its officers? How long did that take?

Andrene Scott: The advisers do not tell us what questions to ask or not to ask. Our discussions with them are more along the lines of talking through any query that we have, after which they will say that, if we feel strongly about it, we should ask about it. If we require some information, they will provide it. The advisers cannot tell us what to do one way or the other; it is up to us to decide ourselves. They can only help us. They can steer us, telling us what would happen if we did something one way, and talking us through that; and then they point out what would happen if we did it another way. That process allows us to come to a decision with which we are happy. We see both sides of the story.

Cathie Craigie: I was going to ask if there had been any early indications from the tenants associations of how they wanted to proceed, but you answered that when you said that they wanted to get the thing done and a decision made sooner rather than later. Has there been any information coming from your forums?

Councillor Forteath: I have attended five or six of the forums. I will be honest and up-front about this. The meetings have not been too well attended—we have been getting 20, 30 or sometimes 40 people, but sometimes fewer. The reaction from tenants has been that the quality of repairs done by the council is not very good. When we bring up the question of whether they would want another landlord, the initial reaction has been no. I think that it is a case of better the devil you know.

I attended a meeting last night on the second tranche and I sensed a slight difference—people were beginning to understand much better what was being talked about. It will be an interesting process. There was obviously a lot of suspicion and nervousness at first—that runs through the tenants, the elected members and everybody. As we said, we are on a learning curve. More important, the tenants are on a learning curve, too, to understand the whole process.

Yvonne MacQuarrie: In the consultation process, we are trying to find out three things from our tenants: what improvements they would like to be made to their neighbourhood, to their home and to the service that we provide; what they think of the services that we currently provide; and what level of involvement they would like to have in any new organisation.

We are trying to find answers to those questions in a number of ways—for example, through the MORI questionnaire and through the seven local tenant forums that are held across Dumfries and Galloway. The feedback from those forums and from the questionnaire will form the basis of the proposals that will go before the council.

Before the proposals get to the council, they will go back to the tenant forums for further feedback. They will then be taken to the council's housing consultative group, which is made up of tenants, councillors and professionals in equal proportions. Tenants are fully involved in the process long before the proposals reach the committee for a decision.

Alex Neil (Central Scotland) (SNP): The tenants seem to have been heavily involved in the process. One of the issues that you are considering is the continuing participation of tenants in any new set up. Dumfries and Galloway region has one of the lowest wage economies, not only in Scotland, but in the UK. However, there are

wide variations in the region—at the lower end is Wigtownshire, yet further east towards Dumfries there is a level of prosperity that is closer to the Scottish average.

One of the issues that we have not explored this morning is that a single transfer will mean that one organisation will cover a wide range of circumstances in Dumfries and Galloway. For example, there is more employment and jobs are of a better quality in Dumfries than in Stranraer. Because the council is politically responsible, the rent policy has had to take the lowest level of affordability into account. However, a new organisation that is not democratically accountable and that must make a surplus need not do that—the organisation will probably be a not-for-profit company, although it will need a surplus for future investment.

What is the tenant point of view? There must be real concerns among tenants about rents, the availability of housing and the impact of right to buy.

Andrene Scott: We are concerned about rent levels, which is why there are seven of us involved in the process to ensure that there will not be big increases in rents.

The bad phrase that you used was “right to buy”. We are not happy about the extension of right to buy. Social housing currently has a stigma attached to it because a tenant is paying rent rather than a mortgage. If the right to buy is extended, that will make the situation worse. The only people left in social housing will be those who cannot afford to buy, which will create little ghettos across the region of people who are looked down on by everyone else. That would be unacceptable. If right to buy must continue, the discount should be removed and people should have to pay market value for the houses. Why should they get a discount? Council housing should be sold in the same way as housing on the open market.

Alex Neil: Are you saying that the tenants would be happier if the right-to-buy was not extended?

Andrene Scott: Yes.

Alex Neil: Would they be happier if the current right to buy legislation was reviewed?

Andrene Scott: Yes. Some of us think that right to buy should be abolished. However, we would accept a proposal for people to pay market value for properties.

Alex Neil: I noticed in the Stakeford ballot that 72 per cent of the tenants voted for change. If there is a majority in this vote, it will be nothing like 72 per cent. I assume that tenants do not really want to engage in stock transfer, which has been forced on them. However, given that it is the only game in town, what are they looking for out of the

new arrangement? What will be needed for tenants to give it a majority vote?

11:45

Andrene Scott: We are looking for new building, a better modernisation programme, a better repair service and a better service all round. There is no guarantee that new landlords can give tenants that, but they could not be any worse than the council. If such things could be guaranteed, we may find that the tenants will vote in favour. Tenants want change, but it has to be change for the better.

Alex Neil: Is the quid pro quo of that that the rents will have to go up?

Andrene Scott: I do not see why they should go up. There are other ways of raising money or, perhaps I should say, of not spending money. Instead of the money being spent this year, things can wait until next year. Tenants are logical people; they would understand if they were told, “I know we said that we were going to give you a new kitchen this year, but we will have to wait another six months before we can do it.” To the majority, that would be fine. However, if they were told, “You want a new kitchen but there is no way you can get one,” they would not be happy.

Alex Neil: To return to Mr Forteath, we have heard about the major problem of the waiting list of about 4,500 people. There is a mismatch between supply and demand, which presumably means that some of the larger houses are difficult to fill. However, you do not have the small houses needed to meet the demand. You have a backlog of repairs and a backlog on modernisation and upgrade, and there is the need for new build. In principle—the detail has still to be worked out—the new organisation will have a huge need of funding. Can you reconcile the need to keep rent increases to 2.5 per cent on a long-term basis with the significant additional investment that is required?

Councillor Forteath: The advice to elected members is that that can be achieved. You mentioned social housing; we need substantial investment in that. As you will have gathered this morning, we are at an early stage in terms of finances. However, we are being told that the figures will stack up. I do not know whether the director can expand on that. Unless the figures stack up, we will run over.

Alex Neil: You told us that the average interest rate on council borrowings is 7.3 per cent. For most private lenders, especially given the recent increase in interest rates, that is not a particularly attractive return on their investment. They can get a much higher return elsewhere.

Yvonne MacQuarrie: You are asking whether the figures will stack up. When the council considers the report in June, it will not just examine options for transfer, but compare those options with the cost of the stock remaining with the council. All the information that we are gleaning at the moment will tell us what is needed for the housing stock and what our tenants' aspirations are. Our consultants will compare the cost of providing that through an alternative landlord with the cost of providing it through the council. The council will take its decision in June, based on the facts. At that point, we will know whether there is a sound business case. The indications are that there is, but we want the facts in front of us.

On interest rates, although I am not a finance expert, I understand that what matters is what the cost of the borrowing to the organisation will be in future, not what the council pays at the moment.

Alex Neil: My final question concerns housing benefit reform. It is not clear when that will be announced, but let us suppose that by June you have done all your calculations and have reached the conclusion that the proposition is viable. In August or September, changes to housing benefit are announced; for example, instead of 100 per cent benefit, there will be 80 per cent benefit, to encourage people to shop around. From my knowledge of Dumfries, the idea of shopping around for housing is ludicrous. If such changes to housing benefit take place, that would surely render the proposals as a whole completely unviable, given that two thirds of your tenants are in receipt of housing benefit.

If the changes to housing benefit take place, given that two thirds of your tenants are on housing benefit, surely your proposals would be rendered unviable.

Councillor Forteath: It may render the council unviable as well—the council will be affected in the same way. At this stage, we do not know whether there are to be changes to housing benefit, but there will still be an effect, whether on the private landlord or on the council. If, in the end, the figures do not stack up, we will not go ahead with stock transfer. For the lenders, the figures must stack up, potentially through rent increases. If the criteria cannot be met, we will be back at square one.

The Convener: We will now move on to housing allocations.

Bill Aitken (Glasgow) (Con): If this project reaches its ultimate conclusion, will you be left with no housing stock at all?

Yvonne MacQuarrie: Yes. The council may be left with no housing stock, but the area of Dumfries and Galloway will still have its housing stock. If the project reaches a conclusion, any new landlord will

be a strategic partner of Dumfries and Galloway Council and there will be a requirement for the new landlord organisation to house the people the council wishes to be housed.

Bill Aitken: So you will effectively retain a housing function?

Yvonne MacQuarrie: The council will retain its strategic housing function in the area.

Bill Aitken: And you will assess the needs of your area?

Yvonne MacQuarrie: That is a statutory requirement on local authorities, so that will not change.

Bill Aitken: That being the case, what mechanisms do you envisage being in place to ensure that your requirements are fulfilled?

Yvonne MacQuarrie: As members of this committee may be aware, there are proposals for a single housing plan for local authority areas. At the moment, Dumfries and Galloway Council has its own housing plan, as does Scottish Homes. The proposal is that they should be brought together into one co-ordinated housing plan. The council will retain its responsibility for assessing housing need in the area and, working in partnership, for ensuring that the landlord agencies in the area assist in meeting that need.

Philip Jones: The partnership working in Dumfries and Galloway is a strong feature of our way of working. The local enterprise company and the local health board—not just the council—are involved. A community plan is under development: the consultation drafts are to be published and launched later this month.

Examples of organisations with strategic responsibilities coming together to develop a shared vision for the region include the joint economic strategy, which we have developed with the local enterprise company, the joint health improvement programme and the community care plan, which the council and health board have put together. Those partnerships develop joint policies and joint action plans.

The partnership theme is therefore very strong in Dumfries and Galloway, and we would expect any new organisation to form part of that partnership and to sign up to policies and procedures that benefit the whole of the region in promoting social and economic inclusion.

Bill Aitken: We have heard that you have a waiting list of around 4,500. Is that the case? How do you envisage the allocation system being dealt with under the new set-up? I would be particularly interested to find out how you deal with homelessness, on which there is a statutory obligation for you to act.

Yvonne MacQuarrie: In transfers that have taken place so far, it has been common practice for the council to enter a contractual agreement with the new landlord organisation to house homeless people. I cannot speak for the council at the moment as we are at an early stage, but it is quite possible that the council will wish the housing of homeless people to be carried out by the new landlord organisation. The council retains a statutory responsibility to assess homeless cases—that will not change. It is quite possible that the council can assess the homeless people who come to its door. Then, the new landlord organisation and the partnership will be able to meet their housing requirements.

Bill Aitken: As has already been said, there is a mismatch under the existing set-up between the housing types available and the increasing number of single people involved in housing allocations. Bearing in mind that mismatch and your statutory requirement on homelessness, do you propose to include any provision or requirement for the housing partnership to ensure that there are more houses for single occupancy?

Yvonne MacQuarrie: That is an important point. It is why transfers in areas such as Dumfries and Galloway can differ from the large urban transfers. Our key requirement is to ensure that we meet the housing needs of everybody in the area, but in particular those of homeless people. We can do that by building houses of a different size and type and perhaps by converting stock. The council will require the new landlord organisation to do that as well.

Philip Jones: I mentioned the four main themes of the council's corporate plan. The first priority is inclusion. The first item that appears in the plan under that heading is:

"ensuring that priority is given to the housing needs of the most vulnerable in our society—the homeless, community care users, older people and families living in poor housing."

That objective is embedded in the council's plan and in its policies and we are developing the means to achieve that. It is a significant part of the council's strategic responsibilities.

Bill Aitken: You will be aware that the committee is awaiting with bated breath the housing bill that has been promised, although the timing of it is uncertain. What changes in relation to housing allocation arrangements should be included in the bill?

Yvonne MacQuarrie: If the committee will find it helpful, I will send it a copy of the council's submission to the green paper. A key change that the council would like the housing bill to introduce would be to give the council the development role of Scottish Homes. The council wants to take on

that strategic role and have some control over where the development funding is spent. That is a key priority for the council.

Fiona Hyslop: You have spoken about the involvement of your tenants in consultation. Obviously, staff and the trade unions, too, have an important role. What views have been expressed by the trade unions? What are you doing to take account of their concerns?

Yvonne MacQuarrie: One of the documents that we submitted to members outlines the ways in which we are consulting staff. It is important that we bring our staff with us in this exercise. I, or another senior member of staff, talk face to face with staff at regular meetings. Every fortnight, members of staff receive an e-mail telling them exactly what has happened. We have monthly meetings with representatives of Unison, the Transport and General Workers Union, and any other union that wishes to attend.

Those meetings are very productive. The three main concerns have been about whether members of staff will still have jobs after transfer, whether they will have the same rights, and whether their salaries and pensions will be affected. We are answering those concerns as well as we can. As I understand it, members of staff who work primarily on housing management or council housing functions have the legal right to transfer. We have been assured by the council's legal consultants that the rights of staff will be looked after. We are also making arrangements to have an independent staff adviser for staff, just as tenants have an independent tenant adviser. As some members of staff are not in trade unions, having an independent adviser will allow all members of staff to access the same level of advice.

Fiona Hyslop: We gather from the material that you provided that you are separating members of staff who will go to the new landlord from those who will stay with the current landlord. Can you elaborate on how that is working and why you feel you have to do that at this stage?

Yvonne MacQuarrie: I am sorry if I created that impression. At the moment, we are not separating anybody out—we are still working within the option appraisal framework. Obviously, when the council takes a decision it must have some estimate of how many staff may transfer to the new organisation and how many may remain with the council. As you know, the formula is based on where the work will lie, as the member of staff responsible for carrying out that work will follow it.

Fiona Hyslop: At some point, there will be a potential conflict of interest, because staff will be transferring from the seller—Dumfries and Galloway Council—to the buyer and new landlord.

That issue has been flagged up, but I am not sure how councils are addressing it. The same question was put to Glasgow City Council.

12:00

Philip Jones: Stock transfer or potential stock transfer affects a wide group of staff in the organisation—not just housing staff but direct labour organisation staff, finance staff, personnel staff and others. We are considering this issue in a corporate way. The council agreed that the director of housing would take direct responsibility for the development of the stock transfer proposals at a professional level, and that I as chief executive would take responsibility for the wider corporate dimension. We recognise that, as the proposals advance, there will come a point when a separation is required, and we will make it at that time. However, as things stand, we are dealing with this as a corporate matter.

The director of housing and I meet regularly, and we have a corporate team consisting of the chief executive, the director of finance, the director of personnel, the managing director of our commercial group and the housing director. The group meets regularly to consider how we are taking the proposals forward. We take advice from our legal officers, and when the time to make a separation is right we will implement it. There is provision in the council's policies for a separation to be put into effect as and when it is needed. We do not think that the time is right just yet.

Fiona Hyslop: I have one final question—the multi-million dollar question. What happens if the tenants vote no? What is plan B? Do you have a contingency plan?

Yvonne MacQuarrie: You are assuming that the council will decide to put the case to the tenants in the form of a ballot. If that happens and the tenants vote no, they will do that armed with all the facts and figures. If the tenants vote no, that will be their choice and the council will respect that. However, the council will also have a great deal of information at its finger tips and will be in a much better position than it has been, because it will know what the stock needs and what the tenants' aspirations are. That is a very good basis for the council to consider alternative proposals.

Mr McAllion: I have two quick questions. Further to Fiona Hyslop's question about what will happen if the tenants vote no, how will you judge whether the tenants have voted no? Surely it depends on the level of participation in the ballot. Do you or your tenants groups believe that there should be a minimum level of participation before a yes vote counts as the majority view of tenants, or should it be left to the judgment of the First Minister, as the law states at the moment?

Councillor Forteath: I hope that we will have a clear indication by June, before we decide on whether to proceed to a ballot.

Mr McAllion: I am talking about the ballot itself.

Councillor Forteath: If we proceed to the ballot and there is a very narrow majority in favour of transfer, we will need to reassess the situation and seek advice on the best way forward.

Mr McAllion: Do you think that the turnout is important? Should there be a 50 per cent or 60 per cent turnout before it is accepted as a valid ballot?

The Convener: Not a 40 per cent threshold, as we had some years ago.

Mr McAllion: Do not remind me about 40 per cent.

Councillor Forteath: I have seen a number of permutations. It is obvious that we would want as high a turnout as possible. However, somewhere along the line we would need to take into consideration the level of turnout and the number of votes yes and no.

Mr McAllion: Andrene Scott mentioned that tenants have discussed with their adviser their priorities in terms of repairs, investment, modernisation and so on. My council—Dundee City Council—is well behind Dumfries and Galloway. It has just carried out a stock condition survey that considered investment requirements. The council agreed with the Dundee Federation of Tenants what it calls the Dundee standard, which lays down the kind of modernisation, improvement and repairs that will be carried out. It has been agreed that the Dundee standard must be applied in any stock transfer process. Would it be possible for your council to agree with your tenants a Dumfries and Galloway standard and to agree that, unless a stock transfer proposal met that standard, it should not go ahead?

Councillor Forteath: Earlier, I said that we are on a learning curve. We appreciate the advice and guidance that you are giving us, and we would certainly wish to consider setting standards.

Andrene Scott: We are in the process of establishing a tenants federation for Dumfries and Galloway and should hold a public meeting within the next few weeks. I hope that part of the federation's role will be to do what the federation in Dundee has done. Is the Dundee standard along the same lines as the compact that is being talked about in England?

Mr McAllion: No. Scottish Homes set a standard for improvements, repairs and modernisation work that are acceptable to that organisation. The Dundee standard is well above the Scottish Homes standard, as tenants, rather than bureaucrats or officials who are anxious for

stock transfers to take place, set it.

Andrene Scott: Everyone seems to forget that we live in the houses—not the councillors and not the MSPs. We know—

Mr McAllion: I think that the Dundee standard should become the Scottish standard.

Robert Brown: I have two supplementary questions.

How many housing associations are in the Dumfries and Galloway Council area? Is the council considering onward stock transfer—in smaller bits—to those associations or to tenants' co-operatives, if such co-operatives exist in the area?

Yvonne MacQuarrie: There are three housing associations in the area: Irvine Housing Association and Loreburn Housing Association, which are community-based organisations, and the Home Group, a large, national organisation that also has houses in our area. The council has a housing forum at which all housing providers jointly consider the needs of the area and develop solutions. We envisage the forum continuing that work.

We do not want to consider the stage beyond stage 1 of the transfer, as that will be a big enough hurdle for the council to get over. It is conceivable that, in future, there may be an option for secondary transfer. However, we do not want to pre-empt the council's decision in June.

Robert Brown: I was struggling with the debt figure that you gave—£120 million—when the housing plan mentions £108 million. You said something about breakage fees—or something like that. What are those fees?

Yvonne MacQuarrie: Breakage costs apply when one repays a loan early. It is a penalty that is imposed by the lender, who assumes that he or she will get a level of interest from the borrower over a certain period of time. If, for whatever reason, the borrower decides to end that agreement, a penalty is usually imposed, and that penalty is known as breakage costs.

Robert Brown: But the concept is not so much about breaking and repaying, as the Executive will take on board the debt repayment charges.

Yvonne MacQuarrie: As I understand it, the loan would be broken by the new organisation, and therefore breakage costs would be added to the costs of the council's debt. The amount that the Executive has assured us it would take on would be the difference between the debt and the breakage costs on one hand, and the selling price of the stock on the other.

Robert Brown: I want to explore that a little further. While you say that the Executive would

take on the difference, I understood that the Executive would take on the debt charges.

Yvonne MacQuarrie: Perhaps I should give an example. If one has outstanding debt of £95 million, assuming that breakage costs of £16 million are built into that, the council's overall level of debt, were it to transfer its stock, would be £111 million. If the valuation for the property was, for the sake of argument, £91 million, there would be an overhanging debt of £20 million, which the Scottish Executive has guaranteed to address.

The Convener: Thank you for the information you have given today; it has been extremely valuable. I appreciate that a number of issues are not yet concluded. We are in the middle of our investigation and it is interesting to hear what you have to say at this stage. We hope to produce a report about the examination that we have undertaken and the conclusions that we have drawn.

What would be the one thing that you would like to see in that report? What would be the one thing that you would like to say to the Government to help answer housing need in your area?

Councillor Forteach: We want a cast-iron guarantee from the Government that the debt will be written off and we want a clarification of the right to buy, which has caused a fair deal of concern. If it is to be extended, we need some firm commitment that there will be replacement build of the type of housing that we need in Dumfries and Galloway.

Yvonne MacQuarrie: There are four of us here and we might have different views.

It would be helpful if it could be stressed that community ownership is not just about size but about the structures that are set up, the way services are delivered and the extent to which tenants feel involved. The debate has tended to get bogged down in issues of size.

Philip Jones: I would like your report to include recognition of the differences between areas in Scotland and particularly the natural boundary that exists in Dumfries and Galloway that creates the framework that allows the partnership with the voluntary sector to work.

Andrene Scott: We want the issue of the right to buy to be addressed. That is important. It would also be helpful if there were legislation on participation. Housing associations are not obliged to have tenants on their boards so it would be good if there were a statutory requirement to include a certain percentage of tenants—not just a token member—that the associations could not wriggle out of.

The Convener: I think that we might pay some attention to that.

We will write to you formally to request a copy of the feasibility study, councillor.

Councillor Forteath: On behalf of all the witnesses, I thank the committee for allowing us to address you this morning.

The Convener: I hope you have a safe journey home.

Petitions

The Convener: As item 3 on the agenda is to do with petitions, I am glad that we have with us the convener of the Public Petitions Committee, John McAllion.

Petition 53, from Frank Harvey, calls for the Scottish Parliament to take steps to ensure that young people are not discriminated against by Partick Housing Association and its housing allocations policy.

Mr McAllion: As you can see from the date on this petition—22 September 1999—it is one of the early ones. Mr Harvey is personally responsible for 20 per cent of all the petitions that have come before the Scottish Parliament. At the previous meeting of the Public Petitions Committee, we decided to vet more thoroughly Mr Harvey's petitions. Mr Harvey sits down with the paper, cuts out items that are of interest to him and sends a petition on the subject to the Scottish Parliament. If we spend all our time dealing with matters raised by Mr Harvey, we will not do the work that we were elected to get on with.

My recommendation is that we pass the petition to Scottish Homes for comment and pass it back to Mr Harvey.

The Convener: Do we agree to do that?

Mr Raffan: Mr McAllion, in view of what you said, does the Public Petitions Committee intend to accept only those petitions that are signed by more than one person?

Mr McAllion: No. The standing orders of the Parliament say that an individual has the right to petition the Scottish Parliament. However, if every individual did what Mr Harvey does, the work of the Parliament would grind to a halt. The Public Petitions Committee has a responsibility to protect the other committees from people who send in a dozen petitions a week about whatever comes into their head. The petitions have to be dealt with, but the Public Petitions Committee can prevent the other committees becoming blocked up.

12:15

Robert Brown: Reading the petition, it seems that there is a conflict between the local waiting list, which had as a condition that the individual did not qualify for the general waiting list and the general waiting list, which had as a criterion the fact that the individual stayed with their parents. The problem is that the local waiting list was for young people in the care of their parents.

Alex Neil: The issue needs serious examination. It would be sensible to refer the matter to Scottish Homes.

The Convener: Are we agreed on that?

Members *indicated agreement.*

Mr McAllion: It would be good if you could tell the Public Petitions Committee that that has been done.

The Convener: Yes, that has been noted. I take it that that is a matter of courtesy.

Mr McAllion: Yes, it just keeps that committee informed.

The Convener: Petition 74, from the Scottish Tenants Organisation, calls for the Scottish Parliament to place a moratorium on all housing stock transfers until such time as its concerns in relation to such transfers are addressed.

We have had a similar petition before us previously.

Mr McAllion: And there are another five on their way from tenants associations across Scotland. The matter is part of the stock transfer process and we should consider it when we do our final report.

The Convener: That is what we have agreed already.

Alex Neil: The point is that no transfers will take place between now and the publication of our report.

The Convener: Hopefully.

Alex Neil: Hopefully?

The Convener: That was a joke—I meant that our report might get held up. Forget it, we will move on.

Drugs Inquiry

The Convener: There are no substantial issues to report in relation to the inquiry. We raise it just now to keep it on the agenda.

Laurence Gruer, our adviser, will brief us on the subject next week and get us started. Next week, we will be able to agree on an initial programme of work. The briefing will be in private so that we do not have to involve Parliament staff.

On Monday, we will visit a project in Stirling.

Mr Raffan: I have a number of questions that I e-mailed to the assistant clerk about the drug inquiry. I am sure you will tell me if they were discussed at the previous meeting, which I missed. I apologise for that.

It might be useful to have a list of people who have been invited to submit written evidence and to know whether there has been an advertisement for written evidence. If there has, it would be useful to know where it was placed.

The Convener: I understand that the list has gone out.

Martin Verity (Clerk Team Leader): We will circulate a list of organisations that we have invited to submit evidence. The organisations include local authorities, health boards, drug action teams and a number of organisations that were suggested by the Parliament's information centre. It would be helpful if members added to the list.

Mr Raffan: Has the list been circulated? I have not seen it.

Martin Verity: It has not yet been circulated. Advertisements have not been placed in the press, but the information was published on the parliamentary website.

The Convener: Did we agree that the advertisement would appear in the press?

Martin Verity: No.

The Convener: I thought that we did.

Mr Raffan: I thought that we had discussed that. I understand that a fund is available to committees to help fund consultation—I was told of its existence at my parliamentary party meeting last week. The Justice and Home Affairs Committee is using the fund.

The Convener: I was aware of a similar fund.

Mr Raffan: We could use it to fund advertisements. We should place advertisements to ensure that we trawl as widely as possible.

The Convener: Westminster committees do that, do they not?

Mr Raffan: Sometimes they do, sometimes they do not.

The Convener: I would like us to do that.

Martin Verity: I shall check that. I take it as the view of the committee that advertisements should be placed.

Mr Raffan: The second set of questions concerns visits. I will pass on to the clerk several suggestions that the Scottish Drugs Forum made. An archaeological dig in my desk will be necessary to find them.

The second question concerns how wide the net is being cast for visits. It is important that we get a cross-section. We will address the invitations shortly. There are several possible drug-related visits on our list. It is important that we get a broad range of evidence and do not concentrate just on the west of Scotland. Laurence Gruer will produce a list, but we can approach people such as David Liddell and others, and we might want to go to Ayrshire, Arran, Fife, and so on.

The Convener: Could you bring recommendations to the meeting next Wednesday?

Mr Raffan: Sure.

The Convener: We can then get moving on the programme.

Mr Raffan: I am happy to make suggestions, but my suggestions and those of Laurence Gruer do not constitute a wide trawl of opinion. We might consult Dr Gruer on who else we might ask, as he is particularly well informed about the west of Scotland.

The Convener: If you bring suggestions, and we ask key people to bring suggestions, we can deal with them.

My understanding is that we have already agreed that the housing stock transfer discussion on housing benefit will be in private next week, as we will receive a briefing from Mary Taylor.

Is there any other business under the drugs inquiry? I am sorry to rush through this, but we are short of time.

Correspondence

The Convener: I asked Rodger Evans to trawl through the correspondence. We receive many invitations to visit a range of organisations and agencies—not necessarily on formal committee visits—that want to bring their work to our attention and want this part of the Parliament to know that they exist. I am concerned that we are saying, “Thanks very much,” but not following up some of those invitations. I am worried that we are getting a wee bit lost. I would like the committee’s view on the idea of having some members of the committee undertaking visits, out of courtesy if nothing else. There may be times when, as Keith Raffan said, those visits could be part of a formal inquiry; at other times, the whole committee may want to undertake a visit.

Keith has mentioned before—in the context of attending conferences and such like—that it is appropriate for at least one member of the committee to take responsibility. If there is a reporter, we tend to refer the visit specifically to them. It might be worth while for members to volunteer to visit a project or pursue a particular line of correspondence. We can organise that through Martin Verity. At the moment, we fall between two stools.

Mr Raffan: There are many requests on the list, representing a variety of interests. It would be impossible for us to take up all the invitations. Cathie has already agreed to visit Donaldson’s College.

Cathie Craigie: We have arranged a visit for the 29th.

Mr Raffan: The priority should be visits to organisations that relate to current inquiries, of which there are several, including Airborne Initiative and ERGO. Obviously, the Scottish Parliamentary Churches Office is directly or indirectly related to the drugs inquiry.

We must be selective. Some organisations are geographically close, such as those in Dundee, where it might be worth spending a day. I mentioned to the clerk our visit there on Monday. I visited the Corner, in Dundee, which is similar to Off the Record. It was a fascinating visit, and an hour was quite sufficient. If a group of us made such a visit, an hour would not be sufficient. However, we might try to shorten our visits, so that we can cover more ground.

Locals Against Drugs in Alloa, might be combined with Off the Record—but that might not work. I usually try to pack too much in, so I am probably not the one to ask.

Alex Neil: Convener, could you, with Martin and Keith, report back next week with suggestions of

organisations that we should visit officially, and of members who might be interested in undertaking those visits?

The Convener: Okay, I will do that. John McAllion can do the same for housing.

Mr McAllion: Three organisations spring immediately to mind. Dundee City Council, which is not as far down the list as Dumfries and Galloway Council, has some interesting insights to offer into the possibility of stock transfers. Perhaps Fiona Hyslop and I could visit that council, as well as the organisations in Blairtummock, in Easterhouse, and in Fife. The housing reporters could try to visit the housing organisations.

The Convener: We could delegate responsibility. Even if members decide that they cannot manage a visit, they can write to the organisations, asking them to submit evidence to the committee.

Mr McAllion: Fiona and I could arrange something before the next meeting.

Fiona Hyslop: I am looking forward to going.

The Convener: There is nothing to stop you.

Mr McAllion: While we are there, we could also visit ERGO. ERGO is worth visiting; I have already been there.

Robert Brown: Do you want me to consider doing the same for social inclusion, convener? The Glasgow colleges group arguably relates to stock transfer, the economic implications and the construction industry. There are one or two related issues that we could pursue with that group.

Fiona Hyslop: When we decided on our four priorities, they were housing stock transfer, a national anti-poverty strategy, drugs, and fuel poverty. We agreed that fuel poverty could be dealt with in tandem with the national anti-poverty strategy, which has evolved into the social inclusion report. One contact on the list has been made in the context of fuel poverty—an issue that we are in danger of overlooking. As we agreed fuel poverty as a priority, I am anxious that it should not be left.

The Convener: You are absolutely right.

Robert Brown: We are going to have an informal meeting this afternoon on social inclusion issues, at which we could address that.

Mr Raffan: It would make sense for only two or three of us to make these visits, as they can be disruptive to some organisations. The Corner is quite small, and I went after hours. A certain minister and his entourage had visited when the place was full of kids, which had disrupted the people there for two or three hours. To see some of these youth places working, it would be better if

only two or three of us went—otherwise, we would disrupt what goes on, and we would not get a clear idea of the work that they are doing.

The Convener: That is a useful suggestion, but we also need a brief report, filtered through the clerks, to give us an idea of what is going on if we do not make such visits—nothing bureaucratic, just a note of value for future reference.

I ask the reporters to ensure that these invitations are followed up, and to report back to the committee as appropriate.

We will now move into private session to consider our work programme, progress on the housing stock issue and any other business.

12:27

Meeting continued in private until 12:45.

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