

SOCIAL INCLUSION, HOUSING AND VOLUNTARY SECTOR COMMITTEE

Tuesday 23 May 2000
(*Morning*)

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SOCIAL INCLUSION, HOUSING AND VOLUNTARY SECTOR COMMITTEE

19th 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

Colin Affleck (Scottish Executive Development Department)

Ms Wendy Alexander (Minister for Communities)

John Breslin (Scottish Executive Housing Division)

Paul Cackette (Office of the Solicitor to the Scottish Executive)

Richard Grant (Scottish Executive Development Department)

David Reid (Scottish Executive Finance Department)

CLERK TEAM LEADER

Sarah Davidson

SENIOR ASSISTANT CLERK

Mary Dinsdale

LOCATION

Committee Room 2

Scottish Parliament

Social Inclusion, Housing and Voluntary Sector Committee

Tuesday 23 May 2000

(Morning)

[THE CONVENER *opened the meeting in private at 10:33*]

11:00

Meeting continued in public.

The Convener (Ms Margaret Curran): I formally open the meeting. For the record, I move that item 6 of the agenda be taken in private and that we consider in private the housing stock transfer report at our meeting on 31 May. Are we agreed?

Members indicated agreement.

Civic Government (Scotland) Act 1982 (Licensing of Houses in Multiple Occupation) Order 2000

The Convener: I welcome everyone, including the Minister for Communities, who makes regular appearances at our meetings. I also welcome the officials whom she has brought with her.

We have a substantial amount of business with the minister this morning, the first part of which is the Civic Government (Scotland) Act 1982 (Licensing of Houses in Multiple Occupation) Order 2000. The committee has the draft order, the associated regulatory impact note, an Executive note and a reminder on procedural points. The committee has already considered the procedure. I invite the minister to speak to the order, so that members may ask questions. I will ask her to move the order after that.

The Minister for Communities (Ms Wendy Alexander): I am delighted to be back at a meeting of the Social Inclusion, Housing and Voluntary Sector Committee. I will speak briefly about the introduction of mandatory licensing of houses in multiple occupation. In 1997, the Scottish Labour party manifesto promised to introduce mandatory licensing to provide protection where it is most needed for tenants in HMOs. I am glad that we have reached the stage of putting to the committee the Civic Government (Scotland) Act 1982 (Licensing of Houses in Multiple Occupation) Order 2000, which will make that protection a reality.

We know that the order is still needed, as we have received evidence from the voluntary sector and others of the squalid conditions in which some poor and otherwise vulnerable people continue to live in HMOs. At the worst extreme, overcrowding, damp, poor facilities and financial exploitation remain.

However, the need for protection is wider than that. We must be able to assure Scottish parents that, when their children leave home to become students, the shared accommodation in which they are likely to stay is of a reasonable standard and, most important, safe. The order explicitly includes shared accommodation occupied by students during term time. Many people from various sections of the community live in HMOs at some stage in their lives, such as people who have moved to a new job in a new town and people who live in unregistered supported housing. All of them need to know that they are living in safe, good-quality accommodation.

Our main concern has been with tenants, but it has become clear recently that there are other victims of poor management in HMOs. Whether in tenements or on housing estates, the neighbours of HMOs must be protected from the noise, litter and even worse that such establishments produce. We hope that the licensing scheme will help to provide that protection.

Responsible landlords should also benefit from mandatory licensing. With improved standards, the status of the sector should improve and potential tenants will look for accommodation that is licensed, in the knowledge that reasonable physical standards, facilities, safety and tenancy management are guaranteed. Good-quality HMOs should already meet those high standards. We hope that local authorities will be able to use mandatory licensing as the basis for developing private rented sector strategies and for their work with responsible landlords.

The Scottish Office consulted widely on the original proposals, for which it found wide support. Some 86 bodies and individuals responded to the consultation paper, "Mandatory Licensing of Houses in Multiple Occupation", which was issued in 1998. The overwhelming majority of those who responded supported the case for making it mandatory for all local authorities in Scotland to introduce licensing of HMOs.

The consultation paper also sought views on the best way of implementing mandatory licensing and the scope of such a licensing scheme. In light of the responses to the consultation paper, the conclusion was reached that mandatory licensing of HMOs should be introduced by means of an order under the Civic Government (Scotland) Act 1982, because that was the quickest method of establishing a national licensing scheme.

Following devolution, I announced that the Scottish Executive would progress those proposals. Further consultation with relevant interests on the details of the licensing scheme has been carried out. Representatives of the Convention of Scottish Local Authorities, the voluntary sector and professional interests joined a working group, which has drawn up extensive and detailed guidance for local authorities on the implementation of mandatory licensing, including benchmark standards for the conditions to be met before a licence can be obtained. The guidance covers matters such as space standards, sanitary and kitchen facilities and heating. It also quite rightly stresses the importance of fire safety in HMOs and deals with tenancy management standards.

The guidance is not mandatory, but we hope that local authorities will use it to promote consistency throughout Scotland, while recognising the need for flexibility when dealing with different types of HMOs. We are consulting local authorities further on the details of the final guidance.

The licensing scheme that we are introducing is based on a definition of a house in multiple occupancy as a house that is the only or principal residence of a specified number of persons who are not all members of one family or of one or other of two families. The order will bring about a staged implementation of licensing by progressively reducing the number of specified persons, so that the largest HMOs will be licensed first. Over time, all HMOs will be included in the scheme.

From 1 October, we will begin with HMOs that contain more than five people. That threshold will reduce by one annually until it becomes more than two people on 1 October 2003. We are bringing the threshold down to the minimum compatible with the definition, as we recognise that the smallest HMOs can be as badly managed, dangerous and inadequate as larger HMOs.

The activity to be licensed is the giving of permission for the occupation of a house as an HMO, where that permission is given knowingly by the owner. We have used that wide definition as we want to include other situations where occupancy rights in HMOs are granted outside of conventional lets—for example, when an employer provides accommodation for employees free of charge.

We considered carefully the question of exemptions from the licensing scheme, taking into account the responses to the consultation exercise. We believe that the only categories of HMOs that should be exempted are: residential and nursing homes, including private hospitals, which are already subject to registration and

enforcement by the local authority or the health board; accommodation in boarding schools, which is also inspected; and premises occupied by religious communities, because of their spiritual nature.

In the light of the experience of the discretionary licensing of HMOs and the comments that we received, the order introduces some modifications of licensing procedures, linked to the use of the powers under the Civic Government (Scotland) Act 1982. The period during which an application for a new licence may be considered by the local authority is being doubled to 12 months, in order to ensure that applicants have sufficient time to undertake remedial work in a specified period before a licence is granted.

The order also grants an authorised officer of a local authority, with the approval of the court, the power to enter and search premises where there are reasonable grounds for believing that they are being let as an HMO without a licence. That extends the power under the 1982 act to enter licensed premises and will greatly assist local authorities in obtaining evidence against landlords who operate illegal HMOs.

The order exempts women's refuges from the public notification procedures in the 1982 act, in order to help to safeguard the anonymity of that particularly vulnerable type of HMO. The only notification required will be direct in writing to the neighbours.

As we have decided that the maximum fine for operating an HMO without a licence under the discretionary licensing scheme does not reflect the seriousness of the offence, nor, given the profits that can be made from some HMOs, does it provide a sufficient deterrent, we are increasing the maximum fine to level 5 in the scale, which is currently £5,000. We believe that the order will establish a well-considered system of mandatory licensing of houses in multiple occupancy and improve the living conditions of many people throughout Scotland.

I am happy to take the committee's questions.

The Convener: Thank you, minister. Although I am sure that the committee has a lot of sympathy with your comments, we seek clarification on a number of issues.

I should tell the committee that the Subordinate Legislation Committee has considered the instrument and is not bringing it to the Parliament's attention. However, the convener of that committee has written to me to flag up one or two concerns about the instrument. I want to explore those concerns with you, minister, as the committee has had only a very short briefing about them.

To do so, I have to put on the record an extract from a letter from the Association of Residential Letting Agents (Scotland). The organisation, which was part of the consultation exercise, raises a significant point in its letter, in which its representative says:

"If a license requires to be obtained when an agreement to enter into a lease has been reached (as stated within the Statutory Instrument) then there could be a significant delay between the agreement to lease and the actual lease being granted, since the Landlord would not wish to grant a lease without a license. During that period, tenants may go elsewhere. What the Scottish Executive had suggested to me on the telephone was that the Landlord could grant the lease subject to the grant of the license. However, this conflicts with tenants rights under the Housing Legislation, since obviously if the lease is granted then the tenants have rights to remain in the property"

under the auspices of the legislation.

There seems to be some hiccup with the instrument, in that there is a delay between the licence being granted and the granting of occupancy. The committee would like to discuss how we can tidy up that discrepancy.

Richard Grant (Scottish Executive Development Department): We have received representations from ARLA on a number of points. However, its main concern—which is not quite the concern that you have raised, but is directly related to it—is what happens to tenants already in HMOs if the landlord does not get a licence. The Civic Government (Scotland) Act 1982 allows the landlord—or the applicant—to claim reasonable excuse. In our view, there would be reasonable excuse as long as the landlord took steps to rectify the situation either by terminating the tenancy—which they would be allowed to do in conformity with the legislation—or by taking steps to improve conditions.

As for the delay to which you refer, if a new landlord wants to set up an HMO, it would be only reasonable to expect him to find out the requirements of the licence, to take advice from the local authority and to take steps to ensure that conditions are suitable before he moved into that business.

The Convener: I accept that, but is not ARLA flagging up a particular problem with people who wish to grant a tenancy immediately but are still in the process of applying? I think that you have extended the period of grant application from six months to a year.

Ms Alexander: That is right.

The Convener: Will that not mean some delays in the current situation, which might cause problems for student accommodation and such like?

Ms Alexander: We have tried to strike a

balance by suggesting a 12-month application period to ensure that there is not an undue delay in bringing a property up to standard and to avoid circumstances where the tenant might feel any unnecessary insecurity because the registration has not been achieved or the property has not been brought up to standard. The 12-month application period is the best way in which to balance the rights of the tenant to live in a safe and secure property with the need to give a well-meaning landlord the opportunity to register the property and to act on any local authority conditions on that registration, such as improvements to management or fire safety.

The Convener: Did you have prolonged discussions with ARLA? What was its response to your recent statement?

Richard Grant: I will ask Colin Affleck to answer that question, as he dealt directly with the organisation.

11:15

Colin Affleck (Scottish Executive Development Department): We exchanged letters with ARLA and took some of its points about an earlier draft of the order into account in the final draft.

As for the licence, we have a transitional arrangement whereby, if new HMOs are set up before 1 October, they can continue to operate if they apply for a licence before that date. After 1 October, new HMOs will need a licence before landlords can start to operate. Most licensing schemes have the same conditions.

Furthermore, the 12 months is an absolute maximum. Although, under the 1982 act, six months is allowed for discretionary licensing, it was decided that that period was not long enough because of the condition of HMOs. For example, landlords might have to get building control warrants and carry out work, which can take longer than six months. The extension of the application period was to allow landlords to carry out work in a reasonable time. However, 12 months is an absolute maximum, as I said. We believe that, in most cases, licences could be considered within six months. A longer period might be needed in cases where permission is required for certain works.

ARLA also raised concerns about what happens to tenants with secure tenancies if a landlord operating that HMO is turned down for a licence. In such a situation, the landlord would have reasonable excuse to operate without a licence under the 1982 act. However, although there is no legal method of ending the tenancies immediately, we would expect the landlord to give notice to tenants as soon as possible.

The Convener: Does that mean that there would be no conflict between different pieces of legislation?

Colin Affleck: That is right.

Mr Keith Raffan (Mid Scotland and Fife) (LD): I want to clarify one point. If a landlord is turned down for a licence and has to give notice to his tenants, is he given the option to continue operation if he undertakes to carry out remedial work?

Colin Affleck: Yes. If he carried out the work that was required by the council, he would get a licence.

Richard Grant: The landlord would apply for a licence and the local authority would tell him that it would be prepared to grant a licence if he carried out certain work. The idea behind the 12-month period for application is to give the landlord time to carry out the necessary work. That partly came out of the experience in Glasgow, where the council was reluctant to give conditional licences under the discretionary licensing scheme. It was found that landlords could not carry out the work in six months. Our proposal emerged from that experience and from research that we commissioned on good practice in previous schemes.

Fiona Hyslop (Lothians) (SNP): Although there is general agreement and welcome for what we are trying to do, the committee's job is to scrutinise the detail of the legislation. If a landlord with sitting tenants is refused a licence, he has basically two options. First, he has reasonable excuse to give tenants notice under the 1982 act. Secondly, he can undertake to upgrade the premises and apply for a new licence, which means that a new licensing period kicks in. At that point, would that landlord be committing a criminal offence under the order, or would he be covered by the fact that he was going to apply for a new licence, perhaps on the day after he is refused?

Paul Cackette (Office of the Solicitor to the Scottish Executive): I envisage that authorities would liaise with applicants before the stage of refusal was reached so that applicants would be aware of what the conditions would be. Rather than learning that they had been refused and then finding out what conditions were to be complied with, they would find that out in advance. In cases in which applicants find out about the conditions at the point of refusal, there is scope for the authorities to grant a temporary licence.

Fiona Hyslop: That is an area that we definitely wanted to pursue with you, but I think that you have covered it to our satisfaction.

A related problem concerns the fact that the licensing will be covered by the same bodies that

license taxis and pubs and so on. As you are talking about giving advance notice and warnings, as well as tenancies and other housing issues, would it not be more appropriate for the licensing to be done in the housing arena?

Ms Alexander: I will answer on the politics of that and then the officials can give a technical answer. Although this has not featured in the debate so far, it is important to emphasise the fact that the powers to act are reinforced by those under the Housing (Scotland) Act 1987. They include powers to impose a management order and management code; to make a work order; to require a notice that the work is carried out; to limit the number of people living in a property; and to impose a control order to take possession if orders are not complied with. The problem is that local authorities have found that incredibly onerous, partly because the six-month period has not been long enough. If the ultimate result is a control order under which authorities have to manage HMOs, an area in which they have no competence, that is a very unattractive proposition.

The decision on the 12-month period is intended to optimise the interests of both the tenant and the local authority in forcing compliance with the various stages. At the moment, there is an incentive for many people to ignore local authorities because they know that local authorities do not want to end up managing the property and that 12 months is too short to move the landlord through all the stages. Even if landlords are well meaning, it has been difficult for them to comply with the various stages in the time that has been available. We did not choose the Civic Government (Scotland) Act 1982 to alter the range of remedies. We want to use the act to create a framework in which that helpful underpinning legislation can be used effectively, which is not happening at the moment.

Fiona Hyslop: What resources will be made available to local authorities to carry out these important duties, particularly in a city such as Edinburgh, where there are many rented flats and so on?

Ms Alexander: It is intended that the scheme should be self-financing. There will be an obligation to register. In the current models, the charges for registration vary between £100 and £400. We intend to give local authorities discretion to set a registration fee that will allow them to cover their costs. There is no doubt that considerable costs in upgrading properties will be incurred by landlords. Given the extent to which landlords benefit from rental income, including a substantial chunk from housing benefit, we think that in large part they should bear the cost of upgrade. Of course, improvement grants are

available, although there is an obligation to make grants available only where there are issues of fire safety.

Mr Raffan: You said that the scheme should be self-financing. Presumably, that will ultimately be the case, but an initial investment by local authorities will be required. I support the scheme completely. You recognise the administrative burden on local authorities of the licensable occupancy threshold and the way in which it is being reduced over three years from five to just over two. Certain local authorities, such as those containing seaside towns, which have a higher number of HMOs per head of population, may be affected. My concern is the initial investment that will be required by local authorities to recruit and train the people who will carry out the licensing process.

Ms Alexander: Seven authorities are already operating schemes. Generally, they correlate with areas in which this has been a material consideration locally. I know that those authorities are willing to offer advice on implementing schemes so that they are self-financing. The discretionary scheme in certain areas has had difficulties in covering its costs because only 300 properties are covered. It is intended that this scheme should cover 12,500 private properties and 4,000 public properties, so the cost will be spread over a much higher number of properties, all of which will have to pay a registration fee that will be set at the discretion of the local authorities. Spreading the cost over more than 16,500 properties may make the management of cost easier than it has been under the discretionary schemes.

Mr Raffan: Can you confirm that bed and breakfasts, which in seaside towns can have almost permanent residents, will be included?

I was interested in the exemption for retreats. I did not know that the spiritual nature of a house protected it from fire and other dangers. I mean no disrespect to them, but there are a number of religious orders and other kinds of retreats throughout Scotland, such as the Findhorn community. Why should they be exempt? Is there not an interest in protecting people at such retreats? The Findhorn community grows hugely in summer and probably houses people in buildings in multiple occupation. Why should such retreats be exempt because of their spiritual nature?

Ms Alexander: I will allow the officials to comment on the decision to exempt religious orders. On the point about bed and breakfasts—officials can clarify the legal niceties—the definition that we adopted was that it was whether buildings were people's principal residences that should determine whether they qualified as HMOs.

We used that definition to get around those cases where employers offer accommodation free. The definition is based not on the payment of rent, but on the number of unrelated families living in one house as their principal residence. For example, in the national health service, nurses' accommodation, if it is the principal residence of the nurses, will be included, but somebody who is temporarily staying in hospital but who has a home somewhere else will not be covered by the definition. That is the sort of judgment that would have to be made about bed-and-breakfast accommodation.

Mr Raffan: It is very important that it should be included.

Richard Grant: Bed and breakfasts would be included if they met the other aspects of the definition relating to the number of people, composition of the household, and whether facilities are shared. That is complex, but bed and breakfasts are treated no differently from other forms of accommodation.

On the exemption for religious orders, we had a lot of difficulty in trying to decide what properties should be exempt. Some would argue that a scheme such as this should be targeted at properties with the highest risk, which would mean a much wider range of exemptions. We thought that, in this category, there was not the same traditional tenant-landlord relationship that existed elsewhere. People voluntarily agree to enter such retreats and often choose to live in conditions that would not ordinarily be acceptable. For example, we did not believe that it was right to compel monasteries to have a certain number of showers and baths per room, or to say that they should have a certain level of occupation and not be too overcrowded. You can imagine that the matter could become awkward. That category is not really the target group.

The Convener: I did not anticipate that we would follow this line of questioning; however, there might be one or two more questions in that area.

Mr Lloyd Quinan (West of Scotland) (SNP): If the licensing fee is to be determined by each local authority, what is the guarantee that they will base that fee on the cost of administering the scheme, rather than using it to gain revenue for other areas?

Ms Alexander: Their good will. We have not sought to regulate that. I will seek clarification from officials on those points. We have had one round of consultation with COSLA and are in the final stages of consulting on the terms of the guidance. There is no reason why the committee should not have a view on several areas that it would ask the working party on guidance to consider. For

example, might local authorities be prepared to consider minimum conditions on fire safety as they relate to houses of religious order, but not to the number of cookers in other houses in multiple occupation? We might ask COSLA what undertaking it might be prepared to give that it would not cross-subsidise other areas.

11:30

We are hoping to make progress on this matter on the basis of a common set of guidelines. We welcome the committee's views on what the working party should include in the guidance. The working party could take that on board without slowing up the timetable of implementation.

The Convener: I am sure that we will take up that suggestion.

Mr Quinan: Further to that point, the procedural costs will vary according to geographical circumstance. That could lead to great variation in the cost of licensing. Do you have any plans for additional settlements for local authorities in the rural and Highlands and Islands areas to meet those extra processing costs?

Ms Alexander: There are two issues, one of which is the compliance cost. We have spent some time estimating the likely compliance cost for landlords as a result of the conditions imposed as a result of the licensing. We found it very difficult to estimate potential compliance costs because we have a sample size of only 300 properties in seven authorities. The definition that we have drawn up will cover 16,500 properties—12,500 in private occupation. The working party has tried to scope compliance costs in general terms. The principle that the working party has followed is that the compliance costs should fall on the landlord, because of the rental stream that they accrue from the property.

The working party could advise on what mechanism the Executive and the committee might use to review the operation of the licence scheme a year down the line. Clearly, we have an interest in minimising the burdens on the public purse, particularly given the amount of housing benefit from which such landlords benefit. The working party would like to reassess the situation after a year. Given that the compliance period will be a certain number of months, we will be in a position to scope compliance costs relatively quickly.

Richard Grant: We will certainly be monitoring the operation of the new scheme. We have had discretionary licensing, but we will need to keep a close eye on the scheme.

There is statutory provision for fees and charges. The Civic Government (Scotland) Act

1982 requires that local authorities charge reasonable fees. It also requires local authorities to balance their books in terms of licensing activities. In other words, across the whole range of activities, licence schemes are meant to be self-funding—local authorities might make more on one area and subsidise another. Local authorities could be challenged if landlords thought that the fees were not reasonable.

Mr Quinan: Are you suggesting that there could be cross-subsidy?

Richard Grant: There could be cross-subsidy between different licensing activities.

Mr Quinan: That is not quite what the minister suggested.

Ms Alexander: I said that, so far, we have not sought to secure any undertaking from COSLA. However, that is something that the working party would look on favourably. I cannot speak for the working party, but that seems to be a legitimate suggestion to pursue.

Mr Quinan: Does that not question the approach of applying such licensing in the same way as for bars and restaurants? As Fiona Hyslop suggested, might it not be more appropriate to operate such a scheme within a housing framework, rather than a licensing one, particularly given the likelihood of cross-subsidy?

Ms Alexander: Wearing my local government hat, I am acutely aware of COSLA's anxiety about the Parliament micro-managing how local authorities account for things in budgetary terms. Although we did not have a completely happy experience with improvement grants and their reduction when they were put into the capital allocation, we nevertheless felt that that was a fair price for local authority discretion. I do not want to prejudge the working party's conclusions, but it is wholly appropriate for the committee to offer a view on such matters.

The Convener: The committee will probably pursue that issue.

Robert Brown (Glasgow) (LD): I have several issues relating to the effectiveness of the potential legislation that I want to raise with the minister.

Section 3 of the order refers to the definition of a landlord and talks about the person "knowingly" giving permission. There is a question about the identification of the owner, particularly in the case of parent companies or foreign owners who live outside the country. Will there be provisions to identify the real owner or controller of the property against whom orders could be made to ensure that the standards of the legislation were upheld? Currently, any prosecution would be the responsibility of the procurator fiscal. However, in practice, that has been found not to be a

particularly speedy procedure because of the requirements of other cases, such as murders and rapes. Has any consideration been given to transferring prosecution powers to the local authority, which is on the front line and needs a speedy response?

Ms Alexander: I will give an answer and my officials will add some detail. The identification of the owner might be a problem when the owner is a company and registered elsewhere. The same requirements fall on corporate bodies, trusts and partnerships as fall on individuals. The principle is that the same criminal sanctions apply to an owner who lives abroad and non-compliance would be dealt with under the Housing (Scotland) Act 1987. As we said earlier, the core housing legislation would be the basis of any action.

Robert Brown: As you have already said, that is not the most effective way of dealing with non-compliance from companies or foreign landlords. Bearing in mind that many properties are controlled by factors or letting agencies, is there potential for having a nominated person—as is the case for pubs and so on—who would have to lodge a bond or something? In situations of difficulty, that would allow the order to be enforced.

Richard Grant: That is a point to which we have given careful consideration. An earlier draft of the order included a provision that the person applying for the licence should be the person who was responsible for the day-to-day management of the property. However, we had strong representations from Glasgow City Council about the fact that there is a common arrangement under which there is a head tenant—for example, one student takes out the lease and then sublets the property. In those circumstances it would be that student who would be required to get the licence and would effectively carry the burden of this legislation. We thought that that was quite wrong and would present an easy way for landlords to avoid the effect of the regulation. That is why we switched the emphasis to the owner. Clearly, the situation is not so straightforward in relation to owners who live abroad. However, if we consider what we know about the privately rented sector, particularly houses of multiple occupancy, that is a fairly uncommon situation.

Research shows that about half of landlords own only one property and 70-odd per cent own fewer than 10. The problem can be dealt with, if necessary, by using the more cumbersome powers that the minister referred to, but I do not think that it will be a problem in practice. There would have been a problem if we had decided to require some management agent to be the person who gets the licence.

We have given some thought to the point about

procurators fiscal. As a matter of criminal justice policy, my department does not support the idea of developing private prosecutions in Scotland. We see the procurator fiscal as the route through which prosecutions would be brought. Perhaps the real worry relates to the prioritisation of the matter. We intend to bring to the attention of the Crown Office the fact that we are talking about a new scheme, not a continuation of the discretionary scheme. The scheme is backed by the Executive and is in line with the Executive's priorities. The procurators fiscal should be made aware of that.

Robert Brown: I want to ask about the numbers of multiple occupancies in an area. In Marchmont in Edinburgh, for example, about 30 per cent of the houses are in multiple occupancy because of the student presence. Will the local authorities have powers to declare that there are enough multiple occupancy licences in an area?

Glasgow, which controls its regulations through the planning legislation, requires planning applications to be made for material change of use of a property in which live fewer than two or three people in different circumstances. I take it that that situation will not be affected by the operation of the new regulations. I take it that some hiatus in the legislation will not be allowed to reduce Glasgow's standards.

Ms Alexander: Indeed not. Local authorities have planning discretion and they are able to consider the amenity value of a location as a criterion in the approval of planning applications under the licensing scheme. We hope that the formalisation of that scheme will create the opportunity to use the discretionary planning framework.

Robert Brown: Would it be helpful to include in the guidance a degree of linkage between the two areas? The point that you raise is crucial for the major cities.

Richard Grant: The guidance contains a reference to planning permission. If planning permission is required—and it might not be—the applicant needs to get it. The committee might feel that the reference needs to be strengthened. I am happy to take that on board.

Robert Brown: That would be helpful, thank you.

Mr John McAllion (Dundee East) (Lab): I want to talk about funding. Currently, 25 Scottish local authorities do not operate any kind of licensing system. They will be required to set up some kind of apparatus for licensing. It seems to be suggested that the scheme will be funded by fees that will not begin to flow until after the apparatus has been set up. Are you saying that the local authorities must find money for the set-up of the apparatus from their existing budgets or that they

should increase the licensing fees for taxis, restaurants and so on to fund the initial costs?

Richard Grant: We expect that most of the local authorities will have little demand for licensing requirements. As most HMOs are in the four cities, only a small operation will be required and could be built on to their existing licensing arrangements. The key departments that already exist—the environmental health department, the housing department, the fire department and so on—would be involved. Any extra costs will be recouped in due course through the licensing fee system.

11:45

Alex Neil (Central Scotland) (SNP): Ayr now has a university campus and the town has experienced a huge growth in multiple occupancy. South Ayrshire Council has been cutting budgets right, left and centre. It has closed the Carrick Street centre because it could not afford to pay for the wardens and the electricity. Are you saying that it can afford to employ another two or three inspection officers?

Ms Alexander: We said that houses that are in multiple occupancy and are in a safe condition—the vast majority—will now generate revenue for local government in Scotland. It is important that the burden for the repair of the small minority of properties that are in need of extensive repair is borne by the slum landlords who have benefited greatly from state revenues over a long period. We are confident that the vast majority of landlords, private and public, will receive automatic registration. A revenue stream will be generated quickly. We have allowed local authorities to set the level as they feel appropriate. If the committee wants to suggest an area of the housing budget from which the money to support the scheme could be culled, we would be happy to listen. The critical point is that the significant costs will not come from monitoring but from compliance. That burden should fall on those who have been inappropriately profiting from the public purse for too long.

The Convener: I invite the minister to move the motion.

Motion moved,

That the Social Inclusion, Housing and Voluntary Sector Committee in consideration of the Civic Government (Scotland) Act 1982 (Licensing of Houses in Multiple Occupation) Order 2000 recommends that the Order be approved.—[*Ms Alexander.*]

Motion agreed to.

Budget Process

The Convener: The next item is the annual budget process. I should flag up to members the fact that, due to our enthusiasm and energy, there is a possibility that we might run way over time. Because of our commitment to the Finance Committee, we must get through certain categories and I inform members that no personal slight is intended if, in order to hurry things along, I shut them up and move on to another category. I ask the minister to give us a brief introduction before we begin our questioning on the budget.

Ms Alexander: I will forgo that opportunity; that will allow me, and the committee, to take more time on questions. If we are not having a comfort break, why not just press straight ahead with questions.

The Convener: The committee does not know about comfort breaks at all. I will kick off a section of general questions, then we will move to specific subject areas. We will return to some of the general points at the end.

You are renowned as a great proponent of targets and outcomes. Why is it helpful to set those measurements in terms of the budget, and what do you expect to achieve by doing so?

Ms Alexander: I see we are starting with the simple questions.

There is a general sense, across the Government, that historically we have been too driven by inputs and insufficiently concerned by outputs. The public now have much higher expectations of us, in particular in terms of service delivery, and are anxious to know what outputs are secured for given inputs. If people know a target—for example, that Scottish Homes' grant in aid of £272 million for three years will produce 18,000 new houses—that has the potential to enhance the transparency of, and reputation of, government.

Enhancing the transparency of government and its associated spend is a trend not just in this country, but probably across the western world. Scotland is no different and, in some respects, has taken the opportunity provided by having a new Administration to be at the forefront of that trend and to equip itself with public and financial accountability procedures that will lead to greater transparency and accountability.

The Convener: When you were coming to terms with your portfolio and outlining your vision of what you wanted to achieve, did your consideration have a strong financial component? Do you have a four-year vision, or a year-by-year vision, for the financing of your big political aims

and objectives?

Ms Alexander: We have very much a four-year perspective, which—rightly—is indistinguishable from our political strategy. I will take you through the key policy areas in the communities portfolio.

The issue on housing was how to take the lesson from Scottish Homes in terms of its capacity over the past decade to lever in a huge amount of private finance to complement public finance. How that experience, which had benefited only the 140,000 houses in the housing association sector, could be spread over the rest of the social housing sector in Scotland and benefit another half a million houses was both the political and the financial strategy for housing.

We have just begun a programme that acknowledges that the voluntary sector—or the third sector—makes a much larger contribution to Scottish life than we have recognised hitherto, and can fill, very effectively, the gap between the public and private sector. To do so, it needs to be given an infrastructure that reflects its new and growing role. We are trying to make the financial strategy towards the voluntary sector more strategic and to put in place the infrastructure to support that wider role.

The third key policy area is equalities. Jackie Baillie gave evidence at the Equal Opportunities Committee yesterday about how you support a mainstreaming perspective if you try to apply the principles of mainstreaming across all the areas of the Executive's activity, and what that means in terms of financial allocations.

The fourth key policy area in the budget is regeneration. We have to consider how—if regeneration is, in essence, about the renewal of communities—those communities can become much more central to the distribution of their financial resources.

In those four big areas, there was a political strategy that had clear implications for the financial approach over four years. We have just begun to embark on the alignment of resources with those political priorities.

The Convener: I accept the principle that you try to lever in other sources of finance—that is clearly part of the strategy—but I want to concentrate more on the public financial aspect. Do you measure that year by year? Do you have a year-by-year strategy, and does it ever get blown off course? Has that happened in the past year?

Ms Alexander: I will answer, quickly, for each key policy area. On regeneration, we have an incremental strategy to try to give communities more control over finance in their areas. We have made some, but not enough, progress on that.

On equalities, we will not really be able to align

financial expenditure with the principles of mainstreaming until we have gender disaggregated data and the equalities strategy, which we will have in September.

We have only this year laid out the strategy that there needs to be a much more substantive infrastructure for the voluntary sector, supported from the centre. That is a more effective way for the Scottish Executive to contribute to the voluntary sector, rather than having a mishmash of tiny grants that go to all and sundry. That strategy is only beginning to be reflected in the financial priorities, because there has been a review of how both councils for voluntary service and local volunteer development agencies can contribute to putting the infrastructure in place. We are beginning to align the finance against that.

On housing, the answer is that you meet some targets and you miss others. Let me give two examples. We exceeded the Scottish Homes target for 6,000 houses a year in the first year, by 600 or so houses—the figure was something like 6,660—and that was welcome. In other areas, we have shifted; in so doing, we have shifted the balance from low-cost homes for ownership back to social rented homes. That has reduced some of the previous leverage ratios, but it seemed the right and proper thing to do. Tenant involvement in the community ownership programme may mean that some of the money that was set aside for debt redemption this year will not actually be used until the subsequent year. In the examples of where targets have not been met, so to speak, that has happened for good policy reasons, which may come out in the detail of our discussion today.

The Convener: Okay. We will pursue some of that detail.

I also want to ask about evaluation and monitoring of targets. Do you monitor and review your performance annually?

Ms Alexander: The Minister for Finance is putting in place monitoring procedures across the Executive. Greater transparency has thrown up the idea that perhaps our monthly—or, indeed, quarterly—management control procedures need to be refined. That is obviously a matter for the budget and for the Finance Committee. That may mean that we do not have in future the sort of end-year flexibilities that have happened in the past.

In terms of my department and the four key areas that I outlined, mainstreaming issues around the budget is at the absolute forefront of public policy thinking. I do not pretend that we have an ideal monitoring framework in place for that, but there is incredible commitment in the equality unit to try to devise some truly innovative thinking in that area.

I know that social inclusion partnerships are a

matter of interest to Alex Neil. Over the next year, as we move into talking in more detail about what we are doing on the ground with the regeneration budget, one of the perennial dilemmas will be how much we should attempt to micro-manage the accountability of finances. The extent to which you should do that directly through the Scottish Executive, or through local authorities or other third parties, and how intrusive that monitoring regime should be, is a constant and on-going dilemma for us.

On housing, the transformation in the status of Scottish Homes will probably lead to a more hands-on approach to monitoring than has hitherto been taken.

The Convener: I have a final question before I hand over to Alex Neil. Have you found yourself in conflict with Jack McConnell during the past year, while demanding more money for your budget?

Ms Alexander: One of the perennial dilemmas of government is the expectation that you will read every book on public finance and expenditure and the notion that you are a good minister if you go in and argue your departmental corner to the exclusion of other ministers. I have frequently said in Glasgow—I mean this—that if we try to fund all public housing on balance sheet, I will have to say to Sam Galbraith and Susan Deacon that, because housing has been so badly underfunded for the past 10 years, the only way of funding it from the public purse is to take some of their money for new schools and new hospitals.

The need to access private finance for public purposes, where that can be done, is generally appreciated around the Cabinet table. The rental stream generated by housing presents us with a golden opportunity to do that, and trying to accrue more resources for housing from public funds does not seem to be the most sensible way of proceeding. There are other, more useful ways of spending public money—on a voluntary sector infrastructure that will allow the social economy to reach its full potential in Scotland, for instance. Fortunately for Jack McConnell, providing an infrastructure for the voluntary sector costs peanuts in comparison with what would be needed to transform 500,000 council houses.

The Convener: I am sure that we will pursue some of that with you, minister.

12:00

Alex Neil: I will not bother pursuing the mobile phone money again.

Ms Alexander: Dearie me—I had an answer to that all prepared.

Alex Neil: I would like to address three general principles of budgeting and finance and to see

whether we can reach some agreement. This is the first budget round anywhere in the UK involving a procedure of this kind.

The first principle is transparency. As you know, there has been some concern about the Cabinet in London and the Cabinet here in Edinburgh announcing the same money more than once and trying to create the impression that there is more new money than there actually is. In the Glasgow debate last week, you were in danger at times of looking like someone out of “Fiddler on the Roof” rather than a minister announcing new money.

Can we agree that in future a clear distinction will be made in each line item between money that has been allocated and money that has not been allocated and is, therefore, available for projects that come up during the year? In every line item and, I would imagine, in every sub-line item, there is allocated and unallocated money. It is obvious that there have to be contingency funds to deal with issues that arise during the year, but it would be extremely helpful if, when we are planning each year’s spending, a clear distinction could be made between what is already allocated and what is still to be allocated, so that when there is an announcement of “new money” we know whether we are talking about not new money, but the allocation of existing money, or genuinely additional resources such as those that we received as a result of the chancellor’s statement.

Ms Alexander: That is an important point and I take it in the spirit in which it was made. To publish a budget, we have to make notional allocations—I stress notional. Under the comprehensive spending review, we inherited £330 million for housing in Scotland. Calum MacDonald undertook a notional allocation of that money. What makes it difficult to give the guarantee that Alex Neil is looking for—although I do not think that this is an insurmountable problem—is the fact that in large parts of the communities budget we pass discretion to a third party to decide on the allocation. There is, for example, a notional allocation of money for the rough sleepers initiative, but the actual allocation of those funds is dependent on what the members of the rough sleepers initiative advisory committee say. Shelter and other organisations have been very prominent in that process. It is felt that they have been able to assess bids more rigorously than we might have.

Similarly, although Calum MacDonald set aside a notional allocation of £125 million for seven authorities, one of which was Glasgow, that was contingent on bids being approved by the new housing partnerships steering committee, which met last week and signed off the money, so that I could announce it. However, let us not dwell on that. The interesting thing is that the profile of

actual spending of the notional sum of £125 million that was set aside two years ago to support the seven authorities that were pursuing stock transfer will bear little relation to the original estimate. That is the result, first, of our desire to be driven by the new housing partnerships steering committee—no money will go through the door until the steering committee or the RSI sign it off. Secondly, it is the result of the community concerned being able to impose conditions on the profile of the spend. In the stock transfer programme, significant amounts of money are set aside for debt redemption, but it would be wrong for the money to be used for that purpose until the communities concerned have chosen to spend it on that.

At official level, we need to think about how we can get absolute clarity. In this budget in particular, there will be considerable changes in the profiling of spend and in the areas where we think third parties should have the power to decide which bids are approved. I know that some money goes out to executive agencies and quangos, but I cannot think of any other department of the Executive—the finance department will correct me if I am wrong—that has been so prepared to outsource “go, no go” expenditure decisions to bodies of ad hoc, third-party experts who understand these issues inside out, such as the RSI or the new housing partnerships steering committee. I am very proud of that. Subject to Alex Neil’s caveat, I would like to find a mechanism that preserves that approach, which seems appropriate to the communities portfolio.

David Reid (Scottish Executive Finance Department): Some information is already available to the Parliament in the budget documents that accompany the budget bill when it is approved by Parliament before the beginning of the financial year. The budget documents include longer-term capital expenditure commitments, where they are known. Those are itemised and an estimate for spending on any future commitments that have already been made is shown for the year for which Parliament is approving the budget. There is also an estimate for any historic expenditure—this year it was expenditure in 1999-2000.

Alex Neil: I recognise the difficulties—the further out one goes, the less specific and the more notional budgets become—but given that we are already into the new financial year, a fair chunk of the budget must already have been allocated for specific purposes. Secondly, even if all that money is not spent on the subject areas to which it was assigned, presumably you are able to propose other subject areas to ensure that you get your spend out. Thirdly, we do not get any interim financial reports—other than very global ones—during the financial year.

I have two specific suggestions that might be useful. First, in addition to making a distinction, where possible, between allocated and unallocated budgets, you could publish half-yearly reports, setting out expenditure during the first half of the financial year and estimates for the second half. That would be a unique innovation in British government: the only figures that are published at present are the global ones for public sector borrowing and the like. Secondly, these are very global budgets, with huge sums in some line items. It would be useful, where possible, to break them down into sub-line items. That would allow this committee to monitor progress more satisfactorily than is possible with the traditional UK Treasury methods, which are designed to ensure that the House of Commons cannot monitor spending too effectively.

Ms Alexander: That is why we set up the financial issues advisory group. I hesitate to speak about this only because I do not want to trespass on a colleague’s territory. I would be happy to communicate Alex Neil’s suggestions to Jack McConnell.

We are considering how to let committees know more often than annually what is happening with spending. There has been a substantial shift in what the £125 million will be spent on compared with what was originally imagined for it. I will convey the committee’s views to Jack McConnell. You might want to write to the conveners of the Audit Committee and the Finance Committee to say how useful you think such an approach would be from a departmental point of view. I will be happy to convey similar sentiments at ministerial level, although the ultimate decision is not mine to make.

Alex Neil: We can make those recommendations.

I do not have too much time so I will move to the second major principle, which is value for money. I will not get into the minutiae of the example I wish to use, but will use it to demonstrate the general principle. In table 2.5 on the new housing partnerships, a clear distinction is drawn between current and capital expenditure. I am concerned that current expenditure includes funding for feasibility studies, stock condition surveys, tenant advice and consultation, pre-transfer expenses and assistance with any residual debt that might follow stock transfer. I would like a better breakdown. Is part of that money being used to service debt after stock transfer?

Ms Alexander: Some of the money has been set aside for that purpose, but we have had a dilemma about that. In *The Herald* this morning there is an extensive report on the revised bid to cover the first seven of the eight items that are listed. It is appropriate to give the local authority

the discretion to say that the balance of resources that is required to service the debt has changed since a year and a half ago, when the previous Administration set aside a notional sum. Eighteen months down the line, the authority has a completely different view of the balance of the costs of those seven items. That is why a global sum was set aside to be released when the new housing partnerships steering committee had come to a view.

Assessment of proposals for debt redemption and the costs of supporting any proposals are in the remit of the new housing partnerships steering committee. I have not, therefore, sought to direct that committee regarding the balance of those costs. I have preferred to say that seven bids are outstanding for which a notional sum has been set aside and that it should monitor the bids as they progress.

Alex Neil: I am mainly concerned about value for money. The outturn for last year on the current expenditure will increase by a multiple of 18 in the next three years, but capital expenditure will increase only by a multiple of less than two. A substantial proportion—albeit unquantified—of the current expenditure, which will be £73.5 million in 2001-02, will be spent on consultants, feasibility studies and so on. I speak as somebody who used to be a consultant. When I think of the money that is urgently required for capital investment in housing in Scotland I must ask whether that constitutes value for money.

Ms Alexander: I will address that directly in terms of controlling costs. You are right that the money is not for consultants only, but for debt redemption. The spend has been profiled as it has because when Calum Macdonald first examined the issue two years ago his assessment indicated that there had to be some provision for a transferring authority to go ahead in this financial year with some headroom for debt redemption. Because of the time it is taking local authorities to work up transfer proposals, it seems unlikely that there will be any call this year for debt redemption moneys. We do not expect there to be a ballot before the beginning of April next year, although there might be one. A large part of the money is for debt redemption, but it is unlikely to be required until next year.

On whether consultants will offer value for money, there is a requirement to ensure that we do not sign off any bid that requires a sum of money that we think is in any way inappropriate. That decision is a matter for the new housing partnerships steering committee. Encouragingly, the Ernst & Young study in Glasgow, which has involved external consultants, has been costed at less than £200,000 for the work that has been done so far. The new housing partnerships

steering committee has exercised care, judgment and expertise in the matter and I, therefore, have not found it necessary to place any constraints on that committee's work—although I will accept the committee's view on this.

The steering committee has been given two general restrictions. The first is that it should assess the bids and the costs that are associated with feasibility studies. The second is that when a proposal is made—I do not expect one until the end of this financial year at least—the steering committee is obliged to conduct a value-for-money study on the transfer proposal. We made it clear when we published the Glasgow feasibility study that it will fall to the department to hire consultants to do a precise study on the transfer proposals for the seven authorities and for any subsequent stock transfer proposals in other authorities.

12:15

Alex Neil: I would like to ask two quick questions. First, if a substantial amount of money is saved this year because we are not in a position to service debt, will you be able to use that money for capital investment in Scottish housing?

Secondly, will you furnish us with your forecasts for the split between the first five or six items that are listed—consultancy, survey of conditions and so on—and for the costs of servicing the debt each year?

Ms Alexander: On your first question, I hope that we will be able to do that, but—as you know—we are in the middle of the spending 2000 review, so that is a matter for discussion with the Minister for Finance. I will be happy to write to the committee once that has been clarified, although I cannot guarantee that that will happen before the end of the spending 2000 review at the end of July.

On the second question, I would like to invite the new housing partnerships steering committee to make a judgment on what it thinks the balance will be, given the pace at which bids are coming through. I want to emphasise that that call is its, not mine. We will write to the committee with information on the steering committee's view of the split.

The Convener: And all this before we get to the detail on housing. God! We are still on the general category, believe it or not. Mike Watson has a general question, after which we will move on.

Mike Watson (Glasgow Cathcart) (Lab): The departmental report mentions that one of the Executive's objectives is to develop mechanisms that will promote equality of opportunity and mainstream equality into policy making. The target the Executive has set itself, however, is simply to

make a first annual report in April. That is not very specific and refers only to policy making. How do you intend to develop the promotion of equality in terms of policy making? What about policy delivery?

In your response to the convener's question about equality and gender issues in her letter, you said:

"We need to improve our capacity to mainstream equality effectively as well as the appropriate information bases to report on the differential impact of our policies on different groups such as women and men."

The thrust of my question is about impact assessment. The Finance Committee has asked this and all the other committees to examine gender impact assessments. This is the start of the process, but how do you intend to build such assessments into what your department is doing? Although I accept that we are at an early stage, all you could point to in your response to the convener was the £3 million for a domestic abuse service development fund. There is work to be done, so how do you plan to set the benchmarks against which progress can be measured?

Ms Alexander: That is a fair question and one with which we are struggling. It has come on to our agenda in the past month through the consultation on the equality strategy.

First, we can move forward only if we have gender-disaggregated data. That is being examined by the equality unit at the moment. Secondly, we must deal with legislation. We have made an equal opportunities appraisal mandatory for all legislation that is proposed in Parliament. Thirdly, there is an obligation to mainstream equality issues in the work of all departments, including the finance department. Once mainstreaming is central to the deliberations of all departments, we can begin to align resource against it.

As part of mainstreaming, we expect a gender-sensitive approach to all activities associated with the budget with the necessary disaggregated information framework. That aspiration will be detailed more fully in the equality strategy. There have been more than 200 responses to the consultation; there will be an interim publication in June and a full equality strategy in September. We are liaising with UK interests, for example the women's budget network in the UK, which is developing some of the thinking on this matter and wants to feed that into government.

I do not want to transgress too much into Jackie Baillie's and Jack McConnell's areas, but we have it in our sights.

Mike Watson: That is welcome, but can you be more specific? You talk about gender disaggregation of information. Would you aim to

have that available in next year's departmental report?

Ms Alexander: It would not be possible for all activities and for all areas. The equality unit is working on the availability of gender-disaggregated data in Scotland, how that data source can be improved and how it can help underpin more gender sensitive approaches by all departments, including individual departments and the budgetary process.

Mike Watson: From the point of view of your department, would you intend to begin to make that information available in next year's report?

Ms Alexander: As I am the minister responsible for equalities, I do not want to wriggle out of this. My obligation is to ensure that we move to as much appropriate gender-disaggregated data as we can manage within the time available to us and within the budgetary constraints, and to ensure that that is available to all departments, including my own. It would send all the wrong signals if the communities ministry did not try to lead in incorporating that into its thinking.

I am trying to avoid pre-empting what the equality strategy will say about what is the most important gender-disaggregated data, where it can be found and who produces it. That is a legitimate question to which the equality unit is tasked with coming up with an answer. It has not yet reached a view on that, although it will have done so by the autumn.

Mike Watson: You expect the report by the autumn of this year?

Ms Alexander: I expect the equality strategy to be published by then and I am sure that it will refer to the extent of gender-disaggregated data that can be afforded.

This is an issue on which you may wish to make representations directly to us and to the Equal Opportunities Committee.

Mike Watson: The section entitled "Voluntary Sector and Equalities" seems to be the only mention in the report of the equalities issue. It seems to be talking about the background and the role of the voluntary sector in service delivery in terms of equalities. I am concerned that relying on the voluntary sector would affect the aim of mainstreaming, because although the sector plays an important role it is a limited one.

Ms Alexander: I concur wholeheartedly. I would be astonished if, in next year's annual report or a version thereof, there was not a section that reflected the emerging strategic role of the voluntary sector, as indicated by the establishment of the voluntary sector issues unit.

Similarly, there would be separate reference to

the equality unit, signalled by the existence of an equality strategy. It is to the credit of the Parliament, the Executive and the committees that, in our first year, we are able to create strategic units on both of those areas, with discrete budgets. The units have spent this year formulating a strategic view of their role. Expenditure patterns will be aligned against those roles more effectively in future years, when they have had the chance to establish that strategic vision.

Mike Watson: Only £0.5 million is set aside for equalities in table 2.8. Why is it so little? Why is it not due to increase year on year? You talk about the domestic abuse service development fund of £3 million. It is not obvious from the report where that comes from. I realise it covers 2000 to 2002, but can you identify the source of that funding?

Ms Alexander: It is £0.5 million because the unit was established and staffed part way through the most recent financial year. If its role is to grow as is expected, it will need to be resourced to achieve that. I hope that that can be achieved within the settlement for the Executive as a whole. If not, I would feel some obligation to consider that within the communities ministry. The unit felt that it was important to establish a strategy before it embarked on significant expenditure. However, it is a budget that I expect will increase—either at my hand or at that of the Executive—once the strategy is agreed.

Mike Watson: So 2001 to 2002 is a holding figure?

Ms Alexander: I could not say.

If our strategy is mainstreaming, it is not clear whether the budget associated with the work required for gender-disaggregated data should fall to the equality unit. In many ways, it is more secure if it falls to the central research services unit, which carries out the Scottish household survey. The same applies to the extent to which we get finance to feel ownership of a gender-sensitive approach to budgeting.

I foresee a larger budget being required to implement the strategy, but some of it would be for what would be called gender-specific areas—for example encouraging women to stand for non-departmental public bodies and to be more generally represented. It is hoped that the incorporation of gender-sensitive data into the budget process is the responsibility of departments, as part of mainstreaming.

Mike Watson: If you are unable to indicate where the £3 million comes from now, can you give the committee a note on that?

There is a slight decrease in the funding—from £6 million in 2000-01 to £5.9 million in 2001-02—

for the voluntary sector. In the paragraph above that, you say that the voluntary sector is a key player, so how do you explain that decrease?

Ms Alexander: That is an attempt to identify a figure for voluntary sector infrastructure, not for support to the voluntary sector. We provide £20 million to the voluntary sector, of which only £6 million is for infrastructure. It is likely that that will change because of the discussion with the voluntary sector about the extent to which support can be shifted from individual and geographically specific projects to direct funding for infrastructure. I expect significant change as the voluntary issues unit takes ownership of an agenda that has been dispersed across every department throughout Scotland that gives a small grant to the voluntary sector.

Mr Raffan: Minister, you have mentioned voluntary sector infrastructure three times. Can you tell us exactly what you mean? I thought that a fairly good infrastructure was already in place, with Volunteer Development Scotland and the Scottish Council for Voluntary Organisations. Why is there a need for an infrastructure, and what exactly do you mean by that?

12:30

Ms Alexander: The voluntary sector in Scotland has three components. The first, a campaigning function, is provided largely by SCVO and is national in its impact, although SCVO is trying to find imaginative ways to connect different aspects of the voluntary sector; we are supportive of that. The second component is the role of the councils for voluntary services in promoting voluntary sector activities in communities; there is no complete network throughout Scotland for that, but we hope to remedy that this year. The third component is the work of local volunteer development agencies, which provide an entrepot for anybody who wants to give of their time, but, again, there is no Scotland-wide infrastructure of LVDAs. When I talk about the lack of infrastructure, I am not talking about the campaigning function that SCVO carries out for the whole of Scotland, but about the lack of comprehensive coverage by CVSs or LVDAs.

Mr Raffan: Is the aim to have one LVDA in each local authority?

Ms Alexander: Let me rephrase that slightly. There should be a presence in every authority in Scotland. Some authorities will have more—in the Highlands there is already more than one—but there should be a minimum of one.

Mr Raffan: How many are there already?

Ms Alexander: I cannot give you that figure.

Mr Raffan: Okay. It would be useful for us to be

provided with a note about that.

I welcome the Executive's commitment to stability and three-year funding. It is easy for you to provide that, as, although most of the funding for voluntary organisations goes through different sources, local authorities play a leading role. You said that you do not want to get involved in providing a mishmash of tiny grants to all and sundry, but the pressures on local authorities mean that they are involved in just such a mishmash. If those grants are cut off, the voluntary sector will start to wither and die. For example, the linking education and disability project in Fife, which has been running for 15 years, might close if the local authority clamps down on it. You are right to say that the voluntary sector is important, and we must find a way of ensuring that such local projects are not starved of funds.

It is easy for the Executive to make commitments—I do not mean that disparagingly—but it is not the key funder of so much of what is going on on the ground.

Ms Alexander: Let me highlight briefly the four issues that we put on the agenda of the voluntary issues unit, to address that point. The first issue concerns whether it is appropriate for the Executive to disburse small grants of less than £100,000, or whether that could be done more effectively by other organisations in the voluntary sector. The second issue is the importance of ensuring that lottery cash in Scotland is more appropriately targeted, particularly to areas of social exclusion, in which the committee has an interest.

The third issue concerns how we ensure a more appropriate share of SIP resources, because obviously between £137 million and £142 million has been spent by SIPs over the past years. Because of their historic closeness to local authorities, some SIPs have been guiltier than others of not recognising the potential contribution to the social economy that the voluntary sector can make in their areas. We need a slightly more instrumental means of ensuring that an appropriate share of SIP resources is directed via the voluntary sector.

The fourth, and perhaps the most exciting, issue is the business plan that is being developed for the Scottish communities investment fund. The voluntary sector is a £2 billion enterprise in Scotland—43 per cent of voluntary organisations trade and account for one in 20 jobs—so it is crazy to condemn it to the most archaic grant mechanisms when a portion of its activity could, in effect, be loan funded to free up resources for its other activities, which must and should remain grant funded. We should try to ensure that that happens within the next year. We will be looking to the legal review that Jean McFadden is leading to

create a legal framework that is more complementary to that sort of financial modernisation package.

To sum up: the first objective is to establish a strategic centre within the Scottish Executive to deal with the voluntary sector; the second objective is to sort out the legal framework in so far as that is a matter for the Scottish Executive; and the third objective is to create a modernised financial framework to support the voluntary sector. Those are the key issues that are being considered by the voluntary-sector issues unit.

Mr Raffan: I respect your wish not to micro-manage and so on, but there is a need for a central or emergency fund—call it what you like—to which projects and local organisations can appeal if their funding is suddenly cut off. At the moment, many organisations spend too much time scrounging around for money instead of getting on with the job that they are trained to do.

Ms Alexander: That is exactly the sort of issue that I would expect the management board of the new voluntary issues unit to consider over the next year, and on which it will make recommendations to me and to Jackie Baillie. We want, in the voluntary sector, the sort of oversight that would be provided by a mechanism similar to the new housing partnership committees that work so well in housing.

Mr Raffan: I want to move on to social inclusion and the money that is allocated to the SIPs. Can you give us a figure for the amount that is spent, through the SIPs, on tackling drug misuse? I understand that Jackie Baillie is a member of the cross-cutting ministerial committee. I also understand that the money for tackling drug misuse is allocated mainly through the SIPs.

Ms Alexander: It is possible to give that figure, but I do not have it to hand. I would be happy to submit it to the committee in writing.

Mr Raffan: Yesterday, Karen Whitefield, Alex Neil and I were on visits to drugs organisations—particularly the health board ones—in Ayrshire and Arran, where concern was expressed that there was no co-ordination of resource allocation. Money is being allocated to the SIPs for various aspects of tackling drug misuse, but it is not being co-ordinated with what is already being spent in the area. The drugs organisations are wondering why the money is being allocated directly to the SIPs rather than through the drug action teams, which would be better able to provide co-ordination. I respect the fact that you do not want to micro-manage, but we do not want duplication, overlap and waste.

Ms Alexander: The community arm of tackling drug misuse is the one in which there is the most potential to make rapid progress, as the

enforcement arm is already being addressed—everybody recognises what it involves. On the prevention side, there is the education pack, and people are being made aware of the education agenda through DATs and schools. The rehabilitation function provides the third plank to drug misusers, and is well recognised within the DAT framework; much is also being done in that area.

The fourth plank of a comprehensive drug misuse strategy—concerning how drug misuse impacts on local communities and drug markets—is therefore the least theorised, understood and supported, and that raises a dilemma. If we want to respond to those community initiatives, that would be better done via the SIP or DAT mechanisms. I would be interested in the advice that the committee might have for me on that issue. There is, however, a commonly held belief that the community aspect of drug misuse should not be lost, or regarded as a secondary concern, when the decision is made on the appropriate financing route. We would welcome any ideas on that in due course.

Mr Raffan: My point is that there is an unevenness, or patchiness, in service provision throughout Scotland; that has been expressed to the committee in written and oral evidence during its inquiry. Service provision in Ayrshire and Arran is relatively good in comparison with other areas, but there is a need for co-ordination. Work may be going on in the community, but people might not be aware of the money that is going to the SIPs. It is a question of the co-ordination and integration of services—is that not joined-up government?

Ms Alexander: It is indeed, and I am sure that we could improve the co-ordination of services. The difference between SIPs and DATs is that DATs tend to be dominated by professional bodies. Over the past year, we have worked hard to ensure that communities are represented on the SIP as of right and have an ever-increasing role in the direction of resources. If we can get the co-ordination right, that would be the optimal route to take, with the communities retaining some ownership of the resources.

Karen Whitefield (Airdrie and Shotts) (Lab): In “Investing in You”, you say that you will support 47 social inclusion partnerships throughout Scotland. What level of funding will those 47 social inclusion partnerships deliver and what do you mean by support? Most of the money will go into communities that need long-term regeneration—what are you doing from the start to ensure that, at the end of the funding process, those communities are able to continue the work that has been begun through the SIPs?

Ms Alexander: The SIP fund is £67.6 million this year. That goes to support the 47 SIPs, many

of which are geographic although a few are thematic. About half those SIPs were created only in April last year, so there has been a genuine attempt to give them the opportunity to get on with the job, settle down, establish a strategy for their area and produce a budget. We published a monitoring framework for them, but we were anxious to do that on the basis of support rather than enforcement and policing when they had not yet found their feet and engaged the local community.

The big requirement that we place on SIPs, in how they spend the money, is to get the community closer to their decision making. That is why we set aside the money for people's panels and people's juries, to resource the SIPs either to have a people's panel, so that they are clear that they are spending the cash on areas of local priority, or a people's jury. A number of those are going ahead.

The other related point is the locality budgeting exercise. We do not want the focus of the SIP discussions in greater Easterhouse to be on the £3 million that we give to the SIP, but on the more than £100 million that public agencies spend in that area. Over the next three years, we hope to be able to devise a locality budgeting framework for each SIP. That would mean that community representatives and SIPs that get together to discuss public intervention in their area would be discussing not simply the relatively small sum of money available through the SIP fund, but the totality of public resources that is spent in their community. The issue is how we resource SIPs to be more powerful in influencing public expenditure in their areas, and shape mainstream services as well as moneys through the SIP fund.

Until the SIPs have been up and running for longer, it will be difficult for us to have more sense of their general performance.

Karen Whitefield: Quite a lot of money is going into social inclusion partnerships and the Executive set ambitious targets, on the record, last year for tackling social exclusion. Will the money that has been allocated to SIPs allow you to meet your targets? You mentioned citizen's juries and panels; how can communities influence the budgets so that the SIP addresses their needs and aspirations?

Ms Alexander: On anti-poverty, the big three promises that are shared by the Government, north and south of the border, are to end child poverty within a generation, move towards full employment, and provide dignity and security in old age. Most SIPs are organising their activities around those principles, so a huge amount is going on in early intervention, breakfast clubs, children's health, the employability agenda and community volunteering to help old people. I am

visiting a community volunteering project for elderly people tomorrow. There is increasingly imaginative thinking on transport for elderly people. That is what the SIPs are doing to contribute to the anti-poverty strategy.

On how we put the community in charge, the people's juries and people's panels help. We are trying to agree with local government a framework for community planning that puts at the table not only all the big partners, but the community. This afternoon, I will attend a seminar organised by the Poverty Alliance to discuss how the community voice can be heard within community planning. The aim is for discussions to take place not just between the big agencies, but with the community. The Poverty Alliance offered, through the social inclusion network, to lead that discussion and take it back to the Convention of Scottish Local Authorities. That is a positive development.

It all depends on the quality of local co-operation. It depresses me when I get letters from a disgruntled community group in a SIP, which say "Please come and tell this SIP manager, or that local authority, to do this differently." All of us, in the Parliament and the Executive, need to resist that, because such action is not the solution to local community involvement. The issue is how best we can create an enabling framework, then let people get on with it.

Karen Whitefield: Is there enough money to allow you to follow through on the targets that you set last September?

Ms Alexander: We can always do more, but we are making a real and substantial contribution.

Karen Whitefield: Your department has evaluated SIPs and rated 80 per cent of them as either excellent or satisfactory. What criteria did it use for that grading? Did the communities have a say in the evaluation process?

12:45

Ms Alexander: Yes, but not enough. We have made it obligatory to have community representatives on every SIP partnership board and, in most cases, there are a considerable number. The evaluation exercise was carried out in partnership with SIP boards. Do we need to deepen the mechanism whereby SIPs listen to their local communities and involve them in their evaluation? Yes. We will take that forward over the next three years.

The Convener: I have written to you in relation to my constituency; I will not go into that specific case, but there is a general issue. There is widespread evidence from throughout Scotland that community members do not feel that they are equal partners on the board. Sometimes we put

unnecessary burdens on community members, who do not have the back-up, resources and training that professionals have. Will you consider allocating a small budget to allow each SIP board to have a community resource unit? That would allow community members to be resourced so that they could feel that they were equal partners and more independent from the management structure and professional organisations.

Ms Alexander: SIP boards are obliged to give support to community representatives. We have toyed with the idea of specifying a percentage or type of support, but the danger of that is that people see the specified level as *de minimis* and do not go above it. We are certainly willing to consider that.

We are interested in the notion of how, at the centre—that includes the committee, the Parliament and the Executive—we incentivise listening to communities, in terms of the spending of mainstream budgets. We would be interested in incorporating the committee's ideas on that into the guidance that we give to SIPs.

The Convener: We will pursue that matter with you, but there is a specific point about the fact that community representatives may not always feel that the management structure of partnerships is the best place from which to offer support. They need a small amount of money for their own support. A lot of work has been done on this; it is not rocket science. The representatives need their own space to work out their strategies.

Ms Alexander: My understanding is that there is an obligation to provide a support structure for community representatives on all the area-based SIPs; I will check that. The question is whether that is deep enough or sufficient, and whether we should specify more precisely.

We can certainly come back to you about the level of support for direct resourcing of a parallel support structure for community representatives.

The Convener: I will certainly pursue the matter personally, but I might also ask the committee to look into it, because it comes up frequently.

Fiona Hyslop: I want to ask about the different levels. First, at level II, there is the distribution of funds. How are the targets for Scottish Homes arrived at in the level III table—table 2.4? Are they driven by available resources or by current needs? If you examine level II, it looks as if Scottish Homes got dumped with whatever funding was left over after the other priorities had been set. Was the Scottish Homes budget set according to need, or did it get whatever was left after the other priorities had been set? The line is decreasing.

John Breslin (Scottish Executive Housing Division): Which page are you looking at?

Fiona Hyslop: Page 30 has the Scottish Homes budget. Table 2.1 has the level II figures, which show the amount for Scottish Homes going down steadily. Table 2.4 shows the actual Scottish Homes budget. Are you investing the amount you would like to invest in Scottish Homes, or does Scottish Homes just get what is left after the rest of the expenditure priorities have been taken into account?

Ms Alexander: The Scottish Homes line is complicated by two factors: first, the changing treatment of debt and, secondly, the money that actually gets spent on bricks and mortar and houses. Of the spend on bricks and mortar and houses, one of the discoveries for me—in particular for rural housing—is that, because of the need to give forward approvals, it is quite difficult to make substantial changes because we want to allow the agency to plan over quite a long period.

Remember that we have examined this matter only once as a Government, in October. That was halfway through a year, with substantial changes being made to whatever the inherited line was—making such substantial changes would have broken with past practice as far as bricks and mortar are concerned, where a degree of continuity and forward planning is necessary.

The substantial changes to which Fiona Hyslop refers are, in my understanding, associated largely with changing debt treatment and the decision not to continue to redeem debt on the basis that applied during that brief period in the mid-1990s. I am happy for David Reid to clarify the detail on that.

Our commitment was 6,000 houses a year for the next three years. A shift to rural housing and a shift to social rented housing were included in that.

Fiona Hyslop: Perhaps we could have that information separately.

Further down page 30, in the details on Scottish Homes, you mention that you want to

“Deliver 1,550 new and improved homes in pressured rural areas.”

Is that in addition to the 6,000 homes a year, or is the 6,000 figure inclusive?

Ms Alexander: It is inclusive.

Fiona Hyslop: It is quite misleading: there are two targets within the same paragraph, which lead us to believe that there is an additional amount for pressured rural areas.

I would like to move on to table 2.5, on new housing partnerships. You have already touched on my general question: do you think that you have sufficient control over the money disbursed in your own programmes? You said that this was something to be proud of and something that you

feel pleased about. Other organisations, such as the NHP steering group, would have more control over your budget than other departments have. Is there a danger that that lack of control over your own budget might mean, to follow Alex Neil's line of questioning, that housing will lose out? If you cannot deliver budgets and transfers within the set time scale, there is a real danger that you could lose some of that budget. You are saying that you hope that you will be able to retain anything left over, should a budget not be used because of debt transfer.

Let us look at both the current and capital figures: if the amounts in table 2.5 allocated to debt servicing are not used because the steering group decides that that bid is not good enough whatever happens, is there no guarantee that we can keep the amounts and divert them into other forms of housing? Is there a danger that one of your colleagues might point out that you have not spent a certain amount and say that they will take it for hospitals or for schools instead?

Ms Alexander: There are two separate issues. One is that the new housing partnership steering committee does not make the decisions; it advises ministers. One of the things that I am proud of is that we have not dissented from its advice at any stage; the committee provides a degree of distance and has introduced expertise in-house about how effectively to leverage money that used to reside with Scottish Homes, the housing associations and many other people.

The important point is that ministers decide; the steering committee advises. We have not second-guessed the NHP advisory committee at any stage so far. However, that democratic back-stop is there. Sufficient control is there, but we have the opportunity of optimising the spend through listening to people with expertise in the area.

On Fiona Hyslop's second point, about how I respond to proposals driven by the community, which are perhaps on a less rapid time scale than that for which I have made provision: the only alternative is to force cash on people for solutions that they have not voted for. One of the underpinnings of the stock transfer programme is that there is no change unless tenants vote for it. The pot of money has to be set aside until the tenants decide to proceed.

Fiona Hyslop: That is not the point: even if the tenants go ahead, but a year later, you would project that you would be spending money to service the debt continuously. I am suggesting that there might be a pool of money, perhaps £30 million or £40 million, which might be available this or next financial year, which would not be used in debt servicing because it is not required. Surely other areas in housing could usefully utilise that money. It is not a matter of its not being used on

an on-going basis, but a matter of its being used at this point.

I would like to ask a specific question. I am grateful for the correspondence that we have received, particularly annexe A to the letter of 18 May, on the Glasgow figures. The borrowing consent for Glasgow goes down from about £44 million to £24 million. Moneys—another £20 million—are obviously used for Glasgow for capital from revenue. That keeps the total up at £43 million, which is the standard used for what Glasgow currently has to spend.

You go on to say that, if the ballot was successful, you would restore Glasgow's borrowing consent to £43 million. Were the ballot not to be successful, would you continue with the borrowing consent at £43 million? If the ballot was unsuccessful, do you admit that the £20 million currently being used for Glasgow, for capital from revenue, would also be available to Glasgow City Council, giving a total of £63 million?

Ms Alexander: The £43 million would continue to be available.

Fiona Hyslop: The borrowing consent.

Ms Alexander: The reason for the £23 million figure is that the £20 million is used elsewhere. The figure will go back up to £43 million. If tenants vote no in the ballot, that money will continue to be available to Glasgow City Council, and we have given the council that undertaking.

Fiona Hyslop: We have a very unusual situation. Glasgow currently has rent coming in, which is being used for capital, but which appears as borrowing consent. That seems crazy. It is recognised that if people are borrowing, it should appear as borrowing.

If the rental income stream is coming in and is being ratcheted up, if public expenditure appears as borrowing, and if it appears that the council is somehow losing out of the £20 million which could, alternatively, have been used directly, does that mean, that, if the ballot is unsuccessful, you will restore Glasgow's borrowing consent to £43 million?

Ms Alexander: Yes.

Fiona Hyslop: Because the council would be holding on to the stock, it would have the £20 million of revenue, which it could choose to put into capital funding.

John Breslin: The reduction of £20 million in Glasgow comes about because Glasgow demolished a whole raft of houses. The costs of its debt were transferred out of housing into non-housing elements. In agreement with Calum Macdonald, the council accepted that its housing revenue account borrowing requirement could be

reduced during that year, on the basis that it would be increased.

I am not conscious that the council is using any rental money to make up the difference. Instead of the rental money being used to repay the debt that would have existed, the rental money is then available in the same way that capital finance can be drawn from revenue by any other council.

Fiona Hyslop: So if borrowing consent is restored to £43 million, and the £20 million is then available, can the total be taken to be £63 million?

John Breslin: Yes.

Bill Aitken (Glasgow) (Con): Earlier, minister, you stressed the importance of targeting and monitoring. You made specific reference to the fact that it is important to monitor not only what is going out, but what is being achieved.

I would like to examine some of the criteria that you will use for measuring your achievements. Fiona Hyslop has already dealt with the question of there being about 1,500 new improved homes planned for rural Scotland. How will that be delivered? When will that target be achieved?

Ms Alexander: Those homes are among the 6,000 houses that we will approve this year. Some of them will have been approved now, and others will be approved throughout the year. We expect all the approvals of those houses to have been completed by the close of this financial year.

Bill Aitken: On the question of rough sleepers, you have set the very ambitious—some might say unrealistic—target of reducing the number of rough sleepers to zero by 2003. I am not making a criticism, but it is difficult to achieve that target when dealing with that type of individual, with a chaotic lifestyle.

How will that be measured?

Ms Alexander: The pledge is that no one should have to sleep rough by 2003. We do not want to dragoon people into a hostel when they do not wish to be there. On the other hand, the meaning of the target is that if one was to go out and do a night count in the city centre of Glasgow or Edinburgh at the point at which the target was meant to be achieved, one would not find people who wanted to be in hostel or temporary accommodation, but for whom no such accommodation was available.

You rightly pinpoint the fact that the difficult thing in meeting the target will be not ensuring the availability of hostel places, but having the capacity to devise systems to manage people's chaotic lifestyles, given that many of the people who will sleep on the streets tonight or tomorrow night will probably have been evicted from a hostel in the past. The most challenging aspect of the

target is not the bricks and mortar, but our capacity to make links between the criminal justice system—people leaving prisons—and health and housing departments so that we can deliver on the pledge.

Bill Aitken: Another instance of joined-up government.

Ms Alexander: That is the challenge.

Bill Aitken: It is interesting that the pledge is that no one will have to sleep rough. That is an important change from saying that no one will sleep rough. How will you manage the situation if it becomes clear that the target will not be achieved? If we have examined prisons and hospitals and achieved a degree of liaison between them and social work and housing departments, and there are still people sleeping rough in Glasgow and Edinburgh, what other answers are there?

13:00

Ms Alexander: Another option is reprovisioning hostels in Glasgow and Edinburgh. One of the problems is that most of the hostel provision in Glasgow is inappropriate for the people who are seeking shelter. Most of it is in big institutions, housing 200 men, which mix up people late in life who might have spent a long time on the streets with younger people leaving care and people with drug problems. Such provision is inappropriate if we are trying to offer people a life off the streets. There needs to be accommodation to move people on to. One of the other critical factors is to change the legal framework to make it easier for local authorities to support people who seek temporary accommodation.

Bill Aitken: At that stage, we might run into other difficulties, such as the NIMBY principle, but that is not a budgeting matter and should perhaps be discussed another day.

Cathie Craigie (Cumbernauld and Kilsyth) (Lab): Bill Aitken mentioned the Executive's rough sleepers initiative. I appreciate what you said about no one having to sleep rough. I have experience of people who do not want to take up whatever we offer them—that is their choice. People have different social needs, which we must address.

The report mentions that during 2000, the Executive will establish baseline data to measure the progress of the rough sleepers initiative. Are you in a position to measure the progress made thanks to the money put into the initiative in the previous financial year and to compare that with what is proposed for the next financial year?

Ms Alexander: It is likely that more resources will be needed to meet the pledge. However, the

most important thing is to get a strategic response in Glasgow and Edinburgh. As members may know, when we announced the additional resources for the rough sleepers initiative in April, we held back the money for Glasgow and Edinburgh because we did not feel that there was sufficient co-ordination between the statutory agencies and the voluntary sector to deliver on the pledge. There is no doubt that the biggest challenge for the next six months will be to mainstream some of the projects being supported through the rough sleepers initiative, so that they continue throughout the time horizon of the Parliament. I expect to report to Parliament, probably before the summer recess, on where Glasgow and Edinburgh have got to and how we can move forward on mainstreaming services.

Cathie Craigie: Given that many of the people who find themselves roofless have multiple problems—drink, drugs and mental health problems—are hostels the way forward? Are local authority programmes that are good initiatives being widened out?

Ms Alexander: Yes. The way to conceive of it is that there are a number of people for whom housing problems are subsidiary. They have complex needs. It could even be argued that there is a small residue of people who found themselves homeless in the early stages of community care who have not found their way back into a more supported housing situation—the complexity of their problems is such that it is not defined as a housing problem. There needs to be some support for that relatively small, but very vulnerable group.

There is then a spectrum of needs. Some people have an emergency housing need—the young person who has difficulties at home, walks out and is chucked out by their friend—so there will continue to be a need for some hostel accommodation, but of a very different kind. A much higher proportion of people will need more supported accommodation solutions.

Cathie Craigie: How much money is going into the rough sleepers initiative this year and what is being proposed for next year?

Ms Alexander: I think that it is £12 million this year and £12 million next year—in that order of magnitude. The total is £36 million.

Cathie Craigie: I want to move on to the warm deal, the purpose of which was to tackle fuel poverty by reducing fuel bills and making houses more environmentally friendly and insulated. The spin-off was to create jobs. In its present form, is the warm deal delivering what you expected?

Ms Alexander: Yes, in the sense that the target was 100,000 houses over the lifetime of the Parliament—which would have meant completing 25,000 in the financial year that has just closed—

and my recollection is that we have delivered 27,000 houses. That was with a provision of £10 million. There will be above-inflation increases in the next two years, so the budget is due to go up to £13 million and £15 million. I am therefore fairly confident that we are on track to meet the target of 100,000 houses.

Cathie Craigie: I will finish with a general question. Alex Neil mentioned that this was the first time ever that we have been able to consult on the budget process. We are unique—he wants to go further and make us even more unique. As Minister for Communities, what have you done to consult people in communities for whom you are delivering and local government about the way in which the priorities in the budget have been addressed?

Ms Alexander: Is that the last question?

The Convener: No.

Ms Alexander: Oh God. I was going to say that it would take us back nicely to where we started.

We have said that the voluntary sector issues unit should set up a management board that talks in a serious, grown-up way to the voluntary sector, as one of Scotland's social partners, about how Executive resource should be spent and how we can create a modern financial framework for the voluntary sector. I hope that the board will be set up in the next six weeks.

The equality strategy has taken us slightly longer than we expected but, frankly, that is because of the volume of responses—we have had 200. The equality strategy will be the basis for the priorities of the equality unit.

On SIP areas, we have introduced locality budgeting, people's panels, people's budgets and an obligation to put community reps on the board. As I have indicated, we can do more, but I am not quite sure how we provide incentives without being too jack-boot about it. The committee's guidance on that would be welcome.

On housing, we have discussed the fact that when it is said that communities have to sign off budgets, there is a risk of slippage in the budget. However, on balance, that seems the right thing to do. We think that the rough sleepers initiative advisory group, the homelessness task force and the new housing partnership advisory committee are doing good jobs, so we have left them undisturbed.

I am discussing now how Scottish Homes, by virtue of changing from a quango into an executive agency, can become more democratically accountable at local level for the spend in its area of responsibility. Some encouraging discussions are going on between COSLA and Scottish Homes, about how the single housing plans

should operate at local level and how the process can be seen as much more accessible and democratically accountable.

The Convener: Thank you. We have a few more rounds of questions to go yet. I am tired. I do not know how the minister feels.

Mr Quinan: The warm deal has a target of insulating 25,000 homes a year over the next three years, and you have given us the figure for last year. How did you arrive at both the projected figure and the previous figure? Why 100,000?

John Breslin: The warm deal involves a grant of up to £500, and the Executive works with the installers to arrive at an estimate of the number of jobs that can be done. We get estimates of how many jobs will cost £500, £400 or £300. The estimates are driven by what the installers think they can deliver from the available budget.

Mr Quinan: They are not driven by the need to eradicate fuel poverty in Scotland?

John Breslin: They are part of the contribution to eradicating fuel poverty, or dampness and condensation.

Mr Quinan: I notice that you are very careful in your description of what the warm deal does as regards dampness and condensation. Page 32 of "Investing in You" says that the warm deal will provide

"pipe insulation, draughtproofing and advice on energy use and conservation"

and that it will

"tackle condensation damp".

That is condensation damp as opposed to dampness, which is the real problem in Scotland—condensation damp is a secondary problem. What are you doing in the warm deal to address the real problem of damp in Scottish homes?

John Breslin: Before the minister answers, I would point out that there are approximately 500,000 damp houses in Scotland, of which around 400,000—although I will check that figure—suffer from condensation damp. The warm deal specifically deals with the problem of condensation dampness. Other improvement and repair measures are available through local authorities to tackle, for example, damp penetration from the outside. That has to do with roughcast and the construction of buildings.

Mr Quinan: But you would have to agree that a large number of the 400,000 houses that suffer from condensation damp also suffer from ordinary dampness.

John Breslin: We can provide separate information to the committee on that. According to the Scottish house condition survey, condensation

damp—the internal damp—causes the largest number of problems. That is why the warm deal specifically tackles that. There are separate mechanisms for dealing with physical dampness.

Mr Quinan: The equivalent warm deal scheme in England and Wales provides for central heating, and directly tackles structural dampness. Are there any plans to move to a similar scheme here?

Ms Alexander: That is the club that is used there for attacking the issue, but we think that that is a less attractive scheme for tackling the most severe problems. If tenants here vote for stock transfer, the condition of 150,000 houses may be transformed. Through the capital allocations that have been planned for this year, a further 100,000 council houses are likely to have improvements to their kitchens, bathrooms, roofs and windows. The warm deal is but one of three planks to address house conditions in Scotland during this Parliament.

Mr Quinan: I am surprised that you feel that the warm deal in Scotland is a considerably better scheme than the one in England and Wales. That scheme offers a grant of up to £1,800 per household; the grant offered here is of a maximum of £500. Why do you believe that £1,300 less represents a better deal?

Ms Alexander: Because that scheme would let you deal with only 25,000 houses as opposed to 100,000.

Mr Quinan: Over four years?

Ms Alexander: Yes.

Mr Quinan: Are only 25,000 houses being dealt with in England over that period—

Ms Alexander: No—you are saying—

Mr Quinan: Or are you telling me that your budgetary restraint allows you to give a grant of only £500?

Ms Alexander: No. One of the issues is the capacity of installers to focus the money on appropriate areas. This is the largest ever energy efficiency programme in Scotland. As I have said, it is ahead of target.

Mr Quinan: An instruction was given to installers two years ago to shift their emphasis. At that time, 70 per cent of their work was on public sector housing, and 30 per cent was on private sector housing. The instruction was to shift that to 70 per cent on private sector housing and 30 per cent on public sector housing. Is that still the situation?

Ms Alexander: Yes.

Mr Quinan: Page 27 of “Investing in You” mentions

“6,600 new and improved houses”.

May we have a full breakdown of that figure? How many of those houses were new houses? Were the approvals for build given by the Executive, or did it pay the money to have them built? How many of the 6,600 houses were improved houses? What types of improvement were done? May we also have the figure broken down by locality?

Ms Alexander: I would be happy to provide information on type and location. In the Scottish Homes procedure, a house is registered as having been built at the point at which it is approved.

Mr Quinan: Can you give us more details about the money? “Investing in You” is specific:

“In 1999-00 the Communities budget was £549m. Amongst other things, this money provided: 6,600 new and improved homes”.

Ms Alexander: The public sector contribution was all from the Scottish Homes development programme, which was £209 million. We are now approaching a leverage rate of 1:1 between the public and private sector. What shifts the relationship between the cost of the development programme and the number of houses is the proportion of houses that require special work, the proportion of low-cost ownership and, to some extent, the location, because some sites are more expensive to build on than others. There is no simple relationship between the development line and the number of new and improved houses.

Mr Quinan: How many new houses did the Scottish Executive pay for last year?

Ms Alexander: It paid for 6,661.

Mr Quinan: New houses?

Ms Alexander: New and improved.

13:15

Mr Quinan: Yes, but there are new houses and there are improved houses; how many new houses did you build?

Ms Alexander: As I said, we are happy to provide a breakdown of the number that count as improved and the number that count as new.

The Convener: When we get that information, we will be able to pursue the issues.

Robert Brown: On page 28 of “Investing in You”, beneath table 2.1, it says:

“Scottish Homes will carry forward £7.5 million from 1999-00 into 2000-01.”

Does that carry-over figure show in the figure for 1999-2000, in the figure for 2000-01, or in both?

David Reid: At the moment, it appears in the 1999-2000 figure. In the budget revision later in

the year, the £7.5 million will be put into this year's figure.

Robert Brown: Is anything hidden in the budget? By that I do not mean things that you may be hiding away, but I mean things that are subject to particular pressures. For example, how is inflation dealt with? Could there be ambushes that we should be aware of? Will all this money be available?

Ms Alexander: We have touched on the £125 million that has been set aside for stock transfer partnerships. Beyond that, the spending will be largely as has been anticipated—although new pressures will arise, associated with the fleshing out of the strategies of the voluntary sector issues unit and the equality unit. However, those sums will be quite small compared with the overall budget of the Scottish Executive.

Robert Brown: I would like to ask about future bids. If new money is available later on—because of new housing partnership adaptations or comprehensive spending reviews or whatever—do you have a particular priority that is not budgeted for at the moment? The warm deal and central heating have been the subject of many parliamentary questions and discussions. Much of that kind of issue will be dealt with by stock transfer and other means, but a number of local authorities will still be left under pressure. Could such work be a priority for you in future if additional resources come through?

Ms Alexander: Although the equality strategy and the voluntary sector strategy represent quite small sums, the big dilemma facing me as we go into the spending round is that they need to be resourced in order to fulfil the vision that we have talked about today.

Many of the housing questions depend on what emerges from local authorities' feasibility studies—27 or 28 authorities in Scotland are carrying out feasibility studies. We have to consider the balance between development and regeneration new housing partnerships and transfer partnerships. I expect to take soundings on that from the local authority sector and reach a judgment on that big strategic dilemma.

The Convener: Before I close the meeting, I shall allow another brief question from Alex Neil.

Alex Neil: This policy issue is not reflected in budgets because, inevitably, budgets are departmentalised. Bob Crawford, the chief executive of Scottish Enterprise, indicated that it is his personal view—although not yet Scottish Enterprise's view—that the regeneration aspects of Scottish Enterprise's work, as well as volume training, do not lie with the future of that organisation. Have you had time to consider that view and can you comment on it?

Ms Alexander: I have discussed the matter with Fiona Hyslop. I am surprised to hear that Bob Crawford does not consider volume training appropriate for Scottish Enterprise. The employability of the Scottish work force is the core business of the enterprise and lifelong learning department and it is its call as to where it locates its work. Enhancing the competitiveness of the Scottish work force, particularly in SIP areas, given the social justice target of reducing disparities between communities, is the core business of that department. At the moment, that function is located, by proxy, with Scottish Enterprise.

As I mentioned last week, Scottish Homes is becoming a housing and communities agency, where the balance of social economy activity is located—from business support groups in SIPs to support for the Scottish communities investment fund. Micro-credit, which is currently the responsibility of Scottish Enterprise, can probably comfortably remain there, and I have seen the extra money that it is providing for Wellpark. Now that Scottish Homes has a wider activities budget of £2 million for social economy activity, various agencies and committees are engaging in important discussions with the Executive.

As Minister for Communities, my concern is that, in that legitimate discussion about how the economy is supported, we do not risk losing support for what can be achieved at the moment in an attempt to anticipate how the world will be five years down the line.

Alex Neil: We do not want to throw out the baby with the bath water.

Ms Alexander: That is right. I acknowledge that there is a meaningful debate. I do not want policy to move so far ahead of practice on the ground that we make it more difficult for communities that are trying to do things. I would genuinely welcome a discussion about that. I do not see it as a party political matter.

Alex Neil: Thank you.

The Convener: On that note of harmony, which is most unusual for us, I draw this evidence session to a close. Thank you for your presentation. We shall probably pursue one or two of the issues, and would be grateful if you could furnish us with the information that we need. Thank you, minister.

Members of the committee should not rush away, as there are one or two information items to cover.

We had planned to spend a wee bit of time reflecting on the minister's evidence so that we could write the report, but we do not have time to do that. Sarah Davidson, the clerk, will circulate a

draft and it is important that members comment on it.

Alex Neil: I would like to give Sarah Davidson five recommendations from the committee on financial issues. Shall I rattle them off?

The Convener: Rattle them, then.

Alex Neil: The first recommendation is that we get budgets to the next level down—the sub-line item—in future.

Cathie Craigie: You assume that other members would agree with that, but—

Is this part of the meeting in public or in private?

The Convener: We should probably go into private session for this discussion.

Before we do so, there is one more thing that I want to say in public. We have agreed to have a series of meetings with the Communities Against Poverty network over the coming year. The network responded warmly to that plan, and there will be a press launch tomorrow. Later today, when all the details are finalised, I shall circulate them. The launch will take place in Glasgow during the suspension of the meeting of the Parliament for lunch, and there will be a general invitation to members.

13:24

Meeting continued in private until 13:30.

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