



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE

Wednesday 12 May 2010

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Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by
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LOCAL GOVERNMENT AND COMMUNITIES COMMITTEE
14th Meeting 2010, Session 3

CONVENER

*Duncan McNeil (Greenock and Inverclyde) (Lab)

DEPUTY CONVENER

*Alasdair Allan (Western Isles) (SNP)

COMMITTEE MEMBERS

*Bob Doris (Glasgow) (SNP)

*Patricia Ferguson (Glasgow Maryhill) (Lab)

*David McLetchie (Edinburgh Pentlands) (Con)

*Mary Mulligan (Linlithgow) (Lab)

*Jim Tolson (Dunfermline West) (LD)

*John Wilson (Central Scotland) (SNP)

COMMITTEE SUBSTITUTES

Brian Adam (Aberdeen North) (SNP)

Margaret Curran (Glasgow Baillieston) (Lab)

Alison McInnes (North East Scotland) (LD)

Margaret Mitchell (Central Scotland) (Con)

*attended

THE FOLLOWING GAVE EVIDENCE:

Mary Craig (Lloyds TSB Foundation for Scotland)

John Downie (Scottish Council for Voluntary Organisations)

Alex Neil (Minister for Housing and Communities)

Linda Sheridan (Scottish Government Housing and Regeneration Directorate)

Shona Stephen (Scottish Government Housing and Regeneration Directorate)

CLERK TO THE COMMITTEE

Susan Duffy

LOCATION

Committee Room 5

Scottish Parliament

Local Government and Communities Committee

Wednesday 12 May 2010

[The Convener *opened the meeting at 10:00*]

Energy Assistance Package

The Convener (Duncan McNeil): Good morning, and welcome to the 14th meeting of the Local Government and Communities Committee in 2010. As I usually do at this point, I remind members and the public to turn off all mobile phones and BlackBerrys.

Agenda item 1 is to take oral evidence on the energy assistance package from Alex Neil, the Minister for Housing and Communities, and from Scottish Government officials. I welcome the witnesses: the minister, Alex Neil; Shona Stephen, who is the Scottish Government's deputy director for housing access and support; and Linda Sheridan, who is head of delivery in the housing access and support division.

I believe that you wish to make some opening remarks, minister. You may do so before we proceed to questions.

The Minister for Housing and Communities (Alex Neil): That is lovely—thank you, convener. I am pleased to have the opportunity to discuss the energy assistance package, which was introduced in April last year to replace the central heating programme and warm deal, following the recommendations of the Scottish fuel poverty forum.

We all agree that fuel poverty is a blight on Scottish society. The number of Scottish households in fuel poverty rose by 5.4 per cent—from 586,000 to 618,000—between 2007 and 2008 and the proportion of households in fuel poverty rose by 1.2 percentage points over the same year. Following one of the coldest winters on record, a year of increasing fuel prices and the impact of the recession, the figures will have worsened—not improved. The challenge of improving the quality of people's lives and reaching the 2016 target remains.

The main drivers of fuel poverty—low incomes and spend on fuel—are reserved matters. Despite that, our energy assistance package is making an impact by increasing the income of fuel-poor households and reducing their expenditure on fuel, as well as by improving the energy efficiency of homes. In its first year of operation, the energy assistance package has been recognised as a

much better vehicle for tackling fuel poverty than the earlier programmes, because it addresses the drivers that I have mentioned. Brenda Boardman, who is an emeritus professor at the University of Oxford, defined fuel poverty. She recently wrote to congratulate the Scottish Government on the energy assistance package and said that it

"is the best UK exemplar in terms of providing both a comprehensive approach ... and linking the fourth level of assistance to the energy inefficiency of the home."

She strongly advocates the latter, and says that

"most of the poor targeting that has occurred with fuel poverty policy to date results from too strong a focus on social characteristics."

Fuel poverty is worst for people who live in the least energy-efficient homes and who are on the lowest incomes. Unlike the central heating programme, the energy assistance package is targeted on people who are in most need in the poorest-quality homes: 39 per cent of stage 4 recipients were on income-related benefits, compared with only 19 per cent in the central heating programme.

Addressing fuel poverty is not just about installing a central heating system; it is about ensuring that the house is as well insulated as it can be, and that the income of the occupant is maximised and their fuel expenditure minimised. That is why benefit checks and fuel tariff checks are offered as an integral part of the package.

It is not just the elderly who are fuel poor. The central heating programme provided heating systems to pensioners who were not in fuel poverty, as well as to those who were. The energy assistance package tackles the fuel poverty that is faced by families with children under 16 and disabled children, as well as by poorer pensioners. It offers a wider range of heating and installation measures, which allow us to deal better with harder-to-treat homes. Those include solid wall insulation and air-source heat pumps.

There is a lower rate of complaints about the old programmes, thanks to improved management of the customer journey and greater sensitivity. Delivery times have been slashed in half.

The EAP was recommended by the fuel poverty forum, which continues to monitor its progress and make recommendations for changes. The forum is independent and represents a wide range of stakeholders. The final reconciliation of budget and spend for the first year will take some time, but I am pleased to say that I can give the committee some provisional outturn figures for year 1 of the energy assistance package.

The EAP has spent its £50.9 million budget in 2009-10. We will have provided improvements to 13,000 homes, of which at least 11,500 will

include heating system measures, and 62 per cent of those 11,500 heating systems will have resulted from EAP applications. Insulation measures for 26,079 social sector homes have also been completed—more than were completed under the warm deal. More than 22,000 referrals to providers of cavity wall or loft insulation in private sector households have been achieved under the carbon emissions reduction target scheme. There have been over 31,000 referrals for advice on social energy tariffs and benefits health checks, resulting in average savings on energy bills of £126, and in pensioners increasing their incomes by, on average, more than £1,200 per year. Energy savings advice has been given to more than 66,000 households.

We want to ensure that we can keep improving what is on offer and extend the range of households that are helped. The energy assistance package has been set up as a dynamic and responsive programme. It extended eligibility to more families and more energy efficient houses during the course of the first year and it shows that we are responding to the views of stakeholders and the needs of Scottish households. A demanding new contract for the stage 4 management agent is currently being tendered, which will set tough targets around delivery timescales, customer service and green jobs, in order to benefit communities. We are continuing to develop the package with imagination and joined-up thinking. Our area-based home insulation scheme is linked with the energy assistance package and has already generated over 10,000 referrals to the EAP.

The fuel poverty forum is looking at how to extend eligibility for particular groups of people, particularly the chronically sick and disabled, and we are helping people who live in homes that are off the gas grid. As well as having 75 air-source heat pump installations under way, we are planning trials of a micro combined heat and power system that will generate electricity on the back of burning liquid petroleum gas for heating. We are getting offers of help from the suppliers of the fuels that are used off the gas grid to reduce costs for LPG and oil to help fuel-poor households.

I want to thank all those who have helped to make the EAP a success, in particular Scottish Gas, which is the managing agent for stage 4. Scottish Gas should be commended for its extra efforts in the coldest winter for many years. I also thank the Energy Saving Trust and, of course, the Scottish fuel poverty forum, whose advice and insight have been most welcome. I look forward to receiving the forum's report on the year's activities and any recommendations that it has on making the energy assistance package even more effective in the future.

Mary Mulligan (Linlithgow) (Lab): Good morning minister. On 24 March, the minister answered a question that I had asked regarding the energy assistance package. He told me that £24.8 million of the £50.6 million that was available for the EAP had been spent. If I am correct, the minister has this morning said that £50.9 million has now been spent. How did this miraculous event take place? Have we spent almost £24 million in one month?

Alex Neil: It is not miraculous. It is a similar spend profile to previous programmes, in which there has been a huge increase in invoicing for the jobs that have been done at the end of the financial year. Anyone who knows anything about these programmes and how they work will understand that the contractors tend to invoice at the tail end of the financial year in order to ensure that they have got all their income in and invoiced by the end of the financial year. I warned Ms Mulligan to treat the interim figures very cautiously indeed because the end-year figure would show that we would have spent our budget.

Mary Mulligan: How many people received central heating measures in the final month?

Alex Neil: In the whole year, there were 11,500 stage 4 measures. We should be able to give you the figures for the final month.

Shona Stephen (Scottish Government Housing and Regeneration Directorate): The numbers for the end of March will be published. We are reconciling the figures as we speak, because there are numbers that represent central heating installations and numbers that represent commitments to install—which are under way—and which have been funded from that year's budget. The breakdown of the figures for the final month and April is going on. The information will be made available.

Mary Mulligan: The minister said that the £50.9 million has been spent. Does that mean that everybody received whatever measure was decided by 31 March, or is work still to be carried out?

Shona Stephen: Some installations are still under way. People will have been informed before the end of March that they were to receive a system, and the systems will be put in place during the course of the next month. That is what has happened in the past.

Alex Neil: Exactly the same procedure was used for calculating spend and activity under the central heating programme. There is no difference in the methodology that is used to calculate performance and spend.

Mary Mulligan: How many people are still waiting for measures to be carried out?

Alex Neil: We will be happy to provide the committee details of that in writing.

Shona Stephen: Given the weather in January and February, it was physically difficult for contractors to get out to do installations, so some installations were pushed back. We can give you a breakdown of that.

Mary Mulligan: We are all aware of the weather in January and February. That is partly why we were concerned to know whether people had received the necessary measures.

Earlier in the year we talked about uptake of the programme and how people hear about it. Will the minister talk about the steps that have been taken to ensure that people are aware of the scheme? Has your approach increased uptake? What further measures might you take?

Alex Neil: Of course, there was a transition period between the old and new programmes. We took a decision to ramp up the marketing of the new programme gradually, from August, rather than build up a waiting list that could not be satisfied. The ramping up has been successful.

Experience of the current programme and its predecessor, the central heating programme, has shown that the most effective marketing tool is poor weather. Most contacts are made when the weather turns nasty, as it did this year.

We have marketed the energy assistance package extensively, through the media and through leaflet distribution. The Energy Saving Trust, which markets a range of products, has proactively marketed the programme. We have also had a significant number of referrals via the new housing insulation scheme. People who are getting insulation under the scheme have been referred to the energy assistance package.

The total number of calls to the energy assistance package this year was 69,346. Contrary to some press reports that I have read, which suggested that the conversion rate was 10 per cent, the conversion rate for people being assisted was 96 per cent. That means that 96 per cent of the nearly 70,000 people who contacted the programme received help of one type or another. Some of those people had central heating systems and were looking only for cavity wall, loft or top-up insulation. Some were looking only for advice and some were looking for referral so that they could get on to the social tariff or reduced tariffs. It is absolute nonsense to say that the conversion rate was only 10 per cent; there was a 96 per cent conversion rate from contacting the programme to receiving assistance.

The conversion rate of people who were referred to stage 4—about 15,000 people—to their being eligible for and getting a stage 4 measure

was 47 per cent, which is almost exactly the same percentage as under the old central heating programme. Those who say that there is only a 10 per cent conversion rate clearly do not understand how the programme works.

10:15

Mary Mulligan: I would say that a referrals rate of 12,000 is not quite 15,000, and although contacts of 69,000 are to be welcomed, they are not quite the 75,000 estimate that you put out earlier in the year, minister. However, we have made progress.

Finally, what information do you have about people who have dropped out of the scheme before they received the measures that they may have benefited from? What changes might you make to the scheme to reduce the drop-out level?

Alex Neil: First, let me say that of the people who call the EAP, 96 per cent are referred and helped and only 4 per cent do not receive any help, which by any standard is a reasonable performance. I will also correct Mary Mulligan and confirm exactly the number of households that were referred to stage 4 at the end of the year. This is not rumour, poor research or anything else; this is fact: 15,066 households were referred to stage 4 and more than 7,100 households have had, or are having, measures installed, which is a conversion rate of 47 per cent. As I said earlier, the central heating programme had a similar conversion rate for those who were eligible for that part of the programme.

Mary Mulligan: What is the minister's response to my question about those who have dropped out of the programme? Will he make improvements to the scheme to avoid that in the future?

Alex Neil: We must be clear that, when people contact the energy assistance package, they are assessed—it is not technically an application. They are given information and advice based on their individual circumstances and the condition of their house—particularly its standard assessment procedure rating. Therefore, there are not drop-outs in the sense that they have applied but then pulled out. The system means that, once people are assessed, they are told whether they are eligible for—in this case—stage 4 of the programme.

If Mary Mulligan is asking about the 53 per cent who were referred to stage 4 but did not qualify for or go ahead with a stage 4 measure, we are happy to provide a more detailed breakdown and analysis of the figures. Most will not have proceeded because they were, ultimately, ineligible—because, for example, they were not on a qualifying benefit or the SAP rating of the house was too high to qualify. There is a range of

reasons, and we are happy to provide a detailed analysis of the balance of 53 per cent.

Mary Mulligan: I am sorry, convener, but can I come back in?

The Convener: You can have a final question.

Mary Mulligan: I perhaps did not make myself clear, but I have raised this with the minister previously, so I thought that he might understand. I cannot be the only MSP who has had constituents come to her to say that they have got to such a stage in the process but cannot go ahead—they have not been refused the next measures, but have just given up because they felt that the system was overly bureaucratic. They have dropped out, and those are the people whom I have concerns about, because they probably could have been helped but have not been. I am happy for the minister to come back to me with figures on that, but I am concerned that we ensure that people do not drop out of their own accord.

Linda Sheridan (Scottish Government Housing and Regeneration Directorate): Some people who are eligible decide that they cannot cope with the disruption. We offer help to people over 70 to clear lofts and so on, and under our new contract we will extend help more widely to more people who cannot cope with the disruption. Some people say that they are not interested, and it is possibly an emotional reaction that they cannot cope with the disruption.

We know of one complaint of bureaucracy—one form was a little overcomplicated, and we have asked for it to be altered. I am very keen to ensure that we do not make a complex bureaucratic process, and we are certainly looking at it.

Alex Neil: I issued an open invitation in the chamber to MSPs and, indeed, to anyone else, to tell me about cases that they believe have been processed in an overly bureaucratic way. After all, it is not in anyone's interests if individuals find accessing the programme to be a bureaucratic nightmare; it certainly would not achieve the programme's objectives. We are very keen to minimise bureaucracy.

Anecdotal evidence suggests that we have received significantly fewer complaints about this programme than about the previous programme, and we are trying to quantify that in the year-end figures. When we have completed the exercise, I will be happy to supply that information to the committee.

The Convener: I am glad to hear that cases are being taken on board and that changes are being made to the forms. That will be very helpful. All MSPs have been involved—perhaps overly so—with the transition from the central heating programme to the energy assistance package

and, thankfully, many of the appeals and interventions that I and others have made have secured central heating for people. I, too, welcome the progress, but I think that the minister will accept that in the transition there have been some difficulties with bureaucracy and understanding.

With regard to the 70,000 calls to the EAP helpline, has any work been carried out on whether people appreciate the mechanism and whether they find it easy to use and to reach some understanding of why calls are made in the first instance? For example, it has been suggested that some people call because they are shivering or feel cold and are worried that their central heating is breaking down, that the heating is not sufficient or whatever. Are the people who call the helpline made aware of their right to comment on or complain about progress, or about their expectations not having been met?

Alex Neil: Absolutely. We make it absolutely clear that anyone with a complaint can call 0800 501 2012 with the details and it will be properly investigated.

The Convener: Is that part of that phone conversation?

Alex Neil: Well—

The Convener: Minister, I am asking a question. Please give me time to complete it.

If I call the helpline only to be told that I am at stage 2 and cannot go any further, am I also told at that point that I am able to complain about or challenge that decision?

Alex Neil: If someone asks whether they can appeal a decision, they will be told how to do that.

The Convener: So, people are not informed of their right to appeal a decision. I think that that is where things sometimes break down. Obviously I realise that there are good reasons why, under the terms of the scheme, not everyone gets to stage 2, 3 or whatever. However, are the people who cannot get any further made aware at that point that there is a number to call if they are not satisfied with the decision, that they can appeal it and so on?

Linda Sheridan: Everyone has a personal adviser, initially with EST, who will hold their hands through the process. I point out that the process is not sequential. People get referred for benefits at the same time as they are referred for insulation or stage 4 measures. Those who get to stage 4 have a personal customer manager who sticks with them the whole time. There are also standard telephone protocols, which include notification of certain information.

The Convener: Is there a right to appeal the final decision?

Linda Sheridan: Absolutely.

The Convener: Are people made aware of that?

Linda Sheridan: Yes.

The Convener: These people come to us. When I ask them whether they have appealed the decision, they tell me that they were not aware that they could do so. I have a very good relationship with my caseworkers, who have a very good relationship with the EAP advisers. There is a dialogue there. However, I sometimes feel that MSPs get involved too early because people are not aware of the appeals process or that they can actually raise these issues.

Alex Neil: In every case, people should be made aware that there is an appeal process. Ultimately, those cases come to me, particularly from MSPs, for a response. So far, I do not think that I have received any complaints from an MSP about a person's not being informed about the appeal process. However, if you have such cases, please write to me, because it means that the system is not working as efficiently as it should. We will rectify that.

The Convener: My staff deal directly with the EAP, which is very good, but there is no way of logging complaints that come to us or our interventions. If an MSP or other elected representative intervenes on behalf of a constituent, is it registered as a complaint or an intervention?

Linda Sheridan: We have a list of complaints and queries, and the list notes whether the complaint has come via a third party, including MSPs.

The Convener: What about an inquiry? I am just trying to get a measure of the complaints that the minister suggested. Complaints obviously come through the complaints procedure, and MSPs intervene, but are inquiries included alongside those complaints?

Linda Sheridan: We get a breakdown of that.

Alex Neil: Inquiries are included, and we can monitor separately the numbers of complaints that are received from MSPs about the programme through the internal ministerial correspondence system. As you know, convener, we issued a special number at Scottish Gas that MSPs can use to contact us with any problems with installation or any other aspect of the programme. We issued that number some months ago because, when I came into this job, I felt that if a constituent went to an MSP and the MSP wrote to me and I wrote back, it would be far quicker if the MSP or their staff could phone a special number—Frances Willis at Scottish Gas—and the issue could be dealt with right away.

The Convener: Minister, there are lots of good constituency MSPs around the table who know Frances Willis very well.

Mary Mulligan asked questions about the total amount of money spent and the process of spending it. Are you talking about the total amount of money spent or the total amount of money that has been committed?

Alex Neil: We use the standard procedure for reporting, so I was talking about the money that was committed during the year. We report on Government programmes by using what has been invoiced to the Government by 5 April, which is technically the end of the financial year. That is the standard procedure. It has not changed since the old programme; it is exactly the same procedure. The money is committed, but we might send the cheque after 5 April because we might only have received the invoice on 4 April.

The Convener: So, if I understand you, what you are talking about this morning is the total amount of money that has been committed rather than what has been spent.

Alex Neil: Yes.

The Convener: How much is spent?

Alex Neil: We can give you a precise figure on that but, at the end of the day, many invoices are outstanding and still to be paid by the Government paymaster. We can supply the committee with the figure.

Last year, the Government set a budget of £45.9 million. During the year, we had a one-off consequential allocation of £5 million to top that up. That totals £50.9 million, and I am saying to you that all of that £50.9 million has been committed—

The Convener: Rather than spent, as you suggested earlier.

Alex Neil: As I said, the cheques might not have all gone out.

The Convener: I think that the language that we use in committee is important. As you have outlined, there is a difference between money being committed and money that is spent. We have also heard that, although we might commit to spending money, that might not be followed through. Is there a figure for what has been spent to date against what you are committed to spend?

10:30

Alex Neil: If the scope is redefined in that way, we must also consider the start of the financial year. It is clear that jobs were left over from the committed spend in the published budgets for the old programme. The budget had been committed,

but the cheques might not have gone out. To answer your question completely, we would need to double-check the carryover, in the terms in which you expressed it, at the start of the financial year and compare that with the carryover at the end of the financial year. We are happy to supply that information, which we will obtain from our finance colleagues.

The Convener: You recognise the difference between what is committed and what is spent, and you referred to what was spent. However, some money has not been spent. How much money has been spent?

Linda Sheridan: The money has been identified—an address is beside an amount. We draw up an accruals list, which contains all the jobs that have yet to be finally invoiced. We are committed to spending on those jobs.

The Convener: I accept that completely, but I want to probe the issue to identify the number of people who are waiting in the system rather than what has been spent. What have we actually spent?

Linda Sheridan: The amount that has not been spent identifies not the number who are waiting but the speed of invoicing—that is all.

Alex Neil: We will send the committee the information from the start of the previous financial year. We will start with what was carried over into this financial year and what was invoiced but not paid for under the old programme—the convener defines that as money that was spent during the year—and we will cover how much money had been invoiced but not paid to the contractor at the end of the previous financial year.

The Convener: An explanation of the normal procedure for paying contractors—whether that is done before or after a job is completed—and of when invoices arrive would help.

Alex Neil: We do not pay unless a job has been done.

Alasdair Allan (Western Isles) (SNP): I return to central heating. You said that you were keen to ensure a confluence of the aims and objectives of the energy assistance package with wider social objectives. How does the EAP relate to the home insulation scheme that is being piloted in a dozen or so places, including my constituency?

Alex Neil: It might be useful if I broaden my answer. The Scottish Government is involved in four main programmes. Our principal programme is the energy assistance package. As I said, that has a core budget of £45.9 million and one-off consequentials of £5 million. We have received nearly 70,000 calls about the package and 96 per cent of callers have been given some assistance.

As a result of the budget negotiations last year, the Parliament approved a budget for a new home insulation programme. Its budget last year was £15 million, and its budget is the same this year. On top of that, the Parliament authorised an additional scheme—the universal home insulation scheme—which was part of this year's budget negotiations. That involves another £10 million. Together, the two insulation schemes have a budget of £25 million, but their budgets are managed separately.

On top of all that, we are part of the United Kingdom Government's scheme with power companies for the carbon emissions reduction target programme. The notional figure that was spent on that programme in Scotland in the financial year that has just completed is £100 million, of which 40 per cent was supposed to have been spent on fuel-poor households.

We have a problem with the CERT programme, which the rest of the United Kingdom shares. The relevant UK minister until this morning—David Kidney—and I, with our counterparts from Northern Ireland and Wales, were working with the Office of Gas and Electricity Markets to force the energy companies to give us the exact figures on how much they spend in each territory, where they spend money and what they spend it on. It is ironic that Ofgem does not have the power to force the energy companies to give us that information.

The four ministers—the UK minister, myself, the Northern Ireland minister and the Welsh minister—in our regular meetings agreed with Ofgem that, if the energy legislation had gone through before the election, it would have included a provision to give Ofgem the power to force the energy companies to give us the information on CERT. We hope that the bill will now be resuscitated.

If we add up the programmes and assume that the £100 million has genuinely been spent in Scotland and that 40 per cent of it has genuinely been spent on fuel-poor households—much of the work is done through local authorities—we reach a total of £175 million that should have been spent last year on energy efficiency and tackling fuel poverty.

Alasdair Allan: There is arguably an embarrassment of riches—or possibly an embarrassment of acronyms. Can you say anything more about how you are ensuring public understanding of the schemes and how they relate to one another? Although money is undoubtedly being committed, it has been pointed out to me that the sheer number of acronyms is possibly confusing to the public.

Alex Neil: Absolutely. We are looking at that to see how we can make the programmes easier for the public to understand. I mentioned the four

main programmes that we are involved in as a Government, but there are other programmes on top of that—as you know, many local authorities have their own programme, too. We are conscious of the need to get more uniformity into the labelling and branding.

It so happens that the implementation group had a meeting yesterday on the universal home insulation scheme. That will be delivered primarily through the local authorities, and we agreed that they can brand it as they like in their area but that there will be a strapline that says, “Part of the Scottish Government’s energy assistance package.” I would like to reach a situation in which we have one branding for all the programmes, including even the CERT programme, which would make things much easier for the end users to understand. For example, they should know who to phone because, ideally, there should be only one helpline.

The energy assistance package acts as a gateway. Anyone who phones the energy assistance package phone number—0800 512 012—should be referred to any one of the other programmes if appropriate. We want to emphasise that point, and in all our marketing we are trying to get that message across.

Alasdair Allan: You mentioned hard-to-treat houses and houses that are off the gas grid. There is also the issue of householder requests for oil heating. How do you intend to deal with those requests in the future? Obviously, there is a question about whether, depending on the price of oil, people can afford to maintain such a system. Similarly, there is a question about whether it is a more efficient means of heating a house than electricity. Have you done any more work on that?

Alex Neil: I will mention two things. The whole point of the programmes is that people are given advice on the most appropriate system for their area if they are installing a new system. In the Western Isles, for example, a lot of people are not on the gas grid, so they have to look at other ways of heating their home. The first thing is to provide advice on not just the technical but the most economic options.

The second point is that, as we move through the programmes and look in particular at the central heating element, it is clear that the low-hanging fruit has by and large been picked—the easy-to-heat houses and the easy-to-install central heating systems. I am not saying that there is none left but, by and large, we are now dealing with the hard-to-heat areas, particularly in the island and remoter, rural communities.

In recognition of the additional costs in those areas, we have lifted the cap. Under the old central heating programme, the maximum that

could be spent was £5,500, after which people had to top up. We have now lifted the cap to £6,500 as a recognition that it is much more costly to install heating systems in some areas than it is to install a standard central heating system for someone who is on the gas grid. We are very conscious of that.

Of course, we have extended the options. For example, under the old central heating programme people did not get certain things, such as LPG heating systems, solid wall insulation or underfloor insulation. Those are now available under the energy assistance package. People did not get safety alarms under the warm deal, but we provide safety alarms in this programme. We have extended the range of technologies and the range of applications.

We have also extended the eligibility range because, under the old programme, families did not qualify for a central heating system. In the energy assistance package, people with children under the age of five or a disabled child under the age of 16 qualify for a central heating system. That was not the case under the old central heating programme.

As you know, I have asked the fuel poverty forum to examine whether it would be feasible to extend eligibility for the energy assistance package to households with a disabled adult and to families who live in fuel poverty and in which someone is chronically sick, such as a cancer patient. We could not afford to extend eligibility to everybody who is chronically sick; we are looking at people who are chronically sick and who are living in fuel poverty. I expect to have the recommendations from the fuel poverty forum on those specific points within the next few weeks.

Alasdair Allan: You mentioned, in relation to hard-to-treat houses, cladding of buildings with solid walls. Is there any evidence that increased eligibility has led to increased take-up? Are figures available on that?

Alex Neil: Top-up insulation is proving to be the most popular. I can give you some figures on the insulation schemes. In respect of the home insulation scheme, which has been running for a year, all 95,079 houses in the target areas have been visited to completion. That has led to a high rate of engagement with households, resulting in 47,307 home energy checks. There have been 32,271 referrals of all types, including 21,374 referrals for home insulation scheme insulation measures; 2,357 referrals for energy assistance package stage 4 measures; 967 referrals for insulation measures under the energy assistance package; and 7,044 referrals for tariff/benefit checks under the energy assistance package. So far, 2,324 insulation measures have been installed from our referrals and that number will continue to

grow. We are happy to provide the committee with the details; it is hard to take it all in in one go.

The Convener: The clerks asked whether any such information was available before the meeting. It would be extremely helpful for the committee to have such information beforehand to ensure that evidence sessions with the minister were as meaningful as possible. I hope that, at future meetings, we will get such information up front rather than the generous offer being made to give it to us after an evidence session.

David McLetchie (Edinburgh Pentlands) (Con): Minister, forgive me if I have missed this in the blizzard of statistics with which we have been assailed this morning, but you referred, in your final answer to Mr Allan, to low-income families in energy inefficient homes with children under five or a disabled child under 16 as a new group of people who are eligible under the energy assistance package—they were not eligible under the previous programmes that it replaced. If you have the information, can you tell me how many low-income families have been helped in 2009-10? How many in that eligible group have we helped at stage 4?

Alex Neil: As of Monday, we extended eligibility—I believe that the relevant instrument was considered by this committee—to those families who receive what I think is called the family element of child tax credit, of which there are about 10,000 in Scotland. They are, if you like, the larger families. We can give you the precise numbers.

10:45

Linda Sheridan: We have extended eligibility to people who receive more than just the family element of child tax credit.

Alex Neil: Yes, I meant families who receive more than the family element. Do we have the number of families involved?

Linda Sheridan: At the moment, families make up just under 10 per cent of people who receive stage 4 benefits, but that will build up once the amendment to the regulations takes effect.

David McLetchie: I appreciate that you might have to dig out the figures and supply them to the committee subsequently, but I want to get a handle on the issue. According to our briefing note, 12,171 households were referred for stage 4 support between April 2009 and February 2010. You probably updated that figure earlier, although I did not take a note of it.

Are you telling us that 10 per cent of that group is made up of people who have become eligible under that category in 2009-10? Is that correct?

Alex Neil: About 10 per cent are in the family category and the others are in the pensioner category. Because the predecessor programmes were aimed at the pensioner group, the level of knowledge, understanding and awareness of those programmes is far higher among pensioners than it is among families. An issue that we are tackling is how to be more successful in getting to the families who qualify. Data transfer is an issue that will be on the agenda when I meet the new ministers who are responsible for such matters in the Department for Work and Pensions and the Department of Energy and Climate Change. If we could get from the benefits agencies the data on families who would qualify, we could knock on their doors. That is the position that we would like to reach. A figure of 10 per cent is not bad, but I would like that percentage to go up because it is clear that a lot of families could benefit much more than they have done in the past.

I have a useful statistic for the committee that might help to put things in perspective. In the past, we have tended to equate fuel poverty programmes with central heating programmes, but we are now in a position in which only 5 per cent of families in Scotland who are fuel poor do not have a central heating system. Therefore, many fuel-poor families have a central heating system that is working, but because of the loss of a job, a reduction in income, not being on the social tariff or being on too high a tariff, they are still spending more than 10 per cent of their disposable income on energy costs.

As we make progress over the years, the 5 per cent figure will be reduced. We could make progress much more quickly if we had a data transfer arrangement with the DWP. The emphasis will be on other measures, particularly insulation. We are getting to the stage at which a high percentage of houses, even among the fuel poor, already have a central heating system that is functioning perfectly well.

David McLetchie: Indeed, although it is fair to say that in past evidence on the subject, it has been suggested to the committee that one of the problem areas is central heating systems that are not efficient or not properly maintained, some of which require replacement. How is that problem, which has been highlighted to us on a number of occasions, being addressed?

Alex Neil: The figures show that the problem often arises because of the boiler—a new boiler is needed. People who qualify under the energy assistance package would get a new boiler for nothing. In addition, as you know, we have announced the extension of the boiler scrappage scheme to Scotland. Anyone who has a boiler that does not work—not just fuel-poor people—can

apply to that scheme. That will help as well; it has a £2 million budget for this year.

David McLetchie: I was going to ask you about the boiler scrappage scheme. I am glad that you have mentioned the fact that it is now being extended to Scotland.

I was interested to hear your helpful exposition in your answer to Mr Allan about the four programmes in which the Scottish Government is involved—in some instances, in partnership with the United Kingdom Government and the energy companies. I share his and your concerns about the branding of those and how they link together and complement one another. Given today's new dawn, in your discussions with Her Majesty's Government, what is in the in-tray in relation to energy efficiency and fuel poverty that needs to be taken forward, building on what has been achieved to date? What do you identify as the issues that need to be considered in that context?

Alex Neil: Three or four things will be on the agenda. We have been in touch with the private offices of the UK ministers, whose names we will know soon, to start to arrange meetings right across the Scottish Government. We want to work in partnership with our colleagues at Westminster, as we did with the previous Administration south of the border.

First, I have already mentioned that a data transfer arrangement with the Department for Work and Pensions would be extremely helpful in allowing us to target much more precisely the families in fuel poverty we are trying to help. Secondly, I have made representations on the cold weather payments and the way in which they apply in Scotland. A degree of flexibility in that regard would be helpful. Thirdly, in our approach to the energy companies, we all agreed with the previous Administration—I hope that we will agree with the new Administration—that we must try to get those companies to be more precise in telling us where, how and when they are spending the CERT money.

The other part of my agenda, which the First Minister will pursue, is the fossil fuel levy. At the moment, £200 million is sitting in the fossil fuel levy account, doing nothing. If we were able to get that money without that impacting on departmental expenditure limits, some of it could be used for the kind of programmes that we are talking about and to increase investment in some of the programmes that I have described this morning.

David McLetchie: Thank you for that. That will be a useful contribution to the agenda for some of your early meetings.

Alex Neil: Absolutely, and I would appreciate anything that you or Jim Tolson could do to facilitate that.

David McLetchie: We are, of course, steadfast in our support for the new Administration.

Alex Neil: Absolutely.

David McLetchie: United, I may say.

Alex Neil: I always knew that you were close buddies politically.

David McLetchie: We are, indeed.

Jim Tolson (Dunfermline West) (LD): I have a new-found friend.

The Convener: We have a couple of other questions—

David McLetchie: Sorry—can I continue with my questions?

The Convener: I thought that you had finished your questions when you started getting into the chat.

David McLetchie: Oh, I see. No, it was just an orgy of self-congratulation. I beg your pardon; we are getting diverted.

I raise a matter that came up in correspondence from a group of constituents who have been in touch with me. It relates to people who live in sheltered housing where the energy supply is effectively a single supply—there is a contract for a single source and everybody in the complex is billed for their share of it. A significant number of people in such complexes who would be eligible for social tariffs or support are unable to access those things because of the energy-buying arrangements that are in place between their housing association or sheltered housing manager and the energy company. I have good reason to believe that people in such complexes are paying miles over the odds—substantial amounts of money. In one case, someone was paying £100 a month for a two-apartment flat, which is ridiculous. That is more than I pay for my house.

There is something far wrong with such arrangements. Many older people living in those kinds of communities are paying a very high price for their energy, whereas if they were living in single households they would be eligible for some kind of supportive assistance in the form of social tariffs, or for some of the energy efficiency measures that you have outlined. I know that the subject is complicated, but you might want to comment on it. Maybe you could put it in your in-tray or on an agenda because, clearly, there is an overlap between what we can do here and the relationship with the energy companies.

Alex Neil: That is a fair point. I do not have any statutory powers to change that or to force housing associations or owners of sheltered accommodation—because some of that accommodation is in private ownership—to do so.

However, if you send me the evidence, I will ask the Housing Regulator whether he would be able to comment on it and to see whether, under housing legislation, the residents of such houses should be given an option. You may also want to feed that into the consultation, when we come to it, on the new Scottish housing charter. I would be concerned if people were not being given a choice. I suggest, Mr McLetchie, that you write to me. I will be happy to take up the issue with the Housing Regulator and with others, including the energy companies, to see if there is anything that we can do to extend the choice of people in that situation.

One aspect of the energy assistance package, which has extended eligibility from the old scheme, is that we provide support, including stage 4 support, to people living in mobile homes. They did not qualify under the old programme, but they do qualify under this one.

David McLetchie: I am grateful to you for that, minister.

With regard to choice, when there is a central boiler that services a complex there can be only one buyer. Part of the problem is the energy efficiency of the complex as a whole, the costs associated with heating common areas, for which people are billed, and the fact that the tariff that is negotiated is not discounted to reflect the individual circumstances of people living in the complex who, were they individuals, might be eligible for social tariffs. There is a complex set of issues. One cannot install a boiler in everybody's house; that would be uneconomical.

Alex Neil: I do not know whether the required technology exists, even in the situation you describe. I will explore the possibility of metering the individual houses. Although they feed into a central boiler, the technology might exist to allow the metering of individual usage. If that is the case, we may be able to do more on this front.

David McLetchie: That would be helpful. I would be grateful for that. I will send you the information that I have.

The Convener: I think you can also expect correspondence from tenants of Broomhill and Whinhill. Apart from the cost, I get complaints from people who cannot turn their heating off.

Alex Neil: That is right.

The Convener: That is very inefficient. They complain that their homes are too warm. There is a problem. Perhaps this question can be left to some constructive engagement in the future. We appreciate your offer, minister.

With regard to the effect on families, I think that we are making progress. I do not know what we can do for next year, because this year's money is

committed and spent, so families will not gain anything from it. Next year, will a notional amount be targeted to families, although not to the extent that others lose out?

I have another issue, which is based on experience in my constituency. The issue is not so much about the social rented sector, where much work has been done to install central heating, cavity wall insulation and so on; it is about the private sector. I have come across horrific experiences of families who were unable to trigger support or were unaware of how to do so and whose landlords were not particularly interested in the issue.

There are problems to do with the landlord registration scheme. There is awareness in local authorities of the rental support and rates relief that they provide. However, I do not know whether there is the knowledge at Government and local government level and among social landlords and so on that would enable us to create a target group, to ensure that the fuel poverty forum's ambition to support families is realised.

11:00

Alex Neil: You make a valid point about tenants in the private rented sector. As you know, in the context of the proposed private housing bill, we are tackling issues to do with the extension of tenants' rights to people who live in the landlord sector. Perhaps we need to include in the bill the issue that you raise. We can consider how to do so. I will take up that specific point and ascertain whether we can use the bill to build into the new statutory rights of tenants in the private rented sector some provision to ensure that we can force the issue if someone has a reluctant or a rogue landlord. We know that a fair proportion of tenants in the private rented sector come from poorer and more vulnerable sections of the community—although they are not all in that category. If we can do anything to force the issue, I will be happy to consider it.

We deliberately did not set targets for particular groups or geographical areas in the energy assistance package. The approach has been demand led, as the previous programme was. However, there is no doubt that if we had a data-sharing arrangement with the DWP, we could target people and families much more effectively. Therefore, in my discussions with the new ministers in the DWP, I will be keen to pursue data sharing, which will allow us to target families more successfully.

I think that in general we target pensioners quite successfully. However, families are more difficult to reach. One reason for that is that pensioners have been able to access central heating

programmes for a long time, whereas families have been able to access the new programme only in the past year. Therefore, awareness and knowledge are not nearly as extensive among families as they are among the pensioner community—that is my experience. A challenge for this year and subsequent years is to reach more families, so that we make people aware of what is available and encourage families who are living in fuel poverty to take up the various options.

The Convener: You mentioned the boiler scrappage scheme, which I think will be rolled out from 25 May. Are you entirely happy about how the scheme will roll out and how vouchers will be allocated?

Alex Neil: I have heard no complaints about the approach, but if you have heard something, convener—

The Convener: I understand that on 25 May people will be able to log in and get a voucher, but when the vouchers are gone they are gone.

Alex Neil: The scheme will be exactly the same as the scheme down south—

The Convener: I am not much interested in the scheme down south. I do not know how the approach will suit Alasdair Allan's constituents, who live in an area where broadband connections are not too good. I understand that it will be like bid television. Five thousand vouchers will be available, and people who have access to a personal computer and a good connection on the morning of 25 May will get a ticket to play. For people who have no access to a PC and whose awareness of the system is low, the opportunity will be gone.

Alex Neil: This is the first time that the issue has been raised, but I will look into it and ensure that we do not end up with that kind of scenario. I think that it is possible to log in from 25 May to get a boiler assessed to find out whether it needs replaced. I suspect that many more people will apply for replacement than qualify for it and, as you know, the budget is limited to £2 million. However, I will certainly take on board the point that you raise. It is a valid point and I will write to you once I have checked it out.

John Wilson (Central Scotland) (SNP): I will try to select some questions that the convener has not already asked this morning.

The Convener: I was following up on questions that had already been asked.

John Wilson: That is fine, convener. That is your prerogative as convener of the committee.

Minister, you have thrown a number of figures at us and indicated that the number of people in Scotland who find themselves in fuel poverty has

increased. Those of us who have worked on fuel poverty for a while fully understand that it is measured as a percentage of household income. You gave another figure that indicates that we are down to almost 5 per cent of households being without central heating systems. However, how do we tackle fuel poverty when fuel prices continue to rise and we face situations such as the one at the beginning of the year, in which the weather was bitterly cold, which meant that it cost more to heat houses? How do we tackle that? Energy assistance programmes are all fine and well, but what if people do not have the income to use the central heating system? I know from discussions with constituents that people self-regulate their use of energy; they turn it off. How do we get the message over to the elderly and vulnerable in our society that they will not be penalised for using the energy that is required to heat their homes?

Alex Neil: As I said earlier, there are three stools to fuel poverty: one is the level of income, the second is energy prices and the third is the energy efficiency of homes, which includes the technology that is employed in them.

I will give you an example on new-build houses. One of the first visits that I made as the housing minister was to a new housing development in Dumfries and Galloway. A lady there had moved from a two-bedroom flat into a new, four-bedroom, upstairs-downstairs house but the standard of insulation was such that her gas bills had gone down by £120 a month.

You are absolutely right. The work that we are doing in the programme, on improved building regulation and on insulation is making a significant difference to a large number of people, but fuel poverty is still rising in Scotland and, indeed, the rest of the United Kingdom. The Office for National Statistics official figure in the latest housing condition survey of 2008 estimates that about 27 per cent of households in Scotland live in fuel poverty.

Let us go back to the three stools. We are playing our part by, for example, trying to install central heating systems in houses that have none; ensuring that, in houses where the system or boiler does not work properly, that is rectified; and ensuring that houses in Scotland are properly insulated. However, even if we spend our entire housing and regeneration budget on those programmes, we will still have a high and probably rising level of fuel poverty if income levels continue to be as depressed as they have been during the recession and energy prices continue to rise.

The UK Government is responsible for tax and benefits. We need it to provide a strategy that increases the level of disposable income for poorer families, poorer pensioners and poorer individuals—that includes people in work, because

15 per cent of people in work live in poverty, including fuel poverty—as well as tighter control on energy prices through Ofgem.

I am not making a political point about the powers of this Parliament or anything like that, but the fundamental fact is that, if we are to eliminate fuel poverty, which is an ambition that we all share, we need all three elements—the income element, the energy price element and what we are doing—to work in unison toward that objective.

John Wilson: I hope that your comments this morning will be taken on board by the new Government in Westminster, particularly in relation to Ofgem. Press reports on Ofgem say that energy prices are likely to rise by 30 per cent, which is worrying, given the fact that, as you mentioned, 15 per cent of people in work are in fuel poverty. Even though we are supposed to be in a regulated market, those prices do not seem to be regulated and Ofgem does not seem to be using its powers.

On the energy assistance package, does the Scottish Government gather information on where requests for assistance come from or where support is given based on tenure type, whether it is social rented housing, owner-occupied housing or, as was mentioned earlier, housing in the private rented sector? That would be useful information.

Earlier, you mentioned the local authorities that have established their own energy assistance packages. How does that relate to where the energy assistance package resources are going? You said that the UK Government and the Scottish Government spent around £185 million last year on various energy assistance packages. It would be useful to find out where those resources went.

What are we doing to tackle fuel poverty and the inefficient use of energy in the non-standard-construction houses that exist in many local authority areas?

Alex Neil: We have records of assistance by tenure, which we will provide the committee with. I think that we can also break down that information by local authority area. We will see whether we can do that. Those figures relate to our energy assistance programme and the first year of the home insulation scheme—the new scheme is not up and running yet, although it soon will be, and, as I said earlier, we do not have the information that we would like to have on CERT, so the information that we can give you will be limited to the first two programmes.

The social sector is sometimes forgotten about in discussions on the energy assistance package. In the year that has just finished, we funded energy efficiency measures in 26,079 social sector dwellings. Some 24,000 of those were in local authority housing and 4,000 were in housing

associations. That investment complements the insulation work under CERT.

It is a fact that, in the next two and a half years, up to £2.5 billion will be invested as local authorities and housing associations achieve the 2016 target for the Scottish housing quality standard. In some cases, that will include energy efficiency measures and heating systems.

We will give the committee all of the information that we capture in relation to John Wilson's question.

John Wilson: Fuel poverty is not just about the use of energy; it is also about energy consumption. The outgoing Westminster Government recently approved the introduction of smart metering. What discussions have taken place between the Scottish Government and Westminster officials on the introduction of smart metering in Scottish homes?

11:15

Alex Neil: There are two things to say on that. First, I spoke to the UK minister about it on my last visit to London, but I also chair a group involving all the energy companies and I have raised the issue with them as well. As you know, there is a 20-year programme to smart meter the whole country and establish a smart grid, as it were, which could result in substantial savings, but it is quite a long-term investment programme. We will keep a close eye on it and try to ensure that Scotland gets more than its fair share in the early days of the programme. However, to be honest, I do not think that we can rely on that in the short term to reach the 2016 target. It will help, but, compared with the other measures that I have outlined, it will not be a big contributor until beyond 2016.

Bob Doris (Glasgow) (SNP): There was a flurry of statistics at the start of your comments, minister. I scribbled them down, but I want to make sure that I got them right. The headline figure that I picked out was that 96 per cent of people who engaged with the energy assistance package had some form of positive outcome. We have looked in detail at the central heating delivery element, but the energy assistance package is clearly more than a central heating delivery system; it is a one-stop shop and a multi-purpose vehicle for delivering a variety of positive outcomes. That is how we get the figure of 96 per cent.

You also gave some figures for benefits maximisation, which I wrote down. What is the average benefit per year per pensioner household in relation to income maximisation?

Alex Neil: It is £126 for pensioners.

Linda Sheridan: If I may correct you, minister, the latest information is that the average increase to annual income from the pensions service is £1,681, and Citizens Advice directors identified average potential increases in annual income for non-pensioner households of £2,241.

Bob Doris: Okay. That is potential.

Linda Sheridan: That is right, as those people have to go through the claims process. The pensions service is the process through which pensioners claim.

Bob Doris: Okay. For the record, can you also give us the figure for money saved on social tariffs?

Alex Neil: Yes, I can give you that. A total of 20,055 households were referred to energy providers. Of those, 2,167 households moved to cheaper tariffs with estimated annual savings of, on average, £118, and 243 households moved to cheaper payment methods with estimated savings of, on average, £128 a year.

Bob Doris: I wanted those figures not just for clarity but to stress that it is not just an energy assistance package; it is an income and energy assistance package. We should try to ensure that all MSPs use the system appropriately. I often signpost constituents to the energy assistance package whether or not they have a central heating system. However, a culture change is needed in the way in which politicians engage with the system. Given the reserved nature of benefits entitlements and the energy markets, there is a substantial onus on the UK Government to ensure that benefits are taken up and that people are on the correct tariffs for their needs. Have you drawn any comparisons between the energy assistance package and the UK Government's programmes for income maximisation for people on benefits or in relation to social tariffs? Is there something that we can compare in relation to those?

Alex Neil: There is a danger of comparing apples with oranges, because the system down south is quite different. In Scotland, we have other income maximisation services, for example through local authorities. Link Housing Association runs a high-performing service, too, and there are a host of others. We will look at the effectiveness of income maximisation services across the board in Scotland to find the most effective way to maximise people's incomes. For example, most of the people I have spoken to who have phoned the energy assistance package do not know about the income maximisation service but are pleased to find out about it, and many of them are now getting assistance from it.

The other important point that you touch upon is the total misunderstanding that 70,000 people have phoned the number to ask about central

heating systems. As I have said, only 5 per cent of fuel-poor people in Scotland do not have central heating. People are phoning about cavity wall insulation, loft insulation, top-up insulation, social tariffs and so on. It is important that we understand that the package is a comprehensive, holistic, wide-ranging energy assistance package; it is not just a central heating programme.

Bob Doris: Thanks for that, minister, but that is not why I asked the question. I am sure that the UK Government is funding benefit entitlement awareness schemes. If the Scottish scheme proves successful, surely we could look to the incoming UK Government to consider the scheme and, rather than try to duplicate it, give some form of direct funding to the Scottish Government energy assistance package for the specific purpose of benefit awareness and income maximisation.

Alex Neil: If we were able to get the fossil fuel levy, we could do a lot more on that and in a range of other ways, as well as encouraging renewable energy. I am regularly in touch with the Department for Work and Pensions at various levels, which I understand will introduce pilot schemes, initially in relation to pension credit. I hope that that continues under the new Administration.

At the moment, there is a marketing campaign by the DWP to get more pensioners to take up the pension credit to which they are entitled. Only about two thirds of pensioners take up pension credit, which means not only that they are losing pension credit, but that they are losing access to programmes such as the energy assistance package—pension credit is one of the passports for getting a central heating system. In the pilot, the department will give pension credit to everyone it thinks is entitled to it and then claim it back if they are not entitled to it. It is hoped that if that works, instead of having two thirds take-up, take-up will be much closer to 100 per cent.

My understanding is that that approach will be piloted to see whether it can be done and whether it works effectively. My view is that if it works, it could be applied in relation not only to pension credit but to other benefits, such as council tax benefit, in which the take-up, particularly among pensioners, is not nearly as high as we want it to be. I agree with the thrust of Bob Doris's question: we do compare notes with the UK Government, but if the pilot—which I think is being run by the DWP—works, it could go a long way to solving the problem of the lack of uptake of some of those key benefits.

Bob Doris: Your reply related specifically to pension credit. If I was on family tax credits, I would be worried about what the Conservatives and the Liberals might do.

I am glad that you mentioned the fossil fuel levy, which is trapped in London. I can assure you that I am being rather political when I say this, but I have a long list of similar issues, including attendance allowance, regeneration money for the London Olympics and the Barnett consequentials relating to health care baseline expenditure and prisons expenditure. I am making a serious point. Scotland is down in relation to that money, and that is before cuts from London. We are sitting around this table talking about the success of the energy assistance package, and how to widen it to get more help to those who are most in need. We have a budget of roughly £45 million plus £5 million—£50.9 million—but what hope do you have of protecting that spending in the next budget round for Scotland? If the recession continues to bite, and fuel poverty continues to increase, it is vital that we protect that important expenditure. How confident are you that we can do that?

Alex Neil: Obviously, we do not know what our budget will be beyond the current financial year, because there has not been a comprehensive spending review. I understand that there will now be an emergency budget within the next 50 days. I can only answer that question once I know what is in the emergency budget and what is in the comprehensive spending review with regard to the Scottish Government's total budget.

The analysis by the chief economic adviser to the Scottish Government clearly indicates that, over the next 10 to 15 years, there will be very severe pressure on the Scottish Government's budget. Clearly, if that becomes a reality, the Scottish Government will have to look at where our priorities lie. Obviously, I very much hope that my colleagues agree that tackling fuel poverty has to be one of the high priorities.

Bob Doris: I am happy to endorse that, but I stress that, whatever negotiations the Scottish Government has with the UK Government, in the current climate initiatives to tackle poverty—of which fuel poverty is an extension—and income maximisation probably need more investment than ever before rather than less. I hope that you take that message to the incoming Conservative-Lib Dem Government.

Alex Neil: Absolutely. If we believe the rumours and the Liberal Democrat policy of taking the first £10,000 of income out of the income tax net over a period is implemented, I will welcome that, because, as I have pointed out, the level of poverty and consequently the level of fuel poverty among people in work is quite high. If we take those people out of the income tax net, that will make a significant difference, but, like everyone else in the country, I wait to see what the new Government will do.

The Convener: We are all waiting to see. Let us press on.

Patricia Ferguson (Glasgow Maryhill) (Lab): Good morning, minister—I think that it is still just about morning.

I was interested in what I think I understood you to say about pensioners knowing that the system is there and about accessing it but there still being a problem in getting to families. I can understand why that would be the case. Many of the families who would have been or are fuel poor will have had new central heating systems, because registered social landlords and local authorities could apply to provide them under the previous scheme. Might Mr Doris's point about people believing that the scheme is still just about central heating and not about the other elements that have been added be one reason why families are not applying?

Alex Neil: As I say, we continue to assist local authorities and housing associations to put new central heating systems in. It is a fair point that young families tend to be in more modern houses because they have been housed more recently than many pensioners, but there are a host of reasons why, in some cases, they are not as aware of the programme or not as proactive as, for example, pensioners in applying for it.

One challenge is to penetrate the family sector more effectively this year and in subsequent years to ensure that families who qualify and are eligible for the programme make maximum use of it. The most effective way to do that would involve data sharing with the DWP to allow us to identify the families who would benefit from the programme. If we could do that, we could just go and chap on their doors.

Patricia Ferguson: Or perhaps continuing to work with RSLs and local authorities would help to minimise the number of people who are outside the tent.

Alex Neil: We are doing that. For obvious reasons, we work closely with RSLs and local authorities on all these programmes.

Patricia Ferguson: Indeed. I am glad to see that that part of the old system is continuing.

I was interested in your comments about perhaps extending provision to include people who have a chronic illness, and I am sure that everyone around the table would welcome that. Is an assessment being done of how many such people might be eligible? Many who would come into that category because of their illness might not necessarily be technically fuel poor, but the nature of their illness might push them into a situation in which the family unit finds it difficult to keep up with the need for additional heating and

washing facilities for clothes and for personal reasons.

11:30

Alex Neil: That is exactly what the fuel poverty forum is trying to do in working with us. Patricia Ferguson has put her finger on the nub of the problem, which is that we cannot help every chronically sick person through a programme whose purpose is to help those who are fuel poor. Identifying those who are both chronically sick and fuel poor is a challenge. Patricia Ferguson is absolutely right to raise that point.

For example, I recently came across one family who had been helped by nurses from Macmillan Cancer Support, which runs a Scottish Government-funded income maximisation service that, in my view, is one of the most effective such services in the country. By definition, the Macmillan nurses deal with people who are chronically sick. When I met that family—in Glasgow, it so happens—a few months ago, I was told how the lady of the family eventually had to give up her work after she took breast cancer. By any standard, the family were reasonably well-off: their income was well above the median household income; they owned their own home; and their only son was about to go to university. Indeed, convener, spelling out what happened to that family highlights the kind of problem that we face. When the lady of the house had to give up work after taking breast cancer, not only was her income lost to the family but her husband also had to give up his work to become her carer. Although both had been in well-paid jobs, it looked as though their son would not be able to afford to go to university. Thanks to Macmillan Cancer Support, we managed to help the family to retain ownership of their home and enable the son to go to university. By any definition, the family was in fuel poverty because, although the house happened to have a good central heating system, the low level of income meant that they were spending probably well over 10 per cent of their disposable income on fuel.

One issue that the fuel poverty forum is considering intensively is how we identify or reach such people and assess whether they are not just chronically sick but fuel poor. That is the challenge that we face. I hope to receive recommendations from the fuel poverty forum on that. The issue will not be easy to solve, but I am keen to see whether we can do something, because the irony is that it is even more important for a chronically sick person to have access to a warm, energy-efficient home than it is for someone who is not in that situation. Patricia Ferguson has raised a very relevant issue, which we are trying to tackle.

Patricia Ferguson: I do not want to extend this morning's evidence session by discussing individual cases, but I am conscious of a constituency case in which, similarly, the issue was not the need for insulation to make maximum use of the heating—the house was brand-new, so it was well insulated and used all sorts of modern heating technologies—but the health of the father, who required a level of heating that a normal household would consider excessive. The family found it difficult to know where help could be sought. The problem has now been resolved—sort of—by a bit of creative thinking on the part of a number of organisations and individuals, but I am sure that many people out there must face similar problems. I realise how hard it is to reach those people, because they are often the last people who will come forward, although their need is very great.

I wish the minister and his group well in trying to address the problem. It is an interesting issue and, as the number of other people who need assistance with new heating systems and income maximisation diminishes through the process, that group will become one of several groups on which we have to focus our efforts.

Alex Neil: I totally agree with what Patricia Ferguson has just said.

Jim Tolson: I apologise for arriving at the committee a minute or two into the minister's statement this morning.

I would like to move on from Mr Doris's party-political broadcast on behalf of the Scottish National Party Government to deal with some serious questions about the issue in hand, in particular the fuel poverty targets. As the minister quite rightly outlined to colleagues in answer to their questions this morning, investment of around £175 million a year has been made in four packages to help to reduce fuel poverty among those who qualify for the schemes. However, we are all well aware that fuel poverty is rising in Scotland and the rest of the UK as the cost of fuel goes up and incomes go down, and it is possible that a rise in unemployment will make the situation worse in the near future. I have been concerned for some time that the 2016 target to eradicate fuel poverty as far as is reasonably practicable will be extremely difficult, if not impossible, to meet. Given the level of investment, can we meet the target? What does the Government mean by the phrase

"as far as is reasonably practicable"?

I note that it is possible that, given the new partnership in Westminster, Mr McLetchie and I could bend an ear or two down south to help out with the issue.

Alex Neil: The 2016 target is ambitious, given that we are only six years from that date. It would be dishonest to say anything other than that it is extremely challenging. We are dependent on what happens about incomes and energy prices. All we can do is to invest our share and try to ensure that the third part of the triangular approach—our bit—has maximum effect. We are doing that through not only the energy assistance package but the other £25 million that is being spent on insulation and so on and our work with the energy companies on CERT. If Jim Tolson and David McLetchie are able to get access on the fossil fuel levy and things of that nature, we could do even more.

To reach the target, we are dependent on energy prices stabilising and/or income levels rising among people who are fuel poor at the moment. There is no getting away from that. That is why I would welcome an approach from the new UK Government that puts the elimination of poverty—particularly fuel poverty, child poverty and pensioner poverty—at the top of its agenda.

Jim Tolson: Like you, I am keen to ensure that not only my constituents in Dunfermline but everyone who is in fuel poverty in Scotland gets the chance to get out of fuel poverty as soon as possible, and I will do everything that I can to help in that regard. However, one way or another, it all comes down to pounds and pence.

From discussions with the previous UK Government and its officials, do you think that the £175 million that has been mentioned is enough to ensure that we can meet the target in six years' time, or should we seek to hike up the investment? If the latter, what level would be suitable?

Alex Neil: It is not so much a matter of the budget. As I said, even if we spent the whole of the housing and regeneration budget on energy assistance and insulation packages, we would still have a significant level of fuel poverty in Scotland if incomes remain depressed and energy prices continue to rise at the rate at which they have been rising. I cannot ensure that the target is met without assistance from the Government that controls reserved matters around energy prices and income maximisation.

I am satisfied that we are doing everything that we can, within our resources, to give the issue the level of priority that it merits. However, eliminating fuel poverty—or even making a significant dent in it—will depend on factors such as whether the minimum wage is raised to the level of the living wage, whether the first £10,000 is taken out of taxation, whether there are increases in pensions in line with wages from 2012, whether there are increases in disabled people's benefits and whether child tax credit and child benefit rise. Those are the issues that will determine how much

fuel poverty there is not only in Scotland but in the whole of the UK in the foreseeable future.

Jim Tolson: I am certain that, even in the short term, people who earn less than £10,000 will be taken out of taxation. Like you, I will be pressing the Westminster Government to ensure that some of the other measures that you mention happen as well.

The Convener: I thank the minister and his officials for their attendance.

11:41

Meeting suspended.

11:44

On resuming—

Voluntary Sector Grant Providers

The Convener: Under agenda item 2, we will take oral evidence on the effects of the recession on voluntary sector grant providers and voluntary organisations.

With us, we have Mary Craig, the chief executive of Lloyds TSB Foundation for Scotland, and John Downie, the director of public affairs for the Scottish Council for Voluntary Organisations.

Given that our witnesses have been waiting for a considerable length of time, with their agreement we will dispense with opening statements and move straight to questions.

Bob Doris: We thank you for forgoing your opening statements. It would be remiss of me not to start by asking Mary Craig an initial question, because the Lloyds TSB Foundation for Scotland was not able to come to a previous committee meeting and it might be good to get an update on where the foundation is now and who can apply for grants. What is the current situation?

Mary Craig (Lloyds TSB Foundation for Scotland): I am happy to give an update. I offer my apologies to the committee for my non-attendance at the previous evidence session on this matter.

I will not rehearse the old story, but where we are now is that we have had notice served on our covenant by Lloyds Banking Group. In effect, that brings to an end the covenant that has been in place for the past 25 years, despite us putting forward a no-cost counter-proposal. It was not properly explained to us why that option was not acceptable.

In the past few weeks, we have been able to reopen our grant making as a result of selling off some of the shares that we were able to buy as a result of our rights under the bank's rights issues that happened last year. We have announced that we have £2 million, which is a much-reduced amount compared with what we usually have, but we are delighted to be able to reopen our grant making. The focus of our efforts with that money will be small, grass-roots, community organisations.

Bob Doris: That is informative and it is important. Thank you for saying where we are now rather than rehearsing the previous arguments and debates. Even at this stage, is there any scope for further negotiations between Lloyds Banking Group and the foundation? Is the door still slightly ajar?

Mary Craig: Not as far as the proposal that we made is concerned. We put a no-cost proposal to the bank, in which we said, "Now that we know that you have the money, why not give it to us as an advance on your profit? When the profit returns, we will be able to make repayments over a period of time." That would have been a no-cost option for the bank and the taxpayer, but it was deemed by Lloyds Banking Group to be inappropriate. We do not really have an explanation of why that is so.

Bob Doris: Given that you gave the group a no-cost option, people will be confused about why it would not accept it. For the record, are you always open-minded and always willing to talk to the group about getting the show back on the road?

Mary Craig: Absolutely. We would be open to discussions, provided that we move beyond where we are.

Bob Doris: I have one final question about the foundation. You have £2 million and you explained how you managed to realise that money. It is for small, grass-roots organisations for 2010-11 and it is, of course, to be welcomed. If there is no subsequent deal with the group and money does not come into your coffers, will there be any grants in 2011-12?

Mary Craig: Yes, there will. We were able to take up our entitlement to the share issues, so we sold a proportion of those shares to give us income for this year. During our discussions with the Lloyds Banking Group, the picture that was painted was pretty much of doom and gloom. Miraculously, in the past month the bank has announced that it will be in profit for this year and expects to continue to be in profit for the rest of the year. We hope that that means that our entitlement under the covenant will come in more quickly than was envisaged at the beginning of our discussions. We will still be entitled to our share of 1 per cent of pre-tax profit over the next nine years.

At the end of the nine years, our 15.7 million limited voting shares will convert to being ordinary shares. Those will come to the foundation and we hope that the share price will be a bit higher than the 60p-odd that it is at the moment. That would be the beginnings of an endowment for the foundation. In the meantime, we expect that our share of income will increase as a result of the bank's admission that it has doubled in size and is projecting significant profit.

We will have to work out how we manage that income over the next nine years—not spending it all in the years that we get it but putting some aside. That is where we are at the moment. We are working out what our strategy will be beyond the nine years.

Bob Doris: Thank you for that information. I apologise to Mr Downie—we wanted the opportunity to get that on the record. I do not know whether my colleagues want to come in on that.

Alasdair Allan: Do not worry, I will come to Mr Downie in a second. My question is for Mary Craig.

Lloyds TSB Foundation for Scotland was set up on the back of a court ruling. Are you in a position yet of feeling that the income that you presently enjoy is within the spirit of that original court ruling, or do you still feel that you have been short-changed?

Mary Craig: We fought to maintain the status quo and the entitlement of Scottish communities. The foundations were set up to compensate communities for losing their banks in the flotation of 1985. By fighting for that entitlement to be maintained, we feel that we have done the right thing, and we are bitterly disappointed that the group's only option was to serve notice on the covenant when we had given them a no-cost option.

Nevertheless, we will continue in a positive vein. We appreciate that we were able to buy shares, which will allow us to continue over the next couple of years. The chances are that the covenant will kick in more quickly than was expected, so we would hope to get our levels of grant making up from £2 million. I do not know how long it will take us to get back to where we were—the £6 million to £8 million that we were distributing previously. We must keep an eye on the long term because it is incumbent on the trustees to secure the foundation into the future.

Alasdair Allan: To what extent has your situation diverged from that of your sister organisations in England, Wales and Northern Ireland?

Mary Craig: The other three foundations agreed to the bank's proposal to accept a share of 0.5 per cent of profit rather than 1 per cent. As I understand it, they have also agreed that of the 0.5 per cent that they get, about 30 per cent will be directed by the bank. They have agreed to things that we felt we could not agree to because we are an independent charitable trust. The divergence is quite marked. Over the next four years, the other foundations will get a set amount of money and they will then go automatically to a share of 0.5 per cent of profits, whereas we have maintained our share of 1 per cent.

Alasdair Allan: Mr Downie, given the current pressures on all sorts of funding agencies, public and otherwise, will many community projects now be more reliant on organisations such as the foundation, or on private charitable trusts? What is the picture?

John Downie (Scottish Council for Voluntary Organisations): The picture is very mixed. We strongly support the foundation and, in response to concerns from our members, charities and communities throughout Scotland, we have reignited the save the foundation campaign to put pressure on the bank to think again. Obviously, Mary Craig has explained her position.

If we look at the big picture, there is a squeeze on income across the board. Charitable trusts—whether they have investment in shares or other investment opportunities—have had their income reduced. What we are seeing is worrying. Since the sector entered recession, which in effect was in 2009, the situation has got a lot worse. Particularly for the larger organisations, the expenditure to income ratio is now 101 per cent. Organisations are spending more to meet existing commitments than they are getting in. Whether it is in debt advice, housing advice or care provision that is not funded by local authorities, what we have is an increase in demand and less income. It is a classic paradox. That is the picture that we are seeing across the board.

Funding from local government and national Government for the larger voluntary sector organisations has increased from 33 per cent of their income to 35 per cent. Although organisations with a turnover of more than £1 million are experiencing increased levels of income, organisations with a turnover of less than £100,000 are experiencing a decrease in income. Such organisations are at the front line in protecting communities and dealing with local people on the issues that the committee was discussing with the minister earlier this morning. Therefore, the picture at the moment is very mixed.

Those stats on the larger organisations come from the big panel survey of the sector that we are currently undertaking. We are happy to submit our interim survey results, which will give a breakdown of the income and expenditure of the organisations that we have surveyed so far. We hope to have the full results later in May.

Alasdair Allan: The situation has an impact on the income and expenditure of private charitable trusts. Can the study give us any idea about how long that can continue before there is a visible effect on beneficiaries?

John Downie: I think that the effects are already visible. The situation with Lloyds TSB Foundation's reduced grant giving is well-known and is having an effect across the board. In the past, organisations might have been able to turn to local authorities as another source of income and grant funding, but that is no longer the case. Across the country—Edinburgh provides a good example—organisations are losing funding or

have been given standstill budgets for the next year, despite a much-increased demand for their services. What we are seeing is a cut in funding across the board, in particular for smaller and medium-sized organisations.

John Wilson: Good morning—if it is still morning. The committee is examining the wider aspect of what is happening in voluntary sector funding. Ms Craig said that the Lloyds TSB Foundation intends to give out £2 million during the current financial year. How does that compare with the funding that was available to organisations in previous years? Ms Craig also said that the foundation will focus on small grass-roots organisations. To what extent is that a departure from the practice of the funding streams that were previously operated by the trust? In the light of John Downie's welcome comments on the differential impacts on smaller and larger voluntary sector organisations, can you outline what impact the £2 million will have on that wider aspect in relation to funding for local voluntary organisations?

Mary Craig: I would be glad to do so. On how the amount that is available this year compares to previous years, I will give the figures. In 2007 we had £7.2 million and in 2008 we had £7.25 million. Last year, the figure dropped to £5.6 million. This year, we received from Lloyds Banking Group a de minimis payment of £38,920, in addition to which we have secured £2 million from the sale of shares, which has helped. Obviously, that is likely to have quite a catastrophic effect on the charities that come to us.

We have always focused on grass-roots community organisations—that is the ethos of the foundation—but we have never excluded larger organisations from coming to us. For example, the partnership drugs initiative that we fund in conjunction with the Scottish Government tends to accept applications from the larger organisations, such as Barnardo's and Children 1st, as well as some of the smaller organisations.

To answer the question, the difference that we have had to make this year is that, in order to focus on the groups that we want to reach, we have had to tweak our criteria. By that, I mean that we have put in place a ceiling of turnover of £0.5 million, so organisations that have a turnover in excess of that will not be eligible to apply to us this year. We hope that that will allow the core organisations to come to us.

Our average award is about £7,000 or £8,000 but, as I am sure you have heard from others, even such a small grant can still be a substantial amount of money to a small organisation. The other thing that people tell us about the funding is that, when they receive an award from the foundation, they can lever in other funding on the

back of it, which is important. Some have said to us that, although they want as much as they can get, if they can get an award at all from the foundation, it is like having a sort of Kitemark. It is, therefore, important that we get to as many organisations as possible if that leverage is to be maintained.

12:00

John Wilson: Thank you for your response. I should have stated that I worked for an organisation that benefited from a grant from the Lloyds TSB Foundation a number of years ago. As you suggest, it was a small grant that allowed other resources to be levered in on the back of it.

The figures that you have given us on the decrease in funding that is being made available via the foundation are quite startling. Is that what SCVO is finding across the board, Mr Downie? When you respond, I want you to make a distinction between the money that comes from sources other than local government and the Scottish Government. We have received figures that show that only roughly 22 per cent of funding for the voluntary sector comes from local government or the Scottish Government, and that the other 78 per cent comes from other sources. Mary Craig has referred to Barnardo's, Oxfam and Save the Children, which are all involved in local projects but mainly fund those themselves with some top-up funding from local authorities. What exactly is the picture out there in relation to funding, and how are funding streams currently being levered into the voluntary sector?

John Downie: Our figure for the resources that are coming into the sector from government is 40 per cent, but Mary Craig made an important point about leverage. Every £1 that is spent in the sector in a city such as Edinburgh levers in an additional £10. We could debate social return on investment in terms of the impact of small and large grants for organisations.

On the size of the donations from the grant-making trusts, no one yet knows how much the figures have been reduced from the very impressive figures for 2005-08. People are talking about a 10 per cent reduction, but that is an average figure. Some research from Cass Business School talks about the top 300 charitable trusts reducing their donations by 10 per cent, but that is across the board. Some individual organisations will have suffered more, depending on where their investment was—whether it was in Royal Bank of Scotland shares, for example. Interestingly, that research also said that the top 10 charitable trusts have seen their incomes increase, so there is a mixed picture.

Other sources of funding are also declining. For example, between 2008 and 2009, we saw a reduction in local authority funding from 32 per cent to 24 per cent, particularly for the small organisations. They are being hit by the reduction in public sector funding at the same time as their other sources of income—charitable trusts and foundations—are getting very little or much reduced income with which to fill the gap.

John Wilson: I welcome Mr Downie's response. We need to get to the nub of the problem that the voluntary sector faces. You say that some charitable organisations are—I paraphrase you—better off now and that some are worse off, depending on where their investments were located. I worked in the voluntary sector for almost 20 years, and the organisations that I worked for did not have investments—they did not have bonds or whatever else to fall back on in hard times. Many of those organisations survived on year-to-year funding.

We know that some organisations are currently looking at laying people off and have introduced short-term working, and in some organisations, staff have accepted pay cuts for several years to try to keep the service alive. I would be grateful to have from SCVO a picture of what is happening in the organisations that do not have fall-back provision from high-street shops or other donations. How are organisations that provide front-line services and which depend on funding from year to year surviving—if they are surviving? For me, survival is about ensuring that the resources are available to continue to deliver front-line services wherever possible. I know that it is difficult for SCVO to put its finger on the button because the voluntary sector encompasses such a wide range of organisations in Scotland.

John Downie: There are some examples. Earlier this year in Edinburgh, a survey was carried out by the Edinburgh Voluntary Organisations Council of 160 of its members. The committee will be aware that most organisations in the city found out what their grant was going to be for next year from a leak to the *Edinburgh Evening News* despite the compact being held up as an example of good practice of how local government and the sector engage and discuss issues. In 2008-09, 72 per cent of those mostly very small organisations had a standstill grant.

The other issue is that 100 per cent of those organisations said that their other costs, such as pension and office costs, had been scrutinised. If an organisation has reserves, Glasgow City Council and other local authorities are clawing them back. In fact, those reserves might have been built up not through any receipt of grant or delivery of public services but through other sources. That is not in the spirit of the task group.

What we see from the small Edinburgh survey—we are also examining the wider picture—is that 51 per cent of organisations that were surveyed said that they would probably survive, but would reduce in size if there are year-on-year cuts. Some 37 per cent said that they might not survive at all. It is a very bleak picture; we can supply you with the detailed information. That gives you some flavour of what has happened to small organisations in one city.

Given the public services reform agenda, lots of organisations in certain areas of the voluntary sector have opportunities when we talk about advice on fuel poverty and the green agenda. However, many of those organisations have been affected by cuts.

David McLetchie: Mr Downie touched on a range of organisations in his response to Mr Wilson. Is it fair to say that organisations that provide passive advisory and support services are the most adversely affected, whereas others that provide services for which a direct payment is made have enhanced opportunities and might be doing quite well? For example, we have had a lot of evidence about social enterprises and voluntary organisations that provide care services and child-care facilities. Is demand for those organisations' services rising, and their income with it?

John Downie: The income of some organisations is certainly rising. However, what is the definition of passive advice? Let me use as an example a small organisation in Edinburgh that gives advice on benefits—it might be about fuel poverty and a range of other things—so that people can access the benefits that are due to them. It helps to take people out of poverty and unemployment. The cost of this organisation is probably about £10 per hour. Its grant is very small and funds a case worker. If the grant is cut, the service will be taken in-house by the local authority and a social worker will provide the advice to families in need. That will cost about £150 per hour.

That may be seen as a kind of passive advice service but it is very necessary. There are many social enterprises and organisations in the social care sector whose profit margins—if I can put it like that—are also very tight. There are organisations which have opportunities to grow in this environment but many others are taking on contracts that, frankly, are not making money. They are being done simply to retain staff and to keep people in jobs.

David McLetchie: I accept that. However, it seems to me that there are some organisations that are paid, almost on a per capita basis, for the services that they render to the client, whether it is social care, child care or whatever. There are other more generic organisations that provide

some kind of advisory support, as you have described, and which get grants. In those, there is no relationship between the service that is rendered to the client who comes for the advice and the benefit that might flow to the client from that, and the income of the organisation. In previous evidence sessions we have heard about, and expressed concern about, the patchwork quilt of advisory organisations that exists among the third sector, local authorities, government bodies and so on. Does not the issue of shared services provide an opportunity for a degree of rationalisation and for a transfer to some of your member organisations of service provision on a contractual basis which is, at present, undertaken in-house by public bodies?

John Downie: That would be very welcome. Sharing of the service agenda is a debate within the sector, and it is happening. Organisations recognise that they have to work more collaboratively. This relates to the agenda of involving the end user in the design of services—the jargon of co-production—and organisations are thinking along the same lines. They have to work more closely together to meet the needs of the individual, rather than focusing on the service that they provide. That trend is happening within the sector.

David McLetchie: In taking an overview of councils that are looking at alternative service models for a range of services—I am aware of that in relation to the City of Edinburgh Council—do you sense that there is proactive engagement with your member organisations on considering those models? Are councils simply doing that with other councils but not necessarily with third sector bodies or social enterprises?

John Downie: My feeling is that they are talking to other local authorities but are not really talking to the third sector. The third sector is, in effect, the solution. All the research from the Scottish Commission for the Regulation of Care to other organisations shows that the sector is trusted more and delivers more effectively and efficiently—and I do not mean cheaply. The sector is respected by the people it delivers for, so there is clear added value. Local authorities, in general, are not engaging in the debate about how to involve the third sector in future delivery of public services. I would not say that the Scottish Government is doing that particularly well either, but there are real opportunities for both sides if there is wider engagement on that.

David McLetchie: We all recognise the evidence that you have given about the Kumar commission on care services, because we have taken evidence on that. Are you saying that the third sector and social enterprises are, at present, largely being shut out of the discussion about

shared services provision that is supposed to be going on with local authorities?

John Downie: Yes.

David McLetchie: Perhaps the Scottish Government should get a little prod to suggest that a more imaginative approach might be productive. Would that be a fair invitation that we might extend to the Government?

John Downie: We are happy to send to the committee our response to the independent budget review, which we produced when we met the commissioners. It focuses on the opportunities for how Government should use the third sector in the future, which directly relates to your question and your agenda. There are many opportunities for the third sector to be involved.

12:15

David McLetchie: Thank you. That is very helpful.

I will conclude by asking Mary Craig a couple of questions about the Lloyds TSB Foundation. You mentioned having got some £2 million by selling shares to which you were entitled as the result of a rights issue. Can you provide me with clarification? As I understand the dispute between the foundation and Lloyds TSB, there were two rights issues. In relation to the first rights issue, which had passed and from which the foundation had been excluded, it was suggested at one point that the foundation should receive a compensatory payment reflecting the value of the rights that had not been allocated to it but which, in the foundation's view, should have been allocated to it. What happened in relation to the first rights issue and the compensatory payment to which you believed the foundation was entitled?

Mary Craig: We fought for and won the right to take up our entitlement to the first rights issue, from which we had been excluded, at the price at which the shares were offered to everybody else, so it was a retrospective issue on the part of the bank. It was important for us to take up our entitlement from that issue because it had a knock-on effect on the rights issue that transpired in November. All that happened was that, if you like, the tape was reversed and we took up the entitlement. We did not get a compensatory payment but we were happy to take up our rights because that meant that we were in possession of shares that increased the rights that came in the November rights issue.

David McLetchie: You are entitled to a compensatory payment only in so far as the rights had a value. If you take up your rights and invest in and buy the shares, you do not get a compensatory payment.

Mary Craig: Absolutely.

David McLetchie: Just for clarity, has the dispute that surrounded the issue of the rights, the entitlement to subscribe for new shares and the value of the rights been resolved with Lloyds TSB to the satisfaction of the foundation?

Mary Craig: It has.

David McLetchie: So, we can ignore that.

In relation to your future policy, you said that, as an independent charitable trust, your board thought that the proposal from Lloyds TSB that there should be an alignment of funding objectives with regard to 30 per cent of your income would not be appropriate but, as I understand your answers to other questions, the proposal has been accepted by your sister foundations, which are also independent charitable organisations. I presume that it is not an issue of legality in respect of charity regulation: you may choose not to do it as a matter of policy, but it is not a matter of saying that it would be illegal for you to do it, because the others have done it. Is that correct?

Mary Craig: I cannot comment on the advice that the other foundations have received, but we have received substantial legal and financial advice. The advice was that the proposal was not in the best interests of the foundation or the charities that it supports. The trustees were therefore not in a position to accept the proposal as it stood. We believe that we are entitled to our independence and that it would have been fettered in a number of ways had we gone down that route.

We believe that what we have achieved is that we have come out of the other end of this with our independence intact. Having to submit annual business plans and having to sit down with the bank every three years to talk about strategy, the way forward and budget alignment were not, in our view, the activities of an independent charitable trust.

David McLetchie: You were entitled to take a decision on the basis that the proposal was not in your best interests, but your advice was that a proposal for such an alignment was not illegal.

Mary Craig: We never claimed that it was illegal.

David McLetchie: Indeed. I just wanted to clarify that you did not accept the proposal not because it would have been illegal for a charitable foundation. You made your decision because, as a matter of policy, you did not think that it was appropriate.

Mary Craig: It was not in the best interests of the foundation to accept the proposed deal. That was reiterated in the financial and legal advice that we received.

David McLetchie: Right. I just wanted to be sure that the legal advice was not that an alignment of that sort was illegal.

Mary Craig: No—it was not.

David McLetchie: This is as much an observation as anything else. After my 11 years in the Parliament, it seems to me—other committee members might wish to comment—that the profile and reputation of Lloyds Banking Group has been substantially enhanced by its association with, and the branding of, the Lloyds TSB Foundation. My judgment—it might also be that of others—is that, of all the major financial organisations in Scotland, Lloyds came out on top in terms of its reputational level. That was in very large measure because of the branding of and association with the foundation.

This might be wrong, but it therefore seemed to me that there was, de facto, quite a close alignment between the business, reputation and promotional activities of Lloyds TSB and those of the foundation. The number of times when the chief executive of Lloyds TSB was there to hand out the cheques—rather than yourself, for example—suggests close collaboration and alignment. I have listened to many speeches and presentations from Lloyds TSB—not from the foundation—about social policy, the work that is being supported and so on.

What is the difference between that de facto alignment—of which we have all had experience as members of the Parliament over the past 11 years and which has undoubtedly existed, in my opinion—and the sort of alignment that was proposed and that was found to be acceptable by three of the four foundations in the UK?

Mary Craig: You are absolutely correct in your assertion that there was a very close alignment between the foundation in Scotland and Lloyds TSB Scotland. It was a very close relationship, and we met regularly. We made it our business—not often, but occasionally—to take senior officials from the bank out on visits with assessors to allow them to understand what happens to the money when we get it and what types of organisations we fund. Those officials found that to be very beneficial.

We and Lloyds TSB Scotland did a number of things jointly. We celebrated our 21st birthday together—we ran a 21st birthday programme in which we included colleagues from the bank on a panel for judging applications. We held an event to celebrate that, because it was also a celebration for the bank that we had reached that point.

You are absolutely right that we had a very close relationship with the bank in Scotland. Unfortunately, however, the negotiations were not

done by the people in Scotland; they were done by people in London.

David McLetchie: You had a close collaborative relationship for all those years, involving joint projects, focus and so on. You might not have had as cordial personal relationships with the people in London with whom you were negotiating, but what is the practical difference between what was being proposed should be formalised by head office in London and what had actually been happening in Scotland for the previous 21 years?

Mary Craig: There was no correlation. The proposal that came from London was on the back of, or cited, issues around the recession.

Lloyds Banking Group had an opportunity to cut its obligation to the voluntary sector. That is what we were told. It wanted to do that because the foundations were receiving too much money.

David McLetchie: I am not asking about the level of funding; I am focusing on alignment.

Mary Craig: I am sorry—I misunderstood you.

David McLetchie: I am putting to you that there was a close, de facto alignment that we could all see. In practical terms—as opposed to legal terms—what is the difference between the alignment that all members of the Parliament have seen in action over the past 11 years and the proposed future working relationship?

Mary Craig: The difference is quite simple. The trustees of the foundation were allowed to get on with their business, unfettered by the bank. Although we had a very close relationship with the bank in Scotland, it was an arm's length relationship. We kept it informed of what we were doing. One of the major things to come out of the foundation was the establishment of Inspiring Scotland. We shared our plans with the bank for its information, not to gain its approval. Our trustees are an independent body of directors. The bank in Scotland never tried to persuade the foundation or interfere in any of its business. It clearly understood the boundaries and parameters.

David McLetchie: Thank you.

Mary Mulligan: Good afternoon. I welcome the save the foundation campaign that Mr Downie referred to earlier and I hope that many members have signed the online petition. I also hope that colleagues will sign the motion that Wendy Alexander has lodged in support of the foundation.

Mr Downie spoke about the relationship with local authorities, and he might want to come back to that. What discussions have your organisations had with the Scottish Government about the increased demand that you face and the possibility

that a reduced amount of resources will be available to you?

John Downie: At the start of this period, we had strong discussions with the Scottish Government, which has been highly supportive of the sector. The resilience fund that came out of those discussions was in part designed and developed by the sector, and members of the sector were on the assessment panel. The original intention was to provide an additional £1.7 million, but that figure went up to £2.2 million. In that sense, the Government has been extremely supportive in helping to bridge some of the funding shortfalls, but it obviously cannot bridge all the gaps. It has no control over what local authorities decide to do in that regard. We were happy with the Scottish Government's response.

Mary Craig: We have not had any direct discussions with the Scottish Government on that issue. As I mentioned, we have a drugs programme that we run in conjunction with the Government. We are delighted that we have managed to secure funding for it for this year.

In that programme, which allows organisations to come to us for a total of 50 per cent of the funding that they require—the other 50 per cent must be matched—we are seeing the situation that has been described. In the early days of the programme, that 50 per cent tended to be matched by Government or local authority money. The level of such funding is reducing quite markedly, with the result that voluntary sector organisations are trying to find other funders, such as our organisation, to provide the other half of the money.

Mary Mulligan: Resources are always an issue. I am sure that Governments would say that less money is available to them, too, and that they face increasing demands. Is there anything else that the Scottish Government could do to promote the work that you have been doing?

12:30

John Downie: There are several things. John Swinney, the Cabinet Secretary for Finance and Sustainable Growth, asked us in December to survey relationships at local level, which we did in January. We published some of the report—the full version is available from the Scottish Government—on the state of relationships between the third sector and local authorities. The report covered things such as representation in community planning partnerships, the funding issue and, more important, how we move to long-term, better relationships when delivering public services.

We need to see the creation of opportunities for charities, voluntary organisations and social

enterprises to upscale so that programmes—for example, a small project in Glasgow that might cut reoffending or help young people—can be replicated in local authority areas throughout Scotland. In that way, we would get the benefit of successful national schemes that would help the organisations to grow, cut costs to the public purse and, more important, help young people. There are lots of examples of organisations up and down the country running successful programmes. We need to upscale and replicate those programmes to grow the organisations and meet the demand and needs out there. A key role for the Scottish Government in the public services reform agenda is to open up those programmes and gain access for organisations, but it will need direction as well as action from those organisations.

Mary Craig: Another way for the Government to help is, at the other end of the process, to look at not just the delivery of a service but its effectiveness and the impact that it has had on communities.

I chair a group of both statutory and discretionary funders that is looking at harmonising reporting. Two years ago, New Philanthropy Capital in London did a pilot scheme to find out the cost to the voluntary sector of funders requesting reports from them. It came up with a figure of £450 million a year, which is 5 per cent of all the available grants. I do not know whether £450 million is the correct figure, but it is a substantial amount of money. As funders, both discretionary and statutory, we sit around the table as the Scotland funders forum. On hearing that figure, I thought that we should see whether we could improve the situation. The working group that I chair has been meeting for the past six months and has made some recommendations to the Scotland funders forum. We also plan to publish a guidance document that will go to the third sector division. Support for that would be helpful because funders have to get their act together. We need to be clearer about what we are asking voluntary organisations to report on and not wait until the last hour before saying, “By the way, we want to know about that even though we never asked for it in the first place.”

It would also be valuable to have support for organisations to learn about evaluation so that they know how to evaluate their service and what impact they are making, not only for their benefit in promoting their service, but for the funders who receive applications so that it can be evidenced that the organisations are making an impact.

John Downie: The Scottish Government can take action in a number of areas. I will not go into detail, but take procurement as an example. It is a perennial problem for the private, public and voluntary sectors, and work could be done to

make it easier for organisations to tender for services, get through the process and deliver a more efficient and effective service. It would also enable the organisation to develop over the longer period. As well as having reviews and seeing the impact of services, simple things could be done quickly to the procurement process to help the third sector.

Mary Craig: I echo that. Local organisations that have delivered services to local communities sometimes have no idea how to take part in the tendering process. In such situations, outside organisations come in and take the work on. The local organisation, despite doing a good job and making an impact, can be frozen out of the process.

Mary Mulligan: I am sure that the committee will be interested to read the report that you referred to when it is complete—it will no doubt inform us further.

Is there any indication that the issue around procurement might be progressed? Is anybody taking it on?

John Downie: We have a meeting this week with senior procurement officials from the Scottish Government. It is certainly an issue for the sector. From my previous experience in the private sector, I know that it is still an issue there, too. We have not got procurement right, particularly for small to medium-sized companies in the private sector and small to medium-sized organisations in the third sector. The big organisations are well used to it—they are experts in tendering for contracts—but it is the smaller organisations that are most under pressure. They need help and support, and the opportunity to tender.

Patricia Ferguson: I will follow on from Mrs Mulligan's point. I accept what Mrs Craig has been saying about the cost and impact of monitoring, but has any thought been given to the cost of applying for grants? Many of the organisations that I know were having to scramble about—even before the recession—to apply for a cocktail of grants in order to continue to function and do the jobs that they needed to do. It struck me that we could surely streamline that element somehow. It is a big task, but is your group considering that aspect?

Mary Craig: I am not aware of any work in that area, but the foundation holds what we call a surgery tour. We go out around the whole of Scotland and invite organisations from various communities to speak to us. We try to break down any perceived barriers between voluntary organisations and funders. Although we do not have particular depth and expertise about what other foundations and trusts do, we have some knowledge and we tend to refer organisations to

those other bodies. I am not aware of any work that is being carried out in the way that you describe, however.

John Downie: Some work is going on at the moment. It was commissioned by the third sector division of the Government's directorate for public service reform, and consisted of an evaluation of third sector investment and support. It is basically a package of three funds—there are six business support packages on offer. One of my colleagues has been involved in discussions with the third sector division over the past couple of days about the consultants' report and its recommendations. From my brief reading of it, I understand that there are issues around eligibility, the funding process, the time that is taken to make decisions and so on. That stuff is not particularly new, but the third sector division is at least seeking to improve the process.

Patricia Ferguson: You are absolutely correct that that is not a new problem, but it is perhaps more acute now, given the situation that many organisations find themselves in. It would be interesting to pursue that line.

I will return to Mrs Craig's earlier comments. Given that Lloyds Banking Group is in profit again, is there really any justification for it going ahead with its decision about ending its association with the foundation?

Mary Craig: I guess that is a matter for the group. We agree that there is not—that there is no reason why the arrangement should not continue. However, the group is telling us that it cannot continue, because it costs it too much—the voluntary sector is being paid too much.

Patricia Ferguson: I wonder whether a comparison with the bank's marketing budget might be interesting, taking into account the good that the foundation has undoubtedly done for Lloyds Banking Group's reputation. Perhaps that is an argument for another day.

Mary Craig: I could not possibly comment.

Patricia Ferguson: I understand.

Jim Tolson: I welcome the witnesses' forbearance, as it is well past noon. I am grateful to Mrs Craig for having had a private chat with me about this issue a few months ago. I also took the opportunity to meet a representative of Lloyds Banking Group. It is clear to me from those discussions that, unfortunately, the relationship between the foundation in Scotland and the bank has probably irretrievably broken down. We are where we are and we need to make some progress.

We are trying to look at the wider picture on behalf of all of those whom we want to see helped by the foundations. It seems odd to me that the

three other foundations in the United Kingdom have accepted the deal from the bank, with all the strings attached. We have gone through some of that this morning. Nevertheless, in Scotland it has not been accepted. In your earlier evidence, Mrs Craig, you pointed out that you have had to put a cap on the foundation's ability to give out money to charities that need it in Scotland. What is the comparison between the situation that the Scottish foundation now finds itself in and how much it is able to help charities, and the situation that the other three foundations find themselves in, having accepted the deal? Is it possibly the case that in Scotland you are able to give out less because you stuck by this method and did not agree with the bank?

Mary Craig: Had we accepted the deal we would have had a set amount of money over the next four years. Beyond that there was no certainty of money, because the arrangement is that the percentage of the profit drops to a half per cent. The bank talks about giving us fair value for a nine-year covenant. We do not believe that we have a nine-year covenant. We have a covenant with a nine-year notice period. By its own admission, the bank has not been able to substantiate its statement because its profit levels over the next nine years are not known. Therefore there was, and is, a danger that by accepting a half per cent of the profit we could end up receiving less than what we have at present. We do not know what the total picture of the group will look like. The European Union has asked it to divest itself of businesses. We do not know what the group will finally look like and there was no guarantee that this was a better deal for the foundation.

Jim Tolson: I appreciate that and you make some very valid points. However, comparing what we know of the deal that has been accepted with the position that the foundation in Scotland finds itself in, is it not the case that the other trusts have a more long-term guarantee of funding and that that is not necessarily the case in Scotland?

Mary Craig: They do not have a guarantee of any long-term funding. There is still a nine-year notice period attaching to the covenant. The only guarantee that the bank gave was that it would not serve notice on the other foundations within the first 12 months. There is no guarantee that the covenant will go beyond the arrangement that is already in place or that the income stream will be better than it is at present.

At the last meeting, because the bank's representatives talked about wanting to continue the covenant beyond nine years—to 10, 20 or 30 years—we asked whether they were offering a 30-year covenant. We were told that they were not, but were continuing to offer a nine-year notice

period on the covenant. When we asked them how certain they were of their prediction that they would give us fair value over nine years, they admitted that their figures were very soft. They cannot possibly project nine years ahead from where we are at present, so they cannot substantiate that statement.

We were also told that our independence would not be fettered. Yet, when the trustees re-appointed our chairman in February of this year and we wrote to Lloyds Banking Group, as we were entitled to do, to have that rubber-stamped, a letter came back to say that the bank was not prepared to endorse the unanimous choice of the trustees that this chairman should be re-appointed. That is fettering the independence of the foundation.

Jim Tolson: I appreciate that clarification, Mrs Craig. You are quite right. No one in banking, business or elsewhere can predict what profits, if any, they would have over a longish period of nine years or more.

Convener, may I turn briefly to Mr Downie to finish this point? Of the bodies that have, particularly in the past, benefited from the foundation in Scotland, some have been able to be redirected to other sources of funding when it appeared, in the last six months or more, that funding from the Scottish foundation had dried up. Have you done any analysis that has found that your member organisations have had to make drastic cuts because of the loss of money from the foundation? Have any charities had to close down their services altogether?

12:45

John Downie: I could not say how many of our member organisations have had to close down altogether, but our campaign to save the foundation is a response to concern across the board from the sector and from members. As Mary Craig said, many of the foundation's grants were very small, so for those organisations there is a much bigger impact. There is also the leverage factor.

We are looking at the picture across the whole sector, not just the picture with regard to the foundation. There are many organisations across the country to which we could direct the committee that would provide a case study of the impact of the foundation's funding. It helped individuals as well as organisations—I think that we used the example of one such individual in a press release. A young man who went to an organisation that was funded by the foundation has turned his life around after coming off drink and drugs. There are many individual stories, but we do not have empirical research on the impact so far.

As Mary Craig said, a grant from the foundation would not make up the whole of an organisation's funding; it would get money from other sources as well. Such organisations may be able to survive, but there will be an impact on what they can do overall. That is where funding from the foundation makes a difference.

Mary Craig: I have an important point to make that I should have made earlier. Another aspect of the deal with the bank was that the bank would have controlled about 30 per cent of the funding. It would have been able to direct the traffic such that those moneys would have been used in support of Lloyds Banking Group's objectives. We do not see that as being the function of an independent funder. That would have resulted in many of the organisations that we fund not being eligible for support, which was another good reason why we could not accept the deal.

Jim Tolson: Thank you for that information. It is good to have that on the record.

The Convener: I have bids for two short supplementary questions.

Mary Mulligan: I forgot to come back to Mr Downie, who made a point about CPPs. Has progress been made on voluntary organisations participating in CPPs, or is there still some way to go?

John Downie: There is still some way to go. The survey that I referred to earlier, which we carried out with Voluntary Action Scotland in January, paints a mixed picture. In some areas, the relationship is extremely good and the voluntary sector is heavily involved. In other areas—Glasgow is one that I could name—there is no relationship at all; it seems to have broken down totally. There is no voluntary sector representation. In addition, Glasgow City Council is clawing back reserves. I am hopeful that that situation will change under the council's new leadership. We can submit to you the report that I mentioned. The Scottish Government has a detailed breakdown of the position in all areas.

John Wilson: I want to follow up on Mary Mulligan's question. I am surprised by what Mr Downie said about the situation in Glasgow. Along with Edinburgh and one or two other large cities, Glasgow is in the unique position of having an umbrella organisation for voluntary sector organisations throughout the city. Are you saying that the Glasgow Council for the Voluntary Sector has no relationship with Glasgow City Council?

John Downie: That is my understanding. I am not saying that there is no relationship between the Glasgow Council for the Voluntary Sector and Glasgow City Council, but I would not say that their relationship is positive. I am sure that if the organisation's chief executive, Helen Macneil,

were here she would reiterate that. We had meetings with the GCVS earlier in the year and it was outspoken on the impact of the council's budget cuts on funding for the voluntary sector in the city.

John Wilson: When I worked in the voluntary sector, a concern was raised by numerous voluntary sector organisations in a particular part of Glasgow about who would represent them in the community partnerships, which are now community planning partnerships. You raised the issue of lack of representation, but has the SCVO considered how it could co-ordinate the voices of the voluntary sector in community planning partnerships throughout Scotland? Would an SCVO rep attend every CPP?

John Downie: We do not see it as our role to sit around a local table in that way. It is our role to look at the bigger picture across Scotland, get a feel for relationships and talk to local government, the Convention of Scottish Local Authorities and national Government about where there are gaps in provision in the concordat, for example, according to the spirit of the task group to which we all signed up. Where there is no third sector representation in community planning partnerships we have on numerous occasions asked the minister to intervene, but he has not yet done so. Where there have been issues, we have raised them with him.

The Convener: Is it not big picture stuff to help people deal with a new situation where services are being tendered and procurement issues and communication skills are important? Is it not part of the big picture to ensure that small and charitable organisations can manage their way through? That problem was identified in previous evidence-taking sessions.

John Downie: We help across the sector through our engagement with all the national intermediary organisations and interfaces. We support those organisations and supply them with information. It is their role—for example, in Glasgow or through EVOC in Edinburgh—to be the main lead in a local area. We work with them at national level to give them as much support, information, help and advice as we possibly can on issues such as procurement, the green agenda and a range of other things.

The Convener: As John Wilson mentioned, many of those organisations value seriously their independence and their ability to take decisions and deliver services. Is it not partly the case that the voluntary sector needs to get its act together locally? It is not a case of their not being represented on CPPs; it is more that they feel that they are not represented personally.

John Downie: That might be true in some cases, but we are seeing four or five organisations in South and North Lanarkshire and other local authority areas merging to form the local interface. We are seeing other such mergers and collaborations. The voluntary sector is getting its act together on relationships with local authorities and national Government.

The Convener: So it is not just one sided.

John Downie: It is not one sided.

Patricia Ferguson: I want to clarify with Mr Downie his point about the voluntary sector and community planning partnerships in Glasgow. I should add that I have no special brief for community planning in Glasgow, having been removed from the community planning partnership in my area. However, it is appropriate to note that there are local voluntary sector representatives in all the community planning partnerships in Glasgow, although they might not be representatives of the voluntary sector umbrella organisations. Or at least, that was the case when I was in that CPP.

John Downie: There are different levels. There are no voluntary sector representatives in the main community planning partnership, which is the decision-making body, although there is representation at a lower level. However, that is not where the decisions are made about budgets, strategy and investment. The voluntary sector needs to be round the table at that level.

Patricia Ferguson: I might disagree that the decisions are not made at the lower level—decisions about local spend are made there. However, I agree absolutely that the voluntary sector should be represented at all levels.

The Convener: I thank both witnesses for their patience following the delayed start to this morning's meeting. Thank you very much for your evidence; I wish you well for the future.

Subordinate Legislation

Disposal of Land by Local Authorities (Scotland) Regulations 2010 (SSI 2010/160)

12:55

The Convener: Agenda item 3 is consideration of subordinate legislation. Members have received a copy of the Disposal of Land by Local Authorities (Scotland) Regulations 2010 (SSI 2010/160) and no motion to annul has been lodged. I ask members whether they agree that they do not wish to make any recommendations to Parliament in relation to the regulations. At least two members are indicating that they want to speak: Mary Mulligan, who gave us some notice; and David McLetchie—

David McLetchie: Who did not, because he has just read the instrument.

Mary Mulligan: I will be brief, because I have raised a number of questions through the clerks and am grateful to them and to Scottish Government officials for the answers that I have had so far. However, I still have an issue with the regulations.

To begin with, I say that I support the flexibility that the regulations offer to local authorities in respect of sales of land, because I have experience of cases in which it makes sense to do a deal that is perhaps for less than market value or whatever. However, my final question to officials was: if there is concern about a particular transaction, how will that be addressed? I was told that the way of addressing it would be to raise the issue with the local council. It seems to me that there are issues with putting a question about a local council's actions back to the council itself.

Is there some way in which, if someone had a concern, they could raise it with the Accounts Commission, Audit Scotland or whichever is the appropriate body, which could have a look at the matter when they did their overview of local authorities? That would ensure an independent view of the action. I do not know whether that is appropriate, but I would like to have the opportunity to ask the Scottish Government whether it is and, if not, whether the Government can suggest a mechanism that would reassure people that if there is a concern, it will be looked at. I do not wish to cast aspersions, but there needs to be some kind of back-up procedure.

The Convener: I thank Mary Mulligan for outlining the nature of her question.

David McLetchie: Mary Mulligan has raised a very good point, in particular when we bear it in mind that the previous regulations required

consent for such disposals from Scottish ministers, so there was an independent check in the system. From what Mary Mulligan has said, it appears that there is not an independent check in the system that we are being asked to approve. That is a very important point, which should be looked at.

My point is that the regulations are based on the concept of “the best” consideration—the best price. How does one determine what the best price is? Is the best price the price determined by the exposure of the land or property in question to the market? In that case, bidders and a range of prices would be determined in an open market, and then approval at a lower than best price would be authorised in accordance with the regulations. Alternatively, is “the best” in most situations the best that is determined by a valuation—by a district valuer or some kind of independent evaluation—and a discount would be sought on that? That is not necessarily the same as the discount relative to a price offered in an open market.

The other issue that I am interested in is the “marginal amount”, which is 25 per cent of the best consideration—there does not seem to be an upper threshold, although there is a minimum threshold. Is it correct to say that, under the regulations, if a council had a vacant site available for a housing development, which on the open market was worth £2 million for a private development, the council would be entitled to sell it for £1.5 million to a housing association for affordable housing? That is the way that I read the regulations, but I would be interested to know whether that is correct. A number of us probably know of instances in which councils, in their desire for value maximisation, shall we say, are withholding marked land from the marketplace and are not considering disposals at a discount, even for the purposes of an affordable housing investment strategy.

13:00

John Wilson: Further to Mary Mulligan's point, if there is an appeal against a sale, at what point can the council dispose of the land? If a council goes ahead with a sale, ownership will transfer at the point of sale. If there is an appeal, will that restrict the council's ability to sell? I have come across a couple of instances in which people challenged a council's decision to sell land but no appeals process seemed to be built into the disposal arrangements, which was unfortunate.

If we are thinking about the best use of land that is disposed of, we must consider how the issue fits into the overall programme that the Government is trying to promote. That relates to what David McLetchie said.

The Convener: In the light of members' questions, we will ask the clerk to make someone available to answer questions at the next opportunity—I think that that will need to happen at our meeting next week.

European Commission Work Programme 2010-14

13:02

The Convener: Item 4 is consideration of paper LGC/S3/10/14/4, on the European Commission's work programme. We need to discuss a number of issues. We want to identify areas of the Commission's work with which we want to engage during the remainder of the parliamentary session.

In paragraph 4, the following key challenges for the social inclusion process, which interests us, are listed:

“to eradicate child poverty ...

to promote the active inclusion in the society and the labour market of the most vulnerable groups

to ensure decent housing for everyone

to overcome discrimination and increase the integration of people with disabilities, ethnic minorities and immigrants and other vulnerable groups

to tackle financial exclusion and overindebtedness.”

We have done work on many of those issues. Earlier in the meeting, Bob Doris was talking about our ambitions for greater social inclusion. It will be interesting to see how Europe faces the challenge that we all face, which is to do with whether we can afford to proceed. Given the stories that we are hearing about Greece, Portugal, Spain and so on, Europe might be ahead of us in that regard.

I do not know what members think about this, but I am interested in the Commission's work to promote active inclusion and provide worthwhile jobs, at a time when jobs are disappearing and unemployment is rising. Do members have comments?

Mary Mulligan: As you would expect, I am interested in how the European nations are dealing with pressures to do with housing demand. Other countries do not rely as much as we do on private house building and perhaps have not suffered in the way that we have done as a result of the recession.

It is always useful to consider what other countries are doing to resolve problems to do with housing, particularly in relation to financing. Early this year, or perhaps at the end of last year, the Scottish Government was considering how financing from the European Investment Bank might work. I am not disagreeing with you, convener, but—

The Convener: No, this is just a round-table discussion. Nobody is defending anything here. For every one of these things, we have two days—that is all.

Bob Doris: It would be interesting to know more about what our partners in Europe are doing to

“promote the active inclusion in the society and the labour market of the most vulnerable groups”.

I think that Mary Mulligan alluded to part of that. We have the levering in of European money via investments by what we are calling a Scottish investment bank. That is about employability and fostering economic development, and how that dovetails with employability projects for people in the most vulnerable areas. We have just had, as well, £5 million of European money going to Glasgow and North and South Lanarkshire to try to stimulate urban development. It is about seeing how that hooks into employability, what our partners in Europe are doing as well and following the pounds and seeing what the benefits are.

The Convener: I presume that the committee agrees that, as we have previously done some work on these areas, they are clearly of interest to us.

Alasdair Allan: Additionally—to go off at a slight tangent—on employability and employment, one of the biggest employers in many parts of Scotland is the local authority. There is a debate to be had about procurement and the role of European legislation in the constraints that are placed on local authorities, if we believe some of the fears of people who are against local procurement. It might be interesting to touch on that debate, if we can.

John Wilson: I think that the subjects are ideal for us to look at, convener. When the visit is planned, we will know what developments have taken place in Greece, Portugal and Spain and how the European Commission and the Parliament are going to try to tackle some of the issues. This committee is clearly close to those subjects and can examine where the Government is going. However, if we go on a visit, I make a plea about the time we spend. I participated in a visit when I was on the Justice Committee, and I felt that it was a whirlwind visit. We never really got into some of the real issues and how the Commission and the Parliament were developing them. If we go on a visit, we should try to timetable it so that we have some meaningful engagement on the policies that are being promoted by Europe.

The Convener: You are racing ahead a wee bit. I need to try to get through points 1 to 3 in the briefing paper. We are still on the issue of identifying areas. Do you want to say more on that, Bob?

Bob Doris: I will leave it at that.

The Convener: Okay. We move then to where John Wilson was. If members are interested in the social inclusion process—and there is obviously

an interest there—we need to decide whether we would wish to visit Brussels with a view to engaging in that process.

Bob Doris: The no-brainer thing to say would be yes, but I just have two caveats to make sure. First, we need to be quite clear where any money would come from for the committee to go to Brussels. If it would come from our budget, the answer should be no, because we can find other ways of discussing with our European partners. If it is not coming from this Parliament's budget, then I would be a little bit more relaxed about it. Secondly, to echo John Wilson's point, if we go on a visit to Brussels, it is imperative that when we are there we deal with the issues at a complex level, which would mean ensuring that we had support, information and a full briefing before we went there, so that we do not get a cursory glance at discussions but have more in-depth discussion about what is happening elsewhere. Those are the two pitfalls to avoid, should we decide to go ahead.

The Convener: It is just as well to raise that at this point. It is likely that, other than incidental expenses that may transpire, we would not have to fund the flights, accommodation and so on—I think that I am correct in saying that. Obviously, I do not know about having two full days there on the Monday and Tuesday. I do not know whether we could travel a wee bit earlier or whatever. Of course, Wednesday morning, when we might travel back, is usually a committee morning. I do not know whether we would travel on that day—it depends on discussions.

Do members agree that visiting Brussels on a Monday and a Tuesday is a good idea? There is non-parliamentary time at the beginning of the week, and the committee meets on Wednesday mornings. Obviously, there are sometimes problems not just because of whirlwind visits; sometimes the problem is packing things in, so there is no time to deal properly with particular issues. That means that we must be disciplined about the range of topics that we want to cover. If I take on board what has been said, do members delegate to me and the clerks responsibility for working out what is acceptable and the timetable parameters? If so, we will come back to the committee with more detailed proposals.

Patricia Ferguson: I have the great pleasure of being a member of the European and External Relations Committee, and my experience of dealing with the EU at all its levels is that it can best be dealt with there. The European office over there is good at bringing in a range of people and setting up sessions in which issues can be discussed. The European and External Relations Committee has tried to have discussions by videoconference, but they are not as successful. It

is much better to be there, and people appreciate our being there. If such visits can be fitted in, they will give a much better sense of what the European Union feels like as an institution. It is worth while for parliamentary committees to go to and engage with Brussels. That shows seriousness about the issues.

The European and External Relations Committee meets on Tuesdays. I am sure that I am not unique in having meetings then; I am sure that other members of this committee are members of committees that also meet on Tuesdays. I do not know whether that can be considered to maximise the number of people who could go to Brussels, but it would be helpful if it could be considered.

The Convener: Okay. We will take that on board.

I will proceed on the basis that we are interested in the work, in participating in the work and in a visit, and that we expect further details of how a visit would work. We have taken note of members' comments. Members agree that responsibility should be delegated to me and to the clerks to bring back more details about the visit. I think that much larger delegations are expected in Europe, so there may be places for a larger delegation. The question is whether members are content to fill the places on our own; if we cannot do so, we may want to consider inviting stakeholders. However, we can discuss that matter further once we get details about what can be done. Do members agree with that?

Members indicated agreement.

The Convener: We will now go into private session.

13:13

Meeting continued in private until 13:28.

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