

House of Commons
ODPM: Housing, Planning,
Local Government and the
Regions Committee

**DEPARTMENTAL
ANNUAL REPORT AND
ESTIMATES 2002**

Fifth Report of Session 2002–03

Volume I

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ODPM: Housing, Planning,
Local Government and the
Regions Committee

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ANNUAL REPORT AND
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Fifth Report of Session 2002–03

*Volume I:
Report and Proceedings of the Committee
together with minutes of evidence and
appendices*

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ODPM: HOUSING, PLANNING, LOCAL GOVERNMENT & THE REGIONS COMMITTEE

The ODPM: Housing, Planning, Local Government the Regions Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Office of the Deputy Prime Minister and its associated public bodies.

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Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the memorandum number, eg ANN 01.

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FIFTH REPORT

The ODPM: Housing, Planning, Local Government and the Regions Committee has agreed to the following Report:

DEPARTMENTAL ANNUAL REPORT AND ESTIMATES 2002

Summary

The split between the Office of the Deputy Prime Minister and transport is a lost opportunity. The Deputy Prime Minister's aim to create sustainable communities cannot be achieved unless it is underpinned by a transport policy that shares its objectives. At the moment transport and planning policies are pulling in opposite directions.

We have looked at the Public Service Agreement targets of DTLR and ODPM. Reducing the number of PSA targets was one of DTLR's biggest successes.

We accept that the number of targets should be limited to ensure that they do indeed reflect priorities, not everything that the Department does. However whilst on the one hand we were told that the PSA targets are the Department's highest priorities, on the other, activities described to us as being of the highest priority are not included in the PSA targets.

Many of the targets it does have are hard to measure or progress is being poorly reported. Performance against targets is not being externally validated.

In order to achieve its aims and objectives, the Office of the Deputy Prime Minister needs to play a far more significant role than a traditional spending department (like DTLR). It needs to act as a champion of neighbourhood, local and regional issues across Whitehall. The establishment of a new department under the leadership of the Deputy Prime Minister creates a real opportunity to bring about these new ways of working and to encourage other parts of government to act differently.

Introduction

1. Our predecessor Committees have long carried out inquiries into their Departments' Annual Reports and Estimates. This has been recognised as good practice by the Modernisation Committee which recommended that departmental select committees should examine and report on estimates and monitor performance against targets in the Public Service Agreements.¹

2. This inquiry considers the Annual Report and Estimates 2002 of the Department for Transport, Local Government and the Regions (DTLR).² That Department was split into the Office of the Deputy Prime Minister (ODPM) and the Department for Transport³ in May 2002, following the resignation of the then Secretary of State, Stephen Byers. The new Office of the Deputy Prime Minister combines activities inherited from DTLR, such as housing, homelessness, urban policy, planning, local and regional government, neighbourhood renewal and the Fire Service⁴ with additional responsibilities for social exclusion and regional co-ordination (from the Cabinet Office).

3. The DTLR Annual Report, which we are considering, was published in June 2002, after DTLR had ceased to exist. This has an unpleasant echo of our predecessor Committee's scrutiny⁵ of the Department of the Environment, Transport and the Regions' (DETR) Annual Report 2001.⁶ That Annual Report was published shortly before the functions of DETR were split to create DTLR and the new Department for Environment, Food and Rural Affairs (DEFRA),⁷ in June 2001. The two reorganisations within twelve months have caused considerable disruption for Ministers, officials and select committees. It has been a difficult and frustrating year for all concerned. **It is important for Prime Ministers to consider the consequences of continually reorganising government. Such reorganisation hinders delivery of services.**

4. This report looks both at historic performance and future priorities of the functions now undertaken by ODPM. Historic performance is described in the DTLR Annual Report 2002 and ODPM's Autumn Performance Report.⁸ Forward looking information about the aims, objectives and targets of the new Department are set out in its Public Service Agreement, which is supported by a Technical Note and Service Delivery Agreement.⁹ The Committee has taken oral evidence from the Deputy Prime Minister, Rt Hon John Prescott, MP and the three Ministers of State:

- Rt Hon Nick Raynsford, MP, Minister for Local Government, the Regions and Fire;
- Rt Hon Lord Rooker, Minister for Housing, Planning, Regeneration and Regulatory Reform; and
- Barbara Roche, MP, Minister for Social Exclusion, Regional Co-ordination, Neighbourhood Renewal and Homelessness and Deputy Minister for Women and Equality.

¹ *Select Committees*, First Report of the Select Committee on Modernisation of the House of Commons, 2001-02, HC224-I

² DTLR, *Annual Report 2002*, Cm5405, June 2002

³ Responsibility for the Electoral Commission went to the Lord Chancellor's Department and Health and Safety to the Department for Work and Pensions

⁴ The Fire Service was transferred to DTLR from the Home Office in 2001

⁵ *Departmental Estimates and Annual Report 2001 and Recent Policy Developments*, Transport, Local Government and the Regions Committee, 2001-02, HC 373-i,ii,iii and iv

⁶ DETR, *Annual Report 2001*, Cm5105, March 2001

⁷ Combining environment with the former Ministry for Agriculture, Fisheries and Food

⁸ ODPM *Autumn Performance Report 2002*, Cm 5692, November 2002

⁹ Chapter 5, 2002 Spending Review, *Public Service Agreements White Paper*, HM Treasury, July 2002, *SR2002 Public Service Agreement Technical Note*, ODPM, November 2002 and *Service Delivery Agreement*, ODPM, December 2002

We also took evidence from eight senior ODPM officials. The inquiry took place over three evidence sessions between November 2002 and January 2003. We are grateful to our witnesses and to the National Audit Office for its technical assistance. The transcripts of evidence taken, together with additional memoranda from ODPM, are published alongside this Report.

5. Our report considers the Department's performance in a number of areas:
- the split from transport;
 - Public Service Agreement targets;
 - ODPM's relationship with other government departments;
 - central Government's expectation of local government; and
 - financial management.

The split from transport

6. When he was Secretary of State for Environment, Transport and the Regions, the Deputy Prime Minister made a strong case for having brought these functions together in a single department. In his introduction to the DETR Annual Report of 1998, he wrote:

*"In bringing together the former Department of the Environment and former Department of Transport, we are seeking to ensure greater coherence and a more integrated approach to policy on the environment, transport and regional affairs. I cannot stress how much importance I attach to securing integration between the policies, services and functions of the two former Departments."*¹⁰

Similarly in his Statement to the House on the Ten Year Plan in July 2000, he said:

*"We have laid the foundations for the long term, we needed to integrate the Department of Environment & Transport - we have done that; we needed a new strategy - we have done that."*¹¹

Since the separation of the functions of the former DETR in 2001 and 2002, there has been a loss of coherence between transport, planning, housing, regeneration and environmental policy, which we look at in greater detail below.

Planning and transport

7. When the Deputy Prime Minister introduced the Ten Year Plan for Transport, transport and planning policies jointly promoted the aim of reducing the need to travel. Planning Policy Guidance Note 13 states:

*"Land use planning has a key role in delivering the Government's integrated transport strategy. By shaping the pattern of development and influencing the location, scale, density, design and mix of land uses, planning can help to reduce the need to travel, reduce the length of journeys and make it safer and easier for people to access jobs, shopping, leisure facilities and services by public transport, walking, and cycling. Consistent application of these planning policies will help to reduce some of the need for car journeys (by reducing the physical separation of key land uses) and enable people to make sustainable transport choices."*¹²

¹⁰ Page vii, *DETR, Annual Report 1998*, Cm 3906, April 1998

¹¹ HC Deb, 20 July 2000, col 549

¹² Paragraph 3, *Planning Policy Guidance Note 13: Transport*, ODPM

8. That aim of reducing the need to travel is no longer shared by the Department for Transport. Recent statements by the Secretary of State for Transport indicate that he does not think that Government can or should reduce commuting. He told the House:

*“I understand the argument that we should try to locate people and their place of work closer together. During the 1970s and 1980s many transport planners and town planners felt that that was possible. I am not sure whether I would adopt that as a major part of a transport solution.”*¹³

He has also said:

*“It cannot be the Government’s strategy that you keep people locked up in their homes. A successful economy where people are better off means people move around.”*¹⁴

The Government’s planning policy aims to reduce the need for travel and the length of journeys. We are concerned that the Secretary of State for Transport may not share the aim of restricting commuter journeys.

Housing and transport

9. The Deputy Prime Minister plans to accelerate the growth of housing development in four areas of the south-east—Ashford, Milton Keynes, Thames Gateway and the M11 corridor.¹⁵ Our Planning for Sustainable Housing and Communities inquiry has received evidence that significant investment in transport will be needed to open up development opportunities in these four areas.¹⁶ We will be reporting on this issue in greater detail in due course. **Given the limited resources available, it is not clear how decisions will be made choosing between investment in infrastructure in the four housing growth areas and existing government transport priorities. The Deputy Prime Minister does not control the budgets for the transport investment said to be so important for his communities plan and the Transport Department will make decisions on expenditure in accordance with its own priorities and targets.**

Regeneration and transport

10. The success of many urban regeneration schemes is dependent on new local transport infrastructure, linking neighbourhoods into city centres, rather than the long distance routes prioritised by the Government in its Ten Year Plan.¹⁷ During the Sub-Committee’s inquiry into Government Regeneration Initiatives, we have visited Stoke on Trent and heard that the development of Festival Park (the Garden City site) was being hampered by poor local road access. Witnesses suggested that if funds were made available to provide a main road to the Park, further development could take place providing more jobs.¹⁸ **In general, the Government’s regeneration priorities are not reflected in its transport priorities, which are instead focused on long distance transport improvements.**

¹³ HC Deb, 17 December 2002, col 722-723

¹⁴ <http://news.bbc.co.uk/1/hi/programmes/newsnight/archive/2566479.stm>

¹⁵ HC Deb, 18 July 2002, cols 439-442

¹⁶ Roger Tym and Partners, SHC40, *Planning for Sustainable Housing and Communities*, HC77-II

¹⁷ Recommendations f and i, *Ten Year Plan For Transport*, Eighth Report of the Transport, Local Government and the Regions Committee, 2001-02, HC558-I

¹⁸ Visit to Stoke on Trent as part of the Sub-Committee’s inquiry into *Government Regeneration Initiatives*

Environment and transport

11. The loss of ‘joined-up’ government is most clearly seen with the split of transport from environment. In 1998, the Integrated Transport White Paper said:

*"This White Paper fulfills our manifesto commitment to create a better, more integrated transport system to tackle the problems of congestion and pollution we have inherited. It is timely. In its Green Paper the previous Government recognised that we could not go on as before, building more and more new roads to accommodate the growth in car traffic. With our new obligations to meet targets on climate change, the need for a new approach is urgent."*¹⁹

Yet following the split in departmental responsibilities, although DEFRA and the Department for Transport have a joint Public Service Agreement target to improve air quality,²⁰ only DEFRA has a target to reduce greenhouse gas emissions.²¹ This is being undermined by the Department for Transport’s decisions to increase road building.²²

Executive non-departmental bodies

12. The splitting of the DETR has not just affected central government but its agencies, which also display a lack of ‘joined-up’ working. The Strategic Rail Authority²³ recently told the Transport Committee that it does not take account of wider regeneration effects in its investment decisions.²⁴ Conversely, the Strategic Rail Authority does not have Statutory Consultee²⁵ status in planning matters.²⁶ The Environment Agency,²⁷ although a Statutory Consultee, struggles to influence planning matters and housing policies from its location in a different department (DEFRA).²⁸ In addition, despite DEFRA having responsibility for environmental protection, including contaminated land,²⁹ the Government’s brownfield land agency—English Partnerships—reports to ODPM.

13. Our Planning for Sustainable Housing and Communities inquiry has received evidence from Dr Susan Owens, a member of the Royal Commission on Environmental Pollution:

*"In its study of Environmental Planning, the Royal Commission on Environmental Pollution encountered, as a ‘basic weakness’ of present procedures ‘the lack of strong connections between town and country planning and the work of the specialist agencies dealing with pollution and conservation.’"*³⁰

¹⁹ Foreword, *A New Deal for Transport: Better for Everyone*, DETR, July 1998

²⁰ DfT PSA Target 6, “Improve air quality by meeting our National Air Quality strategy objectives for carbon monoxide, lead, nitrogen dioxide, particles, sulphur dioxide, benzene and 1-3 butadiene. Joint target with DEFRA.” 2002 Spending Review, Chapter 4, *Public Service Agreements White Paper*

²¹ DEFRA PSA Target 2, “Improve the environment and sustainable use of natural resources, including through the use of energy saving technologies, to help reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in carbon dioxide emissions by 2010,” 2002 Spending Review, Chapter 13, *Public Service Agreements White Paper*

²² HC Deb, 10 December 2002, col 156-158

²³ An executive non-departmental body of the Department for Transport

²⁴ Q81, *Multi-Modal Studies*, Transport Select Committee, HC1306-i, 2001/02

²⁵ Bodies that local planning authorities are required to consult on planning applications

²⁶ *Statutory and Non-Statutory Consultation Report*, DETR, January 2001

²⁷ An executive non-departmental public body of DEFRA

²⁸ The Environment Agency’s submission to the Committee’s inquiry into *Planning for Sustainable Housing and Communities* urges the ODPM to remind local authorities to re-consult the Environment Agency when they overrule its advice on building in areas at risk of flooding, SHC63

²⁹ www.defra.gov.uk/environment/landliability/index.htm

³⁰ Dr Susan Owens, SHC62

Poorly planned transport damages communities and the environment. For sustainable communities to be created, transport, environment and urban policies need to be combined. This is best achieved in a single department.

14. Given the fragmented responsibilities, we are seeking reassurance from ODPM that the mechanisms are in place at Ministerial, official and executive agency level for bringing together transport, housing, planning and environmental policies.

Public Service Agreement Targets

15. Public Service Agreement (PSA) targets are agreed between departments and the Treasury in biennial Spending Reviews. There have now been three such reviews, in 1998, 2000 and 2002. The DTLR Annual Report 2002 reports progress against the relevant targets set for DETR in 1998 and 2000. ODPM was established prior to the 2002 Spending Review, so the latest Public Service Agreement was specifically prepared for the new department.

16. At the time of the Comprehensive Spending Review in 1998, the Treasury set out the purpose of Public Service Agreements:

“PSAs set out each department’s aims and objectives and then show how much progress we expect to make and over what timescale, through concrete targets. As far as possible these targets are set in terms of specific improvements in services or in the results those services will achieve. PSAs therefore show what people can expect for their money in the real world, with extra investment matched by hard commitments.”³¹

One purpose of the targets also needs to be to allow outside bodies, like select committees, to understand and assess departments’ performance.

1998 and 2000 Public Service Agreement Targets

17. Appendix D of the DTLR Annual Report 2002 reports progress against all targets set in the 1998 and 2000 Spending Reviews. There has clearly been an enthusiasm to describe as many targets as possible as being ‘met,’ even when the accompanying text or oral evidence to the Committee has admitted that progress has only been partial. For other targets the performance indicators used in the Annual Report have been quantitative measures that fail to capture the full scope and intention of the target or performance reporting is so riddled with jargon that it is hard to tell whether or not the target has been met. Some examples are set out below:

Target	“Enable joint working and pooling of budgets between local authority and other public agencies by April 2000, to provide better and more accessible services for local people.”
Status	Target described as met in DTLR Annual Report 2002 ³²
Comment	The Annual Report goes on to qualify this, indicating that the target has only been partially met, “The Strategic Partnership Taskforce is supporting a number of local government pathfinder projects aimed at finding new ways to deliver services in partnership with others. The taskforce aims to find solutions to the many technical and legal problems which can hamper joint working at present.” ³³

³¹ Chapter 1, *Public Services for the Future: Modernisation, Reform, Accountability*, HM Treasury, December 1998, Cm 4181

³² Page 162, *DTLR Annual Report 2002*

³³ Page 162, *DTLR Annual Report 2002*

Target	Introduce Best Value "... and annually improve the efficiency of local authority services overall by 2% or more."
Status	Target described as met in DTLR Annual Report 2002 ³⁴
Comment	Elsewhere the Report states that a separate target for local government to make "annual improvements in cost effectiveness of at least 2%" cannot yet be measured—a methodology is currently being developed. ³⁵ Written evidence from the Department confirmed that it is not currently possible to identify which local authorities are achieving 2% efficiency savings per annum. ³⁶

Target	"Ensure that by December 2002 each council has adopted and put into operation a new constitution which is transparent, accountable and efficient."
Status	Progress described as "on course" in DTLR Annual Report 2002 ³⁷
Comment	The Annual Report also sets out the performance indicator used to measure progress against this target—"every council has a new constitution in place by December 2002." ³⁸ It was clear from oral evidence (and indeed it is self-evident) that this performance indicator would not capture whether or not these new constitutions are indeed transparent, accountable and efficient. A long term evaluation would be needed to assess this. ³⁹

Target	"By March 2001, to have established a database on user satisfaction of all key services delivered by DTLR(C) [Central] and its agencies and to have set and published targets aimed at achieving improvements in those services by 2004."
Status	DTLR Annual Report 2002 stated, "Targets set for key services as part of the agency business planning round" ⁴⁰
Comment	We heard in oral evidence that user satisfaction surveys had only been undertaken for the Rent Service and Planning Inspectorate. ⁴¹

Target	For DTLR (Central) "To develop better measures of efficiency and extend them to cover a wider range of services."
Status	DTLR Annual Report 2002 stated, "A corporate modernisation programme board has been established within DTLR to support the continued development of measures in the wider context of business improvement." ⁴²
Comment	It is not clear from the description whether or not this target has been met.

³⁴ Page 162, *DTLR Annual Report 2002*

³⁵ Page 165, *DTLR Annual Report 2002*. See also page 15, *ODPM Autumn Performance Report 2002*

³⁶ ANN01(g)

³⁷ Page 165, *DTLR Annual Report 2002*

³⁸ Page 165, *DTLR Annual Report 2002*

³⁹ Q544

⁴⁰ Page 171, *DTLR Annual Report 2002*

⁴¹ Qq529-530

⁴² Page 171, *DTLR Annual Report 2002*

Target	“In 1999, establish targets for the proportion of regeneration projects meeting their output goals.”
Status	DTLR Annual Report 2002 stated, “See DETR Annual Report 2001 for details.” ⁴³ DETR Annual Report 2001 stated, “See DETR Annual Report 2000 for details.” ⁴⁴ DETR Annual Report 2000 stated, “In autumn 1999, we set a target of 95% for the proportion of regeneration projects meeting their output goal.” ⁴⁵
Comment	The target here was clearly to set a target, rather than to improve the implementation or value for money of regeneration schemes. ⁴⁶

18. The Institute of Directors has commented on the tendency to set a target which is to set a target in its evidence to the Public Administration Committee’s inquiry into Targets:

“One of the most regrettable features of the PSA system is that target setting has become an end in itself. There is a suspicion that the task of designing and setting targets has become a ‘displacement activity’—it gives the appearance of action without delivering any worthwhile result ... Clearly the only ‘target’ here is that more targets be established. There is a ‘Yes Minister’ quality about such commitments.”⁴⁷

The approach taken to reporting progress against PSA targets by DTLR discouraged frankness in reporting performance and did not enhance openness, transparency or understanding.

19. We heard that the Department monitors its own progress against its targets.⁴⁸ **With PSA targets ODPM, like all government departments, both sets and marks its exam paper. This undermines the credibility of the Annual Report. The Annual Report should make clear whether reported progress against each target has been externally validated in any way.** The National Audit Office will audit the systems used to validate targets from 2003-06; but validating systems is a long way from validating the targets themselves. **Reported performance can only be credible if targets are externally monitored, by bodies reporting to Parliament and not other government departments. We recommend that the National Audit Office should undertake such monitoring.**

20. There are a number of DETR PSA targets from 1998 and 2000 which have a deadline in the future and which have not been carried forward into the 2002 PSA targets, for example:

- “By March 2004, to have delivered the agreed programme of policy evaluation covering all of the Department’s major policies;”⁴⁹ and
- “Reduce by 30% the number of deliberate fires by March 2009 from the 1998-99 baseline.”⁵⁰

⁴³ Page 159, *DTLR Annual Report 2002*

⁴⁴ Page 37, *DETR Annual Report 2001*

⁴⁵ Page 151, *DETR Annual Report 2000*

⁴⁶ Performance by regeneration partnerships against this target in 2001/02 is set out in ANN01(c), ANN01(d), ANN01(e) and ANN01(f)

⁴⁷ PST28

⁴⁸ Qq346-352

⁴⁹ Page 171, *DTLR Annual Report 2002*

⁵⁰ Page 167, *DTLR Annual Report 2002*

We welcome ODPM's commitment⁵¹ to continue reporting progress against outstanding DTLR targets from the 1998 and 2000 Spending Reviews. This should be explicitly set out in future Annual Reports.

2002 Public Service Agreement Targets

21. ODPM has a set of new aims, objectives and targets, following the 2002 Spending Review.⁵²

Aim: Thriving, inclusive and sustainable communities in all regions

Objective I: Work with the full range of Government departments and policies to raise the levels of social inclusion, neighbourhood renewal and regional prosperity.

PSA Target 1: Promote better policy integration nationally, regionally and locally; in particular to work with departments to help them meet their PSA floor targets for neighbourhood renewal and social inclusion.

PSA Target 2: Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006.

Objective II: Provide for effective devolved decision making within a framework of national targets and policies.

PSA Target 3: Provide the opportunity by the end of this Parliament for a referendum on regional government in regions where there is a demand for it.

PSA Target 4: Improve delivery and value for money of local services by:

- introducing comprehensive performance assessments and action plans, and securing a progressive improvement in authorities' scores;
- overall annual improvements in cost effectiveness of 2% or more; and
- assisting local government to achieve 100% capability in electronic delivery of priority services by 2005, in ways that customers will use. (This is also the **value for money** target).

Objective III: Deliver effective programmes to help raise the quality of life for in all urban areas and other communities.

PSA Target 5: Achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt - and the sustainability of existing towns and cities - through specific measures to be set out in the Service Delivery Agreement.

⁵¹ Q520

⁵² 2002 Spending Review, Chapter 5, *Public Service Agreements White Paper*

PSA Target 6: All local planning authorities to complete local development frameworks by 2006 and to perform at or above best value targets for development control by 2006 with interim milestones to be agreed in the Service Delivery Agreement. The Department to deal with called in cases and recovered appeals in accordance with statutory targets.

PSA Target 7: By 2010, bring all social housing into decent condition with most of this improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups.

22. We have a number of concerns about the ODPM's new PSA new targets. These include:

- how the targets fit with the Department's priorities;
- activities that have disappeared from the PSA targets since 1998/2000;
- the extent to which the targets are specific, measurable, achievable, relevant and timed; and
- the number of targets which are actually outside the control of ODPM.

These are discussed in more detail, below.

The link between ODPM's PSA targets and its priorities

23. The first White Paper on Public Service Agreements set out what a PSA should contain. This includes a department's aims and objectives and "key performance targets for the delivery of its services,"⁵³ which implies that PSA targets reflect departments' priorities. This was confirmed by Nick Raynsford's evidence on PSA targets:

*"I think it is important to get the focus on the issues that really matter."*⁵⁴

The Permanent Secretary agreed:

*"The PSA targets have very much become a kind of top level statement of the key targets to meet objectives."*⁵⁵

24. The Committee is therefore concerned that a number of the Department's stated priorities are not reflected in the PSA targets. In particular, with respect to local government, the PSA targets do not reflect the equal priorities given to:

- establishing an national framework of standards; and
- greater devolution to local councils

in the Local Government White Paper⁵⁶ and re-iterated by Nick Raynsford in oral evidence.⁵⁷ It is only the first of these (the introduction of Comprehensive Performance Assessments) which is included in the ODPM's PSA target for local government (target 4). The Permanent Secretary claimed that the PSA target is too general to include all important issues,⁵⁸ yet this particular target is based on three specific priorities for local government. Clearly, the introduction of new freedoms for councils could have been

⁵³ Chapter 2, *Public Services for the Future: Modernisation, Reform, Accountability*

⁵⁴ Q103

⁵⁵ Q522

⁵⁶ *Strong Local Leadership: Quality Public Services*, DTLR, December 2001, Cm 5327

⁵⁷ Q100

⁵⁸ Q526

reflected through this PSA target—possibly by reference to the Government’s aim to reduce ring-fenced funding⁵⁹ or the review of the central/local balance of finance.⁶⁰

25. The Permanent Secretary told us that the review of the central/local balance of funding, which we and our predecessor Committees have argued is urgently needed,⁶¹ had been delayed because of the introduction of the Comprehensive Performance Assessment (CPA):

*“Mr Raynsford has said that that review slipped largely apparently because of getting the CPA sorted out.”*⁶²

We welcome the Minister’s commitment that greater devolution to councils is as important as establishing a national framework of standards. However, we are concerned that greater freedoms for local authorities have been excluded from the ODPM’s PSA targets. In addition, it has taken over a year to set up the review of the central/local balance of funding, in which time Comprehensive Performance Assessments have been undertaken in all county and unitary authorities. Taken together, this can only serve as evidence that within the Department, greater devolution to local councils is seen as being of lower priority than the introduction of CPAs, despite Ministerial protestations to the contrary.

Hierarchy of targets

26. Alongside statements that the PSA targets reflect departmental priorities, we received evidence that other (non-PSA) targets were of equal importance. For example, we asked whether the disappearance of the issue of reducing homelessness from the PSA targets,⁶³ meant that this was now a lower priority for the Government. Barbara Roche told us not to worry as there was another (non-PSA) target relating to homelessness.⁶⁴ The Permanent Secretary admitted that the Department has too many other (non-PSA) targets, which have become unmanageable.⁶⁵ We received a very muddled response as to how all the targets fit together and which is most important.⁶⁶

27. The Permanent Secretary has sent the Committee a chart showing the links between the 2002 PSA targets and some of the targets from the 1998 and 2000 Public Service Agreements.⁶⁷ It is not clear from this chart how this links into the wider activities of the departments and functions and “priorities” not covered by PSA targets. **It is not clear how, or indeed whether, the hierarchy of targets within the Department works. Are the seven PSA targets the most important things that the Department does? Or are the hundreds (or thousands) of other targets, commitments and milestones it is working towards of equal status?**

⁵⁹ Qq135-150

⁶⁰ Qq190-191

⁶¹ Paragraph 12, *Local Government Finance: Formula Grant Distribution*, First Report of the ODPM: Housing, Planning, Local Government and Regions Committee, 2002-03, HC164-I, Paragraph 68, *Draft Local Government Bill*, Fifteenth Report of the Transport, Local Government and Regions Committee, 2001-02, HC981-I

⁶² Q492

⁶³ The DETR had a PSA target to “Reduce by April 2002 the number of people sleeping rough by two thirds compared to June 1998, and keep this number at or below this level thereafter.” Page 160, *DTLR Annual Report 2002*

⁶⁴ Q35

⁶⁵ Q527

⁶⁶ Qq522-528

⁶⁷ ANN01(g)

Activities that have disappeared from the 2002 PSA targets

Fire Service

28. Along with homelessness, the Fire Service is an area of significant ODPM activity which was covered by PSA targets in 1998 and 2000⁶⁸ but did not have any PSA targets in the 2002 Spending Review. **We are concerned that the absence of PSA targets for the Fire Service in the 2002 Spending Review suggests that civil servants had taken their eye off the ball and assumed, early in 2002, that all was well in the service. The Bain report showed the extent to which change and improvements are in fact needed.**⁶⁹ This appears to have been belatedly recognised by the commitment to introduce lower level targets for the Fire Service in the ODPM Service Delivery Agreement.⁷⁰

29. The findings of the Bain report also appeared to cast doubt on the Government's claim that 2% per annum efficient savings have been achieved for each of the last four year in the Fire Service:

*"While there have been many studies of the Fire Service in recent years, there is widespread acceptance that these have resulted in little change."*⁷¹

The Deputy Prime Minister told us, however, that such efficiency savings have been made.⁷² **The clear statement that 2% per annum efficiency savings have been made in the Fire Service seems to sit awkwardly with the acknowledgement that the Department has not yet developed a methodology to assess whether or not local government has increased cost effectiveness by 2% per annum.**⁷³

Brownfield sites

30. In 1998 DETR had a 1998 PSA target to "seek to ensure that over the next 10 years, 60% of new homes are built on previously developed land," (superceded in 2000 by a target that "by 2008, 60% of new housing should be provided on previously developed land and through conversion of existing building"⁷⁴). In May 2002, DTLR announced that 61% of new houses had been built on brownfield land in 2001.⁷⁵ **We welcome the progress that has been made with the achievement of 61% of new dwellings on brownfield land in 2001.** The Minister said that such a proportion will prove more challenging as levels of housebuilding increase.⁷⁶ **We welcome the Minister's commitment that he is prepared to make tough decisions to eliminate the unnecessary use of greenfield land for housebuilding.**⁷⁷

31. The 60% brownfield land PSA target has become very well known amongst practitioners⁷⁸ and is used to focus the efforts of a number of agencies—such as the Regional Development Agencies. Following the 2002 Spending Review, this target is to be relegated to the lower order Service Delivery Agreement. **One of the Department's targets is clearly to reduce the number of targets.**⁷⁹ **Indeed they have been very**

⁶⁸ Pages 166-168, *DTLR Annual Report 2002*

⁶⁹ *The Future of the Fire Service: Reducing Risk, Saving Lives*, Professor Sir George Bain, 16 December 2002

⁷⁰ Page 16, *Service Delivery Agreement*, ODPM, December 2002

⁷¹ Foreword, *The Future of the Fire Service: Reducing Risk, Saving Lives*

⁷² Q508

⁷³ Q106

⁷⁴ Page 159, *DTLR Annual Report 2002*

⁷⁵ DTLR Press Release 220, 28 May 2002

⁷⁶ Q242

⁷⁷ Q245

⁷⁸ See for example *Empty Homes*, Sixth Report of the Transport, Local Government and the Regions Committee, 2001-02, HC240-I

⁷⁹ Q528

successful at this—moving from 49 PSA targets for ODPM activities⁸⁰ in 1998,⁸¹ to 25 in 2000⁸² to seven in 2002. This desire to reduce the number of targets has meant that priorities and key services have been omitted from the PSA target list and well-known targets such as 60% of new housing built on brownfield sites have been relegated to subsidiary status.

SMART Targets

32. The 1998 Public Service Agreement White Paper said that PSA targets should be ‘SMART’—Specific, Measurable, Achievable, Relevant and Timed.⁸³ Whilst some of ODPM’s new PSA targets meet that test, for example, “All local planning authorities to complete local development frameworks by 2006,”⁸⁴ many do not. In general the 2002 PSA targets are less SMART than their 1998 and 2000 predecessors. The SMART target for the percentage of new housebuilding on brownfield land, described above, has been replaced by a broader aspiration to, “Achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt - and the sustainability of existing towns and cities.”⁸⁵

33. Some of the targets are written in language that begs the question—how much? For example, target 1 is to “promote better policy integration”—it doesn’t make clear how much better policy integration will be. Similarly target 5 promises to “achieve a better balance” between housing demand and supply—how much better? A minimalist interpretation of these targets could allow them to be described as met with the smallest improvement. **We did not find these targets useful in helping to assess the Department’s performance. We are concerned that ODPM’s PSA targets are less SMART than those of its predecessors.**

Regional imbalances

34. Two of the non-SMART targets relate to important issues which are of great concern to this Committee and its predecessors—achieving a better balance between the demand and supply of housing and reducing the persistent gap in growth rates between regions. Some actions are now being taken with respect to the housing target, many of which we consider in our inquiry into Planning for Sustainable Housing and Communities. **We are pleased to see that the Government has started to take action to address the problems of low housing demand, which our predecessor Committee identified in its report on Empty Homes.**⁸⁶

Responsibility for achieving the targets

35. The Department is not actually responsible for the direct delivery of many of its targets, many of them depend on the actions of others and matters outside of the control of ODPM, for example:

- Target 2 is to improve regional economic performance, measured by GDP growth but as its Autumn Performance Report says, “successful delivery is in part dependent on continued national growth;”⁸⁷

⁸⁰ Including DTLR Central, Across-Whitehall Productivity Targets and Fraud

⁸¹ Appendix D, *DTLR Annual Report 2002*

⁸² Appendix D, *DTLR Annual Report 2002*

⁸³ Chapter 1, *Public Services for the Future: Modernisation, Reform, Accountability*, HM Treasury, December 1998, Cm 4181

⁸⁴ ODPM PSA Target 6

⁸⁵ ODPM PSA Target 5

⁸⁶ *Empty Homes*, Sixth Report of the Transport, Local Government and the Regions Committee, 2001-02, HC240-I

⁸⁷ Page 17, *ODPM Autumn Performance Report, 2002*

- Parts of Target 4 (efficiency savings of 2% per annum and 100% electronic delivery of key services by local authorities) can only be achieved by the efforts of local, not central, government. Central Government's performance with respect to local government could be better judged by whether or not it meets its commitments to reduce the number of plans or the level of ring-fenced funding,⁸⁸ and
- Target 7 to bring social housing into decent condition by 2010, will be achieved by local authorities or housing associations. The Department has already identified 97 local authorities as being at risk of not meeting the decent homes target⁸⁹ (see below).

ODPM's PSA targets are not good measures of what is achieved as a result of ODPM's activities. It will be impossible to isolate the effects of ODPM's interventions from what would have happened anyway or as a result of other people's activities. This makes it easier for the ODPM to take the credit if targets are met and avoid the blame if they are not.

Decent homes

36. ODPM's PSA target 7 is to:

"By 2010, bring all social housing into decent condition with most of this improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups."

37. There are 354 housing authorities in England.⁹⁰ At the end of September 2002, 100 of these were identified as being at risk of not meeting the 2010 target for all social housing to be decent⁹¹ (we were told that the number has since been reduced to 97).⁹² Those 100 councils make up 28% of the total number of housing authorities but own 58% of the remaining non-decent housing stock,⁹³ meaning that the non-decent stock is concentrated heavily in these areas. Much depends on how the repair and refurbishment work needed is to be funded, including issues relating to stock transfer. Our predecessor Committee received evidence in January 2002 that the decent homes target could be met regardless of tenants' choices about stock transfer.⁹⁴ In July 2002, we were told that the target was contingent on assumptions about the proportion of tenants choosing stock transfer.⁹⁵ The Deputy Prime Minister told us, for large housing authorities, where tenants reject stock transfer, it is not clear how the measures needed to meet the decent homes target, are to be paid for:

"Of course, a lot may depend also, on decent homes, on the controversial question of the ALMO [Arms Length Management Organisation] and private money and whether you actually move to take those. For example, resources can come from Government or from other areas that we have decided, whether it is in fact in the ALMOs or in some kind of private financing in that. The success of that, of course, is very important in achieving those targets. If you look at Birmingham, Birmingham has a target for itself. It rejected any idea of working towards a kind of ALMO situation. Now we are faced

⁸⁸ Qq135-150

⁸⁹ Q460 and Page 9, *ODPM Autumn Performance Report, 2002*

⁹⁰ Local Government Association

⁹¹ *ODPM Autumn Performance Report*

⁹² Q460

⁹³ ANN01(g)

⁹⁴ Q672, *Departmental Estimates and Annual Report 2001 and Recent Policy Developments*, Transport, Local Government and the Regions Committee, 2001-02, HC373-iv

⁹⁵ Q688, *Draft Local Government Bill*, Fifteenth Report, Transport, Local Government and the Regions Committee, 2001-02, HC981-III

*with the question, is their programme dependent on expenditure from their money or new forms of financing?*⁹⁶

Of the 100 local authorities at risk of not meeting the target at the end of September, 41 are pursuing a stock transfer or ALMO solution, with 59 (using ODPM's description) "yet to develop a strategy to deliver."⁹⁷

38. In its PSA Plus Review of the decent homes target, ODPM has said that councils should choose from one of the following options—stock transfer, the Private Finance Initiative or, for high performing councils, ALMOs. It has said that if they do not, they cannot expect additional resources to be made available for investment.⁹⁸ The Public Accounts Committee will be taking evidence on whether stock transfer has achieved the expected benefits and whether the cost of transfers represent value for money on 31 March 2003. **The target to bring all social housing to a decent standard by 2010 is at risk of not being met. 59 councils have yet to develop a strategy to meet the decent homes target. Government policy means that the pressure will be on their tenants to choose controversial management and financing arrangements. We cannot see any good reason why tenants cannot opt for the present system of democratic, local control of council housing which has served so many of them well.**

Relations with other Government departments

39. ODPM stands at the centre of the cross-cutting world. Its Service Delivery Agreement describes its role:

*"The Office brings together at the centre of Government key issues around place and communities, such as regional policy, local government, housing, planning, urban policy, neighbourhood renewal and social exclusion."*⁹⁹

To achieve this role successfully, ODPM needs to act in the interests of neighbourhoods, local authorities and regions, in Whitehall—often having to stand up against the controlling tendencies of other Government departments.

Neighbourhood renewal

Floor targets

40. ODPM's PSA target 1 is to

"Promote better policy integration nationally, regionally and locally; in particular to work with departments to help them meet their PSA floor targets for neighbourhood renewal and social inclusion."

PSA floor targets are "those PSA targets which promote a minimum standard for disadvantaged groups or areas, or a narrowing of the gap between them and the rest of the country." For example, for the Department of Health, "By 2010 to reduce by at least 10% the gap between the fifth of areas with the lowest life expectancy at birth and the population as a whole."¹⁰⁰

⁹⁶ Q461

⁹⁷ ANN01(g)

⁹⁸ Paragraph 1.5, *Sustainable Communities: Building for the Future*, ODPM, February 2003

⁹⁹ Page 2, *ODPM Service Delivery Agreement*

¹⁰⁰ SR2002 *Public Service Agreement—Technical Note*

41. **There are a number of problems with PSA target 1 (better policy integration):**
- **it is not specific, measurable or timed;**
 - **its success is dependent on the actions of the departments to whom floor targets apply, not ODPM; and**
 - **the Deputy Prime Minister has no sanctions available and cannot enforce the target.**¹⁰¹

Area based initiatives

42. The Sub-Committee's inquiry into Government Regeneration initiatives has received evidence about the progress of Government plans to reduce the proliferation of area based regeneration initiatives. Following a report by the Performance and Innovation Unit in 2000,¹⁰² the Regional Co-ordination Unit was established and given the role of 'gatekeeper' to stop departments from introducing new initiatives without due consideration. However, the Sub-Committee has received evidence that new area based initiatives such as the Enterprise Areas¹⁰³ have been recently announced without regional consultation.¹⁰⁴ It also heard concerns from the Audit Commission that the Regional Co-ordination Unit does not have enough 'clout' in Whitehall.¹⁰⁵ Indeed ODPM's own review of area based initiatives published in May 2002 said:

*"Government in the regions plays a helpful part in supporting ABIs [Area Based Initiatives] and making links between them, but GOs [Government Offices] (and the Regional Co-ordination Unit) have been as yet unable to resolve the conflicting requirements of different government departments."*¹⁰⁶

The Regional Co-ordination Unit is supposed to be reducing the proliferation of regeneration initiatives. We have received evidence that it currently lacks the clout in Whitehall to do this effectively. We will be reporting on this issue shortly.

Local government

43. Our predecessor Committee's inquiry into the Draft Local Government Bill received evidence about the tendency of central government departments (especially Health and Education) to seek to control local councils.¹⁰⁷ This is borne out by a recent book, co-authored by one of Stephen Byers' former Special Advisors:

*"While the centre [the Prime Minister and the Treasury] may be starting to shift in seeing the advantages of localism over centralism, 'delivery' departments certainly do not. For them the ability to control seems essential if they are to produce the kind of services that they believe the public demand and the government has promised."*¹⁰⁸

Other Government Departments such as Education and Health are continuing to try to control councils. The Prime Minister's aspiration for "devolution to local councils to encourage diversity and creativity, giving them the freedom they need to respond

¹⁰¹ Q475

¹⁰² *Reaching Out*, Performance and Innovation Unit, 2000

¹⁰³ Paragraph 3.53, *Pre-Budget Report 2002*, HM Treasury, November 2002

¹⁰⁴ Q388

¹⁰⁵ HC1207-i

¹⁰⁶ Paragraph 9.4, *Collaboration and Co-ordination in Area Based Initiatives*, Neighbourhood Renewal Unit, May 2002

¹⁰⁷ Paragraph 78, *Draft Local Government Bill*, Fifteenth Report, Transport, Local Government and the Regions Committee, 2001-02, HC981-I

¹⁰⁸ *New Localism: Refashioning the Centre-Local Relationship*, Stoker and Corry, New Local Government Network, 2002

to and meet their communities' needs"¹⁰⁹ cannot be achieved whilst such control freakery persists.

44. As we heard in our inquiry into Local Government Finance: Formula Grant Distribution, one effect of this controlling tendency is the treatment of education and social services funding formulae. The Formula Spending Share for each local council is calculated on the basis of a number of funding blocks—education, social services, highways, etc. The total of each block for each council should simply be the result of applying a formula to indicators (population, deprivation, etc) for that council, not a specification of the amount that the council should spend on that service, as Nick Raynsford acknowledged in his Statement on 5 December:

“National spending allocations do not imply anything about the budget or spending choices that will need to be made. Those are decisions that should properly be taken by councils, in consultation with their council tax payers.”¹¹⁰

45. However, he continued:

“The one exception is in respect of the Government’s key priority of education, where we have said we want to see authorities pass on increases to schools.”¹¹¹

This requirement for a council to spend the control total of any block within the Formula Spending Share (eg education or social services) on that service, without allowing for local priorities or total budget constraints is known as ‘passporting.’ Our report into Local Government Finance: Formula Grant distribution sets out our concerns about passporting.¹¹² In its response, the Government accepted that, “for some this can cause difficulties with other elements of their budget and the DfES [Department for Education and Skills] is discussing this with the authorities concerned.”¹¹³ **We welcome the commitment by the Department for Education and Skills to consider the effects of ‘passporting’ on the finances of individual councils. However, all local authorities should be free to spend their funding allocations in accordance with local priorities. The central Government requirement that increases in education and social services Formula Spending Shares should be ‘passporting’ on puts further pressure on already underfunded environmental and cultural services.**

46. Our predecessor Committee was concerned that DTLR lacked capacity to influence other government departments in relation to local government.¹¹⁴ ODPM has now begun to act on some of the concerns about Whitehall’s relationship with local government, not least in response to a report by the Office of Public Services Reform in the Cabinet Office which considered DTLR’s capacity to implement the Local Government White Paper. We received evidence from the Department that a new Cabinet Sub-Committee chaired by the Minister for Local Government has been created to “oversee the implementation of the White Paper and develop progressively a more consistent and prioritised approach to local government.”¹¹⁵ **We welcome the fact that the ODPM has responded to criticisms of DTLR from our predecessor Committee and others. It is now increasing its internal staff capacity and taking active steps to promote a more consistent and prioritised**

¹⁰⁹ Foreword, *Strong Local Leadership: Quality Public Services*

¹¹⁰ HC Deb, 5 December 2002, cols 1065 - 1066

¹¹¹ HC Deb, 5 December 2002, col 1066

¹¹² Paragraph 31, *Local Government Finance: Formula Grant Distribution*, First Report of the ODPM: Housing, Planning, Local Government and the Regions Committee, 2002-03, HC164-1

¹¹³ *Government Response to the ODPM: Housing, Planning, Local Government and the Regions Committee Report: Local Government Finance: Formula Grant Distribution*, ODPM, February 2003, Cm 5753

¹¹⁴ *Draft Local Government Bill*, Fifteenth Report of the Transport, Local Government and the Regions Committee, 2001-02, HC981-1

¹¹⁵ ANN01(g)

approach to local government across Government. We will seek to discover the extent to which the Cabinet Sub-Committee concerned is achieving that.

Regional institutions

47. Government Offices for the Regions and their “corporate centre,” the Regional Co-ordination Unit, report to ODPM. They have a curious, poorly understood role. In July 2002 the Better Regulation Taskforce concluded:

“Local stakeholders did not understand the role of the Government Offices.”¹¹⁶

The Regional Co-ordination Unit’s website describes its aim to represent the regions in Whitehall.¹¹⁷ This contrasts with the experience of other regional bodies, which see the Government Offices as Whitehall’s representatives in the regions. The memorandum from Aston University Business School to the Transport Committee’s inquiry into Multi-Modal Studies described the experience of various organisations in preparing and implementing transport policies in the West Midlands region:

“Stakeholders viewed the GOR [Government Office for the Region] as an important but ‘low key’ actor. Some were unclear about how it added value and were critical of its capacity to formulate clear regional priorities, contribute to framing and delivering transport policy and represent West Midlands’ interest. However, we were invariably reminded that the GOR (and the Highways Agency and Strategic Rail Authority) were formally accountable to Ministers and not to the region.”¹¹⁸

48. The Better Regulation Taskforce also identified the confusing array of institutions involved in skills and economic development in the regions:

- the Government Offices for the Regions;
- Local Learning and Skills Councils (reporting to the Department for Education and Skills);
- Regional Development Agencies (reporting to the Department of Trade and Industry); and
- Business Link (which reports to the Small Business Service, an executive agency of the Department of Trade and Industry).

It recommended that the number of bodies should be rationalised.¹¹⁹

49. The Minister for Regional Co-ordination seemed to have little idea about how this lack of co-ordination of economic development institutions could be resolved, beyond people talking to one another.¹²⁰ It seems that the real regional co-ordination function is being undertaken by the Treasury with the announcement in the Pre-Budget report that pilot arrangements would be introduced in several regions to improve co-ordination between Regional Development Agencies, Local Learning and Skills Councils and Business Links.¹²¹

50. We also received evidence on the role of the new regional housing bodies. Both Lord Rooker and the Deputy Prime Minister told us that these would be taking powers up from local authorities to the regions.¹²² As not all regions will have regional assemblies, this is a worrying tendency, particularly when taken alongside the proposals for the

¹¹⁶ *Local Delivery of Central Policy*, Better Regulation Taskforce, July 2002

¹¹⁷ www.rcu.gov.uk

¹¹⁸ MMS55

¹¹⁹ *Local Delivery of Central Policy*, Better Regulation Taskforce, July 2002

¹²⁰ Q27

¹²¹ Paragraph 3.9, *Pre-Budget Report 2002*, HM Treasury

¹²² Q259 and Q504

abolition of county structure plans in the Planning and Compulsory Purchase Bill.¹²³ **Not all regions will have elected regional assemblies. In such places, it is not appropriate for planning and housing powers to be taken up to the region from local councils.**

Women and equality

51. Barbara Roche is Deputy Minister for Women, a responsibility she brought to ODPM from the Cabinet Office. The Women and Equality Unit simultaneously moved from the Cabinet Office to the Department of Trade and Industry, where the Secretary of State is the Minister for Women. The Cabinet Office's Annual Report 2002 set out some aims for the Women and Equality Unit over the next three to four years. It is to "*lead the Government towards removing and reducing barriers to opportunity for all in key areas by:*

- *bringing about measurable improvements in the position of women, which benefit society generally;*
- *integrating gender equality into Government policies to increase opportunities for all; and*
- *taking the lead in shaping relations between civil institutions and citizens with a view to increasing respect for people regardless of sexual orientation and tackling discrimination on these grounds.*"¹²⁴

52. These aims are very general and differ from the SMART targets which should be used within Public Service Agreements. We asked Barbara Roche if there were any targets to monitor the progress of the Women and Equalities Ministers. She told us that there is a target to increase the number of women appointed to public bodies.¹²⁵ She did not mention the Department of Trade and Industry's PSA target to:

*"By 2006, working with all departments, bring about measurable improvements in gender equality, across a range of indicators, as part of the Government's objectives on equality and social exclusion."*¹²⁶

Barbara Roche also told us that the Cabinet Sub-Committee on Equality does not have a regular programme of meetings.¹²⁷ **There appears to be little structure to the approach to equalities issues across Government, with no programme for meetings of the relevant Cabinet Committee and little involvement in the relevant PSA target by the Deputy Minister for Women.**

Planning and Compulsory Purchase Bill

53. Our predecessor Committee's inquiry into the Planning Green Paper heard concerns that many of the changes proposed had emanated from a business agenda within the Treasury and the Department for Trade and Industry.¹²⁸ **We were generally pleased to receive the Government's response to our report on the Planning Green Paper,**¹²⁹

¹²³ "Decisions about regional planning should be taken by groups of democratically-elected members of local authorities. Wider interests should be consulted but not make the decisions. We support the proposal in the White Paper, *Your Region, Your Choice: Revitalising the English Regions*, that where elected regional assemblies are set up, they should take over regional planning functions. Where elected assemblies are not set up, the present system should remain." Recommendation (e), *Planning Green Paper*, Thirteenth Report of the Transport, Local Government and the Regions Committee, 2001-02, HC476-1

¹²⁴ Page 55, *Departmental Report 2002*, Cabinet Office, June 2002, Cm5429

¹²⁵ Q43

¹²⁶ Department of Trade and Industry PSA target 9, 2002 Spending Review, Chapter 12, *Public Service Agreement White Paper*

¹²⁷ Q40

¹²⁸ Paragraph 101, *Planning Green Paper*, Thirteenth Report of the Transport, Local Government and the Regions Committee, 2001-02, HC46-1

¹²⁹ *Government Response to the Transport, Local Government and Regional Affairs Committee's Report: The Planning Green Paper*, ODPM, November 2002, Cm5625

which took on board many of our recommendations, and by the subsequent statements from ODPM Ministers that planning does not impede economic development.¹³⁰

Double standards

54. We were concerned that ODPM consistently expects local government to meet higher standards than it is prepared to meet itself:

- Target 4, the “value for money” target within ODPM’s PSA targets applies only to local government;
- Target 4 states that local authorities should improve cost effectiveness by 2% per annum,¹³¹ but there is no such target for DTLR / ODPM. The Permanent Secretary told us that she did not know whether DTLR / ODPM had ever actually achieved the efficiency savings assumed in its annual budget planning process;¹³²
- Despite DTLR Central having had a target to improve customer satisfaction with the Department and its agencies,¹³³ almost all customer satisfaction data held by the Department relates to local authorities;¹³⁴
- Councils are expected to introduce e-government for priority services by 2005,¹³⁵ but a similar PSA target for DTLR¹³⁶ / ODPM itself has been dropped following the 2002 spending round; and
- Councils are subject to Comprehensive Performance Assessments¹³⁷ by an independent body, the Audit Commission, there is no such equivalent assessment for central Government.

Central Government departments should meet the same externally monitored standards that they expect of local government.

Comprehensive Performance Assessments

55. Following the introduction of Comprehensive Performance Assessments by the Audit Commission for all unitary and county councils in 2002, the Chair of the Local Government Association has proposed that the exercise be extended to central Government departments:

“They might find some self-examination, independent inspection and publication of findings would be a useful experience for them too.”¹³⁸

The Deputy Prime Minister rejected this suggestion, arguing that enough monitoring of Government departments is undertaken by Select Committees, the existing audit process and the work of the Cabinet Office.¹³⁹ Performance monitoring by the Cabinet Office clearly lacks the transparency of the Comprehensive Performance Assessment process which local councils are subject to. **If ODPM insists on Comprehensive Performance Assessments for councils, it should subject itself to a similar exercise.**

¹³⁰ Q240, *Planning, Competitiveness and Productivity*, Fourth Report of the ODPM: Housing, Planning, Local Government and the Regions Committee, 2002-03, HC114-I

¹³¹ ODPM PSA 2002 target 4

¹³² Qq539-540

¹³³ Page 171, *DTLR Annual Report 2002*

¹³⁴ Qq531-532

¹³⁵ ODPM PSA 2002 target 4

¹³⁶ Page 172, *DTLR Annual Report 2002*

¹³⁷ ODPM PSA 2002 target 4

¹³⁸ *A Taste of Their Own Medicine*, Sir Jeremy Beecham, Local Government Chronicle, 13 December 2002

¹³⁹ Q472

Financial management

56. There were significant underspends in a number of DETR / DTLR programmes inherited by ODPM. DLTR had an underspend of approximately £620 million in 2001/02.¹⁴⁰ We have been told that a number of changes have been made to the operation of both the finance division and the whole of the Department to try to reduce the level of underspends in the future.¹⁴¹ **DETR and DTLR had major problems with underspends. The Department told us that new measures have been introduced that should reduce the problem in later years. We will monitor progress.**

57. It is particularly worrying that the highest underspends were in the activities which are supposed to benefit the poorest members of society—neighbourhood renewal, the European Regional Development Fund and the Regional Development Agencies.¹⁴² We were told that Government would take funding away from local partnerships that consistently failed to spend money in accordance with their plans.¹⁴³ Yet our Sub-Committee's inquiry into Government Regeneration Initiatives has received evidence that local partnerships are still struggling with bureaucratic administration systems.¹⁴⁴ **We are concerned that the Government plans to take funding away from areas of need, on the grounds that they are not spending the money allocated to them. The Government's own strategies recognise that capacity in these areas is weak, and programmes should be mindful of that—Government should deal with the problem by streamlining its bureaucracy not by penalising local communities.**

58. The Deputy Prime Minister told us that the additional costs incurred as a result of the fire strike would have to be met by ODPM from its existing budgets with no additional resources from the Treasury. He also suggested that the requirement to spend money on the fire strike might result in the Department failing to achieve its performance targets in later years.¹⁴⁵ Although the additional cost of the fire strike so far of approximately £70 million is huge,¹⁴⁶ we note that the Department had an underspend of £620 million last year.¹⁴⁷ **Any future claims that targets have not been met as a result of the costs of meeting the fire strike, from a department with such a strong track record of underspending should be treated with scepticism until they have been reviewed by the National Audit Office.**

¹⁴⁰ Q331

¹⁴¹ Q551

¹⁴² Q331

¹⁴³ Q552

¹⁴⁴ Q52, *Government Regeneration Initiatives*, Urban Affairs Sub-Committee, HC1207-i, 2001-02 and Q256, HC76-ii 2002/03

¹⁴⁵ Q426

¹⁴⁶ ANN01(g)

¹⁴⁷ Q331

Conclusions and recommendations

- (a) **It is important for Prime Ministers to consider the consequences of continually reorganising government. Such reorganisation hinders delivery of services (paragraph 3).**
- (b) **The Government's planning policy aims to reduce the need for travel and the length of journeys. We are concerned that the Secretary of State for Transport may not share the aim of restricting commuter journeys (paragraph 8).**
- (c) **Given the limited resources available, it is not clear how decisions will be made choosing between investment in infrastructure in the four housing growth areas and existing government transport priorities. The Deputy Prime Minister does not control the budgets for the transport investment said to be so important for his communities plan and the Transport Department will make decisions on expenditure in accordance with its own priorities and targets (paragraph 9).**
- (d) **In general, the Government's regeneration priorities are not reflected in its transport priorities, which are instead focused on long distance transport improvements (paragraph 10).**
- (e) **Poorly planned transport damages communities and the environment. For sustainable communities to be created, transport, environment and urban policies need to be combined. This is best achieved in a single department (paragraph 13).**
- (f) **Given the fragmented responsibilities, we are seeking reassurance from ODPM that the mechanisms are in place at Ministerial, official and executive agency level for bringing together transport, housing, planning and environmental policies (paragraph 14).**
- (g) **The approach taken to reporting progress against PSA targets by DTLR discouraged frankness in reporting performance and did not enhance openness, transparency or understanding (paragraph 18).**
- (h) **With PSA targets ODPM, like all government departments, both sets and marks its exam paper. This undermines the credibility of the Annual Report. The Annual Report should make clear whether reported progress against each target has been externally validated in any way (paragraph 19).**
- (i) **Reported performance can only be credible if targets are externally monitored, by bodies reporting to Parliament and not other government departments. We recommend that the National Audit Office should undertake such monitoring (paragraph 19).**
- (j) **We welcome ODPM's commitment to continue reporting progress against outstanding DTLR targets from the 1998 and 2000 Spending Reviews. This should be explicitly set out in future Annual Reports (paragraph 20).**
- (k) **We welcome the Minister's commitment that greater devolution to councils is as important as establishing a national framework of standards. However, we are concerned that greater freedoms for local authorities have been excluded from the ODPM's PSA targets. In addition, it has taken over a year**

to set up the review of the central/local balance of funding, in which time Comprehensive Performance Assessments have been undertaken in all county and unitary authorities. Taken together, this can only serve as evidence that within the Department, greater devolution to local councils is seen as being of lower priority than the introduction of CPAs, despite Ministerial protestations to the contrary (paragraph 25).

- (l) **It is not clear how, or indeed whether, the hierarchy of targets within the Department works. Are the seven PSA targets the most important things that the Department does? Or are the hundreds (or thousands) of other targets, commitments and milestones it is working towards of equal status? (paragraph 27).**
- (m) **We are concerned that the absence of PSA targets for the Fire Service in the 2002 Spending Review suggests that civil servants had taken their eye off the ball and assumed, early in 2002, that all was well in the service. The Bain report showed the extent to which change and improvements are in fact needed (paragraph 28).**
- (n) **The clear statement that 2% per annum efficiency savings have been made in the Fire Service seems to sit awkwardly with the acknowledgement that the Department has not yet developed a methodology to assess whether or not local government has increased cost effectiveness by 2% per annum (paragraph 29).**
- (o) **We welcome the progress that has been made with the achievement of 61% of new dwellings on brownfield land in 2001 (paragraph 30).**
- (p) **We welcome the Minister's commitment that he is prepared to make tough decisions to eliminate the unnecessary use of greenfield land for housebuilding (paragraph 30).**
- (q) **One of the Department's targets is clearly to reduce the number of targets. Indeed they have been very successful at this—moving from 49 PSA targets for ODPM activities in 1998, to 25 in 2000 to seven in 2002. This desire to reduce the number of targets has meant that priorities and key services have been omitted from the PSA target list and well-known targets such as 60% of new housing built on brownfield sites have been relegated to subsidiary status (paragraph 31).**
- (r) **We did not find these targets useful in helping to assess the Department's performance. We are concerned that ODPM's PSA targets are less SMART than those of its predecessors. (paragraph 33).**
- (s) **We are pleased to see that the Government has started to take action to address the problems of low housing demand, which our predecessor Committee identified in its report on Empty Homes (paragraph 34).**
- (t) **ODPM's PSA targets are not good measures of what is achieved as a result of ODPM's activities. It will be impossible to isolate the effects of ODPM's interventions from what would have happened anyway or as a result of other people's activities. This makes it easier for the ODPM to take the credit if targets are met and avoid the blame if they are not (paragraph 35).**

- (u) **The target to bring all social housing to a decent standard by 2010 is at risk of not being met. 59 councils have yet to develop a strategy to meet the decent homes target. Government policy means that the pressure will be on their tenants to choose controversial management and financing arrangements. We cannot see any good reason why tenants cannot opt for the present system of democratic, local control of council housing which has served so many of them well (paragraph 38).**
- (v) **There are a number of problems with PSA target 1 (better policy integration):**
 - **it is not specific, measurable or timed;**
 - **its success is dependent on the actions of the departments to whom floor targets apply, not ODPM; and**
 - **the Deputy Prime Minister has no sanctions available and cannot enforce the target (paragraph 41).**
- (w) **The Regional Co-ordination Unit is supposed to be reducing the proliferation of regeneration initiatives. We have received evidence that it currently lacks the clout in Whitehall to do this effectively (paragraph 42).**
- (x) **Other Government Departments such as Education and Health are continuing to try to control councils. The Prime Minister's aspiration for "devolution to local councils to encourage diversity and creativity, giving them the freedom they need to respond to and meet their communities' needs" cannot be achieved whilst such control freakery persists (paragraph 43).**
- (y) **We welcome the commitment by the Department for Education and Skills to consider the effects of 'passporting' on the finances of individual councils. However, all local authorities should be free to spend their funding allocations in accordance with local priorities. The central Government requirement that increases in education and social services Formula Spending Shares should be 'passported' on puts further pressure on already underfunded environmental and cultural services (paragraph 45).**
- (z) **We welcome the fact that the ODPM has responded to criticisms of DTLR from our predecessor Committee and others. It is now increasing its internal staff capacity and taking active steps to promote a more consistent and prioritised approach to local government across Government. We will seek to discover the extent to which the Cabinet Sub-Committee concerned is achieving that (paragraph 46).**
- (aa) **Not all regions will have elected regional assemblies. In such places, it is not appropriate for planning and housing powers to be taken up to the region from local councils (paragraph 50).**
- (bb) **There appears to be little structure to the approach to equalities issues across Government, with no programme for meetings of the relevant Cabinet Committee and little involvement in the relevant PSA target by the Deputy Minister for Women (paragraph 52).**
- (cc) **We were generally pleased to receive the Government's response to our report on the Planning Green Paper, which took on board many of our recommendations, and by the subsequent statements from ODPM Ministers that planning does not impede economic development (paragraph 53).**

- (dd) **Central Government departments should meet the same externally monitored standards that they expect of local government (paragraph 54).**
- (ee) **If ODPM insists on Comprehensive Performance Assessments for councils, it should subject itself to a similar exercise (paragraph 55).**
- (ff) **DETR and DTLR had major problems with underspends. The Department told us that new measures have been introduced that should reduce the problem in later years. We will monitor progress (paragraph 56).**
- (gg) **We are concerned that the Government plans to take funding away from areas of need, on the grounds that they are not spending the money allocated to them. The Government's own strategies recognise that capacity in these areas is weak, and programmes should be mindful of that—Government should deal with the problem by streamlining its bureaucracy not by penalising local communities (paragraph 57).**
- (hh) **Any future claims that targets have not been met as a result of the costs of meeting the fire strike, from a department with such a strong track record of underspending should be treated with scepticism until they have been reviewed by the National Audit Office (paragraph 58).**

**PROCEEDINGS OF THE COMMITTEE RELATING
TO THE REPORT**

TUESDAY 4th MARCH 2003

Members Present:
Andrew Bennett, in the Chair

Mr David Clelland
John Cummings
Chris Mole

Mr Bill O'Brien
Christine Russell
Gary Streeter

The Committee deliberated.

Report [*Departmental Annual Report and Estimates 2002*], proposed by the Chairman, brought up and read.

Ordered, That the Report be read a second time paragraph by paragraph.

Paragraphs 1 to 58 read and agreed to.

Resolved, That the Report be the Fifth Report of the Committee to the House-(*The Chairman.*)

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select committee (reports)) be applied to the Report.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[The Committee adjourned.]

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MINUTES OF EVIDENCE

TAKEN BEFORE THE OFFICE OF THE DEPUTY PRIME MINISTER COMMITTEE

TUESDAY 5 NOVEMBER 2002

Members present:

Andrew Bennett, in the Chair

Sir Paul Beresford
Mr Clive Betts
Mr David Clelland
Chris Mole

Mr Bill O'Brien
Dr John Pugh
Christine Russell
Mr Gary Streeter

Examination of Witness

MRS BARBARA ROCHE, a Member of the House, Minister of State for social exclusion, regional co-ordination, neighbourhood renewal, homelessness and Minister for women and equality, examined.

Chairman

1. Good morning. Could I welcome you to the Committee, to the first session of our inquiry into the Annual Report. Could I ask you to identify yourself for the record.

(Mrs Roche) I am Barbara Roche. I am Minister of State for the Office of the Deputy Prime Minister.

2. Do you want to say anything by way of introduction, or are you happy to go straight into questions?

(Mrs Roche) I am happy to go straight in, Chairman.

Mr Clelland

3. Minister, the Regional White Paper proposes that the Government Offices for the Regions should be given more responsibility. Can you tell the Committee what steps you are taking to ensure that they are more accountable to the regions which they serve?

(Mrs Roche) I suppose the first thing to say as far as this is concerned is that this is a particular area which is very warmly welcomed by the officials who are actually in the Regional Offices. Very many of the officials in the Regional Offices have established very good relationships with local authorities, with members of the local chambers or assembly. The steps we have got in the Chapter 2 provisions of the White Paper are to make sure that comes about. I think the added relationship in that Chapter 2, which is the added partnership working with those regional bodies, will actually provide more accountability, and that is very important for our work.

4. It does not sound very much like there is more accountability there. You talk about consultation and discussion—for instance, the regional chambers, have a power of scrutiny over Regional Development Agencies; why should they not have a power of scrutiny over Regional Offices?

(Mrs Roche) Of course they are actually going to be looking very strongly at the work of the Regional Offices. What we also propose as you know, Mr Clelland, because I know you are a very strong

supporter of it, is a proper regional agenda; and part of that regional agenda is the possibility of elected regional assemblies where people actually want them. I think there has to be a degree of difference between arrangements where there is not a democratically elected body and where there is. Certainly I hope that the arrangements in Chapter 2 of the White Paper will lead not only to strengthened arrangements, but very close arrangements. In reality what happens, of course, and I accept this varies in different parts of the country, is that the chambers do take a very close interest in the work of the government offices. Where relationships are perhaps not going as well as they should, they are very speedily put right because of that close working relationship. What these relationships do, that are outlined in the White Paper, is to strengthen that. I do think you have to have a difference; and that difference, of course, is democratic accountability through the ballot box.

Mr Streeter

5. Could you explain the day-by-day or week-by-week accountability of the regions to yourself? Do you know what is going on in all of the regions on, say, a weekly basis? For example, if I asked what were the three biggest issues facing the government on the South West would you be able to answer?

(Mrs Roche) I would probably be able to give you an answer based on my own dealings with that. Let me explain to you how this works. The Government Offices report to the Regional Co-ordination Unit, and the official who heads that I see on a very regular basis. That is my way of having an input. I totally accept that you cannot deal with these issues just from Whitehall, and I do go round the country visiting Regional Offices. I have found that there is a good way of doing that. The first thing is to speak to the staff. What I try to do is to speak not just to the senior officials in the government offices, but to make sure I that I am speaking to all the officials, however junior; but also to go out and look at a variety of programmes or different initiatives that the government offices will be involved in. For example, something I would be interested to see in the South

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MRS BARBARA ROCHE

[Continued

[Mr Streeter Cont]

West would be the business enterprise and how that was going. I would also be very aware, whenever I go to visit the South West, that it is difficult to take in the whole picture because it is such a big place and such a diverse place. My view of Bristol might be different from views of different parts of it.

Mr Clelland

6. Could I quote from the report from your Department which was entitled *Collaboration and Co-ordination in Area Based Initiatives*, published in May 2002: "The Government Offices appear unable to resolve the conflicting requirements of different Government departments and are able to help only at the margins with the integration of national Government policy on the ground". Could you tell us your feelings about that statement, and what actions have been taken to try and overcome this?

(Mrs Roche) I think there are a couple of things I would like to say about this. The first thing to say is that, as far as the Government Offices are concerned, officials who work in them come from their own parent department. The big trick in Government, not only for ministers but for officials, is to try to get people to think not in their "horizontal" lines of reporting, but to think about how they can work across the piece of Government, working together so you forget Departmental boundaries.

Chairman

7. We understand that but, what we want to know is, how do you make that happen in the Regional Offices?

(Mrs Roche) I understand that, Chairman. That was the first thing I wanted to say for the record. For me, in order to make that happen, you need to break down that culture. That is what I wanted to say by way of background. You need to break down that culture; and that is quite difficult to do. You need people to think how they operate as a Regional Office, as a whole. The second thing you also need to realise—and this is what we have done with the Area Based Initiatives Review—is to realise we have a number of very, very worthy initiatives; some of them work extremely well but it can be quite complex on the ground. In order to help the Regional Offices, what we have tried to do is to simplify the number of Area Based Initiatives to make the funding streams much more flexible. Hopefully, that will help officials as to how they deal with the programmes. I wanted to make the point, Chairman, that what you also need to do is change the culture in the Regional Offices, and I think that is beginning to happen and a lot of hard work has gone on.

Chris Mole

8. Could I follow that up and see whether the Minister thinks the problem lies more at the centre than in the Regional Offices?

(Mrs Roche) I think it is a bit of both really. The whole nature of having the Regional Co-ordination Unit was to make sure that you had something sitting on top of this. There is also work to be done in the Regional Office as well. I am very, very struck when

I go and visit officials in the Regional Offices that increasingly they have a sense of what they are doing for that particular region—rather than thinking of the agenda of their own particular parent department—and that is progress, I think.

Mr O'Brien

9. How do you reconcile the situation where you have got different departments and the aims and objectives of the departments? You have a situation where there are joint targets with your Department, the Treasury and the DTI all involved with Regional Offices—how do you coordinate that particular process?

(Mrs Roche) That particular objective would be about economic regeneration.

10. It could be housing?

(Mrs Roche) It could be, but let us just take economic regeneration. You will always have creative tensions in government, in any form of government whether it is local, regional or national, as to how you reconcile worthy but different aspects of the same thing; and of course the way you deal with it is by discussion. Let me give you an example where you could possibly have a perceived issue of difference. If you look at Regional Development Agencies are they there for social regeneration or for economic development? Some people say there would be a difference, depending which particular departmental view you have got of it. I would say, you reconcile those by saying you actually cannot have economic regeneration properly until you have had social regeneration. If you are a business you want to make sure that crime levels are down.

11. How do you arrest the situation of the different departments? A statement was made yesterday by the economic adviser to the Treasury on the question of PFI saying, "Perhaps we've gone far enough, and we should now be looking at the question of public services". That statement was made in the Treasury. It impacts upon regions, and it impacts upon all regional and local government. How do you built into that kind of statement?

(Mrs Roche) In exactly the same way you deal with these issues in government, by discussion, consensus and then, at the end of the day, by collective responsibility.

Chairman

12. We were asking earlier on in this set of questions about the regional chambers. Why could not the regional chambers have select committee-type hearings with regional officials, so that they can force them not to talk about generalities but to talk about some of the specific proposals that are in the Regional Office at that particular time?

(Mrs Roche) There are all sorts of discussions that they do have. I suppose at the end of the day, Chairman, it comes down to what status you want to give it.

13. Are you prepared to give the regional chambers that right to have public hearings?

(Mrs Roche) I think the difference in all of this is this—

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MRS BARBARA ROCHE

[Continued

[Chairman Cont]

14. I just asked a simple question. Yes or no, are you prepared to give them the right to have public hearings?

(Mrs Roche) If you will forgive me, Chairman, I will try and answer the question, with the greatest respect, in the way in which I intend to, because I think that will be of use to you and of use to the Committee. Let me say this: I certainly would not say that they should operate in a select committee way until you have that democratic accountability. Why? Because there is a balance. Why is it, Chairman, that you and your Committee have the respect and power and status that you have? That is because you are elected Members of Parliament and you come from the ballot box, and that is the difference. We have to get the balance right. This was the balance we tried to do in the White Paper. The first thing was to say, there are some regions that are going to want to have democratically elected assemblies, and there ought to be a step change in the rights and responsibilities and powers that those have. At the same time we recognised the different regions wanted to do things at a different level and a different pace, and we wanted to up what they had. What we achieved, I think, in the—

15. What you have said is, no, is it not?

(Mrs Roche) It is, yes. I think it is very important, Chairman, rather than getting into the simplistics of, “Is this yes or no?”, that you and the Committee understand why it was that the Government arrived at the balance.

Chairman: I understand that. The only difficulty for the Committee is that we have a lot of questions we want to pursue with you and if we take much longer on this first question your colleagues will be waiting outside for a long time.

Mr Clelland

16. Given the nature of the Regional Co-ordination Unit—and this is no reflection whatsoever on your abilities—why was the responsibility not given to the Minister for local government and the regions?

(Mrs Roche) I had the responsibility when the Regional Co-ordination Unit was in the Cabinet Office and I carried that responsibility with me. Quite apart from that being the existing arrangement, I would also very, very strongly argue that it goes together with my responsibilities for the Neighbourhood Renewal Unit; because very many of those programmes on regeneration are channelled through the government office. I think it makes a great deal of sense for it to be there.

Mr Betts

17. Looking at the regional situation last year, Stephen Byers said that he was going to establish some research to look at whether the allocation of spending between regions was a fair one. Has that been done? When can we expect results?

(Mrs Roche) I think when my colleague, Nick Raynsford comes that would be under his purview rather than mine on regional spending.

Chairman

18. You coordinate the regions but you are not responsible for the spending?

(Mrs Roche) There is a difference. I coordinate the government offices, which is a different area of responsibility.

Mr Betts

19. So Mr Raynsford would be able to answer that question?

(Mrs Roche) Yes, he would.

20. We also have the announcements of the Government's intention to have responsibility for housing spending and policy at regional level coordinated through one body rather than the various bodies as it is now. The Chancellor gave an indication it had been decided which body that would be in his speech at the Urban Summit. Could you explain to us which body that will be and where its lines of accountability will be?

(Mrs Roche) Again, that would be a matter, as far as housing is concerned and those arrangements, for Jeff Rooker, who, I understand, is not going to give evidence to you today but will be on another occasion.

21. But this is about regional coordination?

(Mrs Roche) It is, but it is obviously just the way the Department works, because it is a housing responsibility in the way in which those money will be allocated.

Chairman

22. You coordinate everything but you do not know what is happening?

(Mrs Roche) Chairman, that is grossly unfair, if I may say so—witty but unfair!

Mr Betts

23. Could I turn to another question of regional coordination—although perhaps I will get the same answer to it—the issue of skills in economic development. We have got the RDAs, we have the Skills Council, we have Business Link, we have got the Learning and Skills Council at national level, which has regional input; if you go to businesses locally, certainly in my constituency, they have not got a clue. They have some idea that somebody is doing something about skills, but they would not be able to tell you which body was doing what and how they are linked up with each other.

(Mrs Roche) I think this is an issue, and I know this. I am a former minister responsible for medium sized businesses, so would say there are issues as to how people can access this sort of information and sometimes the picture looks very, very complex. I was speaking to some small businesses about this yesterday, and I think as the Learning and Skills Councils develop it becomes more apparent who is responsible. Also as you have the growth of the Small Business Service, often acting through the Business Link, that has been helpful.

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MRS BARBARA ROCHE

[Continued

[Mr Betts Cont]

24. Is this a problem?

(Mrs Roche) It is problematic.

25. Has the Government got proposals to rationalise this to make it clearer?

(Mrs Roche) You have got the Learning and Skills Council, you have got the Small Business Service which, in part, works through the Business Link Network, it can depend on what sort of skills you are talking about. If you are talking obviously about post 16s, you might be talking about the Learning and Skills Council. I would not say I am an expert in that area. If you are talking about skills training and development, that may well be an area where the DTI, through their Small Business Service and through the Business Link, would have a role. I am not quite sure what you are focussing on.

26. Have you any plans to make it clear who is responsible for these things? Is it your job to coordinate this, and to ensure there is a comprehensive approach?

(Mrs Roche) At the government office level my officials would make it clear. If there was an issue coming up from business that needed to be resolved about, for example, post-16s, then my officials in the government office, particularly that come from DfES, would actually be able to resolve the situation. If it was a question about skills in the small business sector then my officials there would be involved with local businesses. Was there a particular skills gap? How could they help? That would be issued. That would be identified very much at a local level and we would seek to resolve it if we possibly could.**Chris Mole**

27. The RDAs were given a responsibility to establish skills strategies for their regions but they have no direct influence on the work of the Learning and Skills Council and a limited ability to appoint members, but not very much. Is that not a lack of coordination that needs to be resolved?

(Mrs Roche) If you look at the White Paper, that is what happens with the Learning and Skills Council, and powers and responsibilities there are built in one of those options that can be given to the regional assemblies, the democratically elected ones. That is why I come back to the point I made at the beginning, that is why it is very important for the RDAs, for the regional chambers, and for the government offices, to work very closely together. For example, in some parts of the country you will find that those three bodies have signed a concordat on the sharing of information. This is the thing we ought to remember: although on paper you will have these different bodies—you will have the government offices, you will have the chambers, you will have the RDAs—and it can sometimes look at perplexing picture, in reality all the key players in those areas will know each other; they will form working relationships to make sure that they do develop and deliver this agenda.**Sir Paul Beresford**

28. You will understand why we see it as a dog's breakfast, and all you are really doing is employing loads of officials and that is a blow towards unemployment?

(Mrs Roche) Sir Paul, I find that difficult, since it was the last government who started the regional offices. You were the Party that did that so you obviously believed in that.

29. RDAs and Skills Councils and all these other bodies that seem to have trouble finding who they are and where they are and looking for other jobs, we are just trying to find out if there is any coordination. There does not seem to be any coordination at all.

(Mrs Roche) The interesting thing is, I remember being a minister at the DTI when Regional Development Agencies were developed and the idea came, and I remember people saying, "It won't work; it'll be bureaucratic; it won't deliver; business won't like it". If you actually talk to business, they like the RDAs; they think they have delivered. For example, if you look at the way in which more venture capital funds are now available to SMEs, I think that is incredibly progressive. I think it has come about because of this work of the RDAs.**Chairman**

30. I am just worried about the time. We have at least another 10 areas of questions that we want to get through.

(Mrs Roche) I am prepared to take them all, Chairman.

Chairman: I think Mr Raynsford might be a little upset if he was kept outside for an hour and a half while we complete the programme! Quick questions and slightly shorter answers, please.

Mr Betts

31. Is it not rather strange that there has been a split of responsibility in the department or housing and homelessness? It seems one of the cures of homelessness is to get people housing. Why do you need two ministers to do it?

(Mrs Roche) I have responsibility for the Neighbourhood Renewal Unit, for social exclusion and for homelessness. The reason we put homelessness with my responsibilities is, of course, homelessness is very often about lack of access to affordable housing—I take that as absolute; but sometimes it is about other social issues as well. It can be about issues of social exclusion, and that is why it is thought appropriate for it to be together. That does not mean to say that Geoff Rooker and myself operate in mutually exclusive ways—we do not; we operate together.

32. Some people might say that this leads on to a problem. You can see with the housing corporation now 35% of new homes are going to key workers, and it all seems as if the issues of homelessness are dropping down the agenda in terms of the housing provision?

(Mrs Roche) Absolutely not. I would say more. The fact that it has been separated out and come to me as a major problem of social exclusion (and I

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[Continued

[Mr Betts Cont]

speak with some passion in this area as I am a London Member of Parliament where we have got severe problems with homelessness) gives it a reinforced focus. I take the target we have in this area very seriously.

33. In the Comprehensive Spending Review there does not seem to be any public service agreement targets for either homelessness or rough sleepers. Why not?

(Mrs Roche) You always have a competition as to what you put in there.

34. But there is none at all. It is a serious issue.

(Mrs Roche) Of course it is a serious issue which is why I, as a Minister, spend a great deal of my time on the issue of homelessness, whether it be about meeting our bed and breakfast targets for families with children, or on the issue of keeping our rough sleepers levels as they are and trying to reduce them.

35. If we have not got a target, how do you know whether you are successful or not?

(Mrs Roche) I have a target. I have a target that by March 2004, except in the case of emergencies, we do not have families of children in bed and breakfast accommodation. That is a very, very clear public target; and it is a target we are committed to achieve.

36. And on rough sleepers?

(Mrs Roche) On rough sleepers it is to keep it at the level we have reduced it to; two-thirds of the level we had.

37. When we have a count this year could we take account of the various allegations made by the Transport & General Workers' Union, The Simon community, that the counts last year were a little bit artificial. They had one rough sleeper in Sheffield; two in Birmingham; that they did not go looking in certain areas; that parties were put on to get people off the streets.

(Mrs Roche) Let me be very robust in my reply because I feel very strongly about the integrity of this. I would like to invite you, Mr Betts, and any member of this Committee to come out with the CAT teams late at night, and I am sure you would want to do this in Sheffield, to see how they operate. The counts are done by the voluntary sector; they have always been done by the voluntary sector way before we had the Rough Sleepers Unit and then they come to us. They have been evaluated and they have been found to be robust. I have a great deal of respect for the Contact and Assessment Teams who do that work late at night, and actually make sure we get the people into accommodation. Their task is not an easy one. Come out with us either in Sheffield or London and we will show you exactly what we do.

Chairman

38. You think the 2001 figures were absolutely accurate? They do show a remarkable change from three years earlier.

(Mrs Roche) I was not the minister then. I have actually looked at those figures and I have been very hands on with the Rough Sleepers Unit, and I was interested in it when I was responsible for social exclusion but not the homelessness director, which is why I have spent quite a time going out with the Unit.

I am convinced, from speaking to officials, that the figures at that time were robust. I am very willing to share all the information that we have and how we do this with the Committee.

39. Why did the figures go up in Liverpool and down almost everywhere else?

(Mrs Roche) It is difficult, there are other places where they are up. I was in Cambridge last week where they are out of line with other places in the country, although great efforts are being made. When I was at the Urban Summit on Thursday I was talking to Birmingham about those figures where they have made great progress. It can be local circumstances; it can be the partnership that is available; it can be a number of external factors. The main thing is to deal with it and to get those figures down.

Christine Russell

40. The answer to homelessness—the Liverpool question from the Chairman—is the Chester ones have moved to Liverpool! Can I ask you, Minister, about the Cabinet Sub-Committee on Equality, because you are Deputy Minister for Women. How often does that sub-committee meet, and what achievements do you think it has had in the last 12 months?

(Mrs Roche) I chair it—it is DAEQ I think you are talking about. We meet reasonably regularly. I cannot say we meet at any set time. We last met two or three weeks ago. I suppose the great achievement is that we recently published two documents. I published them but they would have gone through the committee. One was the Race and Employment Directive, and we brought forward the regulations on belief and sexual orientation and how we would implement them. The second paper was about what the future of the equality machinery would look like, given the Directive and given that some time next year we will also publish a paper about age. That paper looks at, should we have a single equality body; if not, what should equality arrangements look like. We are beginning the consultation on it now, and I think that ends at about 21 February.

41. What prompts the meetings, if they are not regularly scheduled meetings?

(Mrs Roche) Like all Cabinet Sub-Committee meetings, we will have a forward-looking agenda and there will be a programme of work that we will be dealing with.

42. You mention the work you have done on racism and sexual orientation. Can you give an example of the work you have done that takes account of gender equality? Have you got any achievements to tell us about there?

(Mrs Roche) I think on gender equality, one of the things is to see what different departments are doing in this area. I suppose this is not the DAEQ, but one of the things we are doing is the ad hoc ministerial group on domestic violence; which is the first time that ministers from different departments have worked in this way, and it is important. It certainly fits in with my homelessness brief, because we know that sometimes some of the causes of homelessness can be women and families fleeing domestic violence;

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MRS BARBARA ROCHE

[Continued

[Christine Russell Cont]

which is why I made my earlier point about its connection to my other areas. I think that has been very helpful, particularly in some of the activities we have done around awareness-raising, and some of the issues the Home Office have brought forward as well.

43. We have had discussions about targets. What targets do you use to measure the performance of the Ministers for Women? Do you have a target, for instance, for the percentage of public appointments that are given to women?

(Mrs Roche) We have done a lot of work on public appointments. Public appointments for women in the 1,000 national bodies are running at about 34–35%. Our aim is to get it to 50%. What we have done is to try to widen the base of women who apply, and black and minority ethnic women as well.

Dr Pugh

44. Could I ask about the National Strategy for Neighbourhood Renewal. It starts quite properly with emphasis on the needs of the community; there is a need also to change these communities. Is there not a good deal of thought put in by the Government on how we attract new residents into these areas? Is it not a reasonable assumption that some gentrification is both desirable and to be encouraged?

(Mrs Roche) Your question, if I may say so, is a good one. The big issue with neighbourhood renewal is for it to be community-led, and that is easier said than done. It really does take a great deal of effort. The temptation sometimes with saying things are community-led is always to rely on the same group of residents. Almost as constituency Members of Parliament, one would think of the voluntary community groups and our church groups. There is a tendency sometimes to consult with the same extremely worthy but busy people. The thing with regeneration is how you get in the frame people who perhaps have not been involved before but have got something to offer.

45. A great deal of regeneration money actually goes on relatively short-term projects, as opposed to things that may be longer-term beneficial for the whole community?

(Mrs Roche) Not on neighbourhood renewal. The difference with neighbourhood renewal, if you take New Deal for Communities, is that we say they are there for the long term—there for 10 or 20 years. When I was in Birmingham on Thursday I also went out to look at one of our New Deal for Communities partnerships. If you talk to the residents there on the particular estate where the New Deal monies are coming in, they are very focussed in the long-term. I said to them, “If I came back to you in a year’s time how do you envisage the partnership doing?”, and their big thing there was that the local school would be known as an excellent school. They were actually focussing on what could be achieved in the long-term. It was interesting that that was part of their idea, quite rightly, for neighbourhood renewal.

46. How is the Department actually monitoring what is being done? How is the evaluation done by the Department?

(Mrs Roche) We would evaluate and monitor each NDC individually. In fact, when I went to see the NDC I had to reassure them that I was not coming there as part of the formal evaluation process because that was actually going to take place the next day. Myself and my ministerial colleague, Tony McNulty, who worked with me on this, are pretty hands-on on this, we go and see them, and they will also be monitored and evaluated as well by the Government Offices.

47. In terms of monitoring, is there some kind of audit done—some kind of breakdown—as to how much of that money has, for example, gone on the costs of supporting community groups or the salary costs of those people actually engaged in regeneration? Do you have those sorts of figures?

(Mrs Roche) Yes, of course. We can supply those to the Committee if that would be helpful.

48. You are satisfied the money is being spent in the right places?

(Mrs Roche) Yes. The real trick—and I will be frank with the Committee here—that I have been saying to the NDCs that the NDCs, quite rightly, have spent a great deal of time getting their partnerships on the road and making sure they have consolidated, but the big challenge to them now is to start spending and delivering the money. That is the course that we now have to take.

Mr O’Brien

49. On this question of monitoring, in the Annual Report that you sent us—22 pages giving all the aspects of the programme—under Objective Four it says “The renewal of our most deprived communities.” There is no progress report, there is no addition to it, it just says “Targets are being considered as part of spending review 2002.” If targets have been considered, how can you say that there is satisfaction on where the money is being spent?

(Mrs Roche) In my area, Mr O’Brien, of neighbourhood renewal there are three areas that I concentrate on: first on the New Deal for Communities—which I was just speaking about—to make sure that the money is delivering. We do measure it. For example, we know that in some areas where the new deal money has been spent we have actually seen—

50. Why is there no big detail with the submission of the monitoring?

(Mrs Roche) If that would be helpful, Mr O’Brien, my apologies and we will supply it to you.

Chairman: That would be very helpful.

Dr Pugh

51. Moving on to this Neighbourhood Renewal Fund being used as an addition to whatever a community requires from its local authority, there is some evidence that some local authorities have used it to substitute for mainstream funding. Is the Government aware of this? What are they doing about it? Is it not, to some extent, excusable in one respect, because the Neighbourhood Renewal Fund emerged at the very last minute, did it not, prior to

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[Continued

[Dr Pugh Cont]

local governments constructing their budgets a couple of years ago, in circumstances where a lot of local authorities are actually quite stretched and, understandably, some of that money then went towards other needs, as they needed to do?

(Mrs Roche) Neighbourhood Renewal is not a substitution, it is there to kick-start mainstream programmes.

Chairman

52. We want to know how you are stopping it being used as a substitution.

(Mrs Roche) We do it by all the ways that we monitor through Government Offices. Funnily enough, more of the complaints that I have had on Neighbourhood Renewal are that sometimes local authorities are not as fast as spending it in the way that we want to. That is sometimes because they have not had the relationship in place in the establishment of their strategic partnerships, as they might have been. For example, I was speaking to a local authority in the last couple of weeks where I felt their programme for spending was slow. They said to me, fairly reasonably, that it took them a little bit of time to set up their structures and their local strategic partnerships. I said to them that was fine but I did not want the excuse next year.

Sir Paul Beresford

53. Is that not part of the problem? One of the Liverpool team that came here said it took them a year to produce the constitution which they were required, by your requirements, to produce?

(Mrs Roche) No, I do not accept that. Of course, people want to make sure that they get their proper consultative arrangements and that they get that in place, but we have not placed onerous burdens on them in order to do this. The main thing now is we have got the arrangements in place, and in this next period I would expect to see people delivering. Part of my job is to make sure that they do.

Dr Pugh

54. However, Local Strategic Partnerships represent, in a sense, another example of the distinction between what the Government aims to do and what actually results on the ground floor. It would appear to me that Local Strategic Partnerships have not actually reduced the number of partnerships; they have not responded to what I think Sir Paul Beresford referred to as a "dog's breakfast" of organisations.

(Mrs Roche) It is variable. I will be absolutely honest with you—

Chairman

55. Just give us a good example and a bad example.

(Mrs Roche) I have seen a reasonably good example in my own local authority where I think it has worked, and there are a number of very, very key

partners going there. I think it would be invidious to actually give you a bad example, because I would expect to see some improvement.

Dr Pugh

56. Do you think the number of partnerships in existence have reduced as a result of the existence of the Local Strategic Partnership?

(Mrs Roche) Yes, I think it has, or they are working through the main partners. When I go, as the local MP, as I have done, to my LSP I see what I would expect to see, a small number of very, very key players working together. Those key players are not just there because they are at a meeting, they are there because they are actually capable of making decisions. That is very important, because they have money to spend in terms of—

57. Is your authority the exception rather than the norm?

(Mrs Roche) No, I do not think that is the case.

58. Why did the Audit Commission say it is not happening?

(Mrs Roche) Let me say this: these are new instruments. What we are trying to do is rationalise. Are they all going to be excellent overnight? No, they are not. If you invite me back, as I hope you will, Chairman, next year or even earlier—because I cannot wait for a repeat appearance—then I hope I will be able to deliver some real progress there. In the past—we all know this—when you have partnerships everybody wants to come on board; it is a bit difficult to say that what we have got here is something strategic and we want a few key players.

Mr Clelland

59. You have mentioned the need to reduce underspends on NDCs. Can you say a bit more about what you are actually doing to achieve that?

(Mrs Roche) It is fair to say this is something we should put our hands up to and be absolutely honest about. I think we probably had over-expectations of the New Deal for Communities in the first few years. The aim was to spend the money straight away, but when you suddenly announce to a community "You have got £50 million to spend in, let us say, a 10-year period", it took them a bit of time to get together. These are large sums of money. So I think our expectations were high, which is why we have tried to load the programmes a bit differently, so that the peak sums peak in the middle years. The second thing, also, to say is that we ourselves need to put much more robust forecasting methods in as a department, and I would completely accept that.

60. Probably more worrying than that is the underspend on European Regional Development Funds. The Committee has been told that in 2001–02, for instance, under sub-head H there was a grant of £19 million, expenditure was £1 million, which is an underspend of 95%. Under sub-head P, there was a grant of £36 million, expenditure was £6 million, so an underspend of 83%. What is being done about that?

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[Continued

[Mr Clelland Cont]

(Mrs Roche) We need to do much more work. I think sometimes some of the rules and regulations have been extremely bureaucratic, but there is no doubt there is an issue and a difficulty here. As I said, I was at a meeting—

61. So it is Europe's fault rather than ours?

(Mrs Roche) No. No. I would not say that. I was the Minister who negotiated the deal, as you will remember, Mr Clelland, for Structural Funds, and a very good deal we got as well. I think the implementation of it has been difficult. Perhaps we should have realised this. I think it is a mixture, but it is a problem we are going to need to sort out.

Chairman

62. That money is actually lost, is it not?

(Mrs Roche) We need, Chairman, to up the spending on it and we need to access it.

63. The failure to spend it in the appropriate year means we do not carry it over to the next year.

(Mrs Roche) Not as far as I am aware.

64. So actually it is lost. Does that not destroy your credibility? You say you got a good deal but, actually, you were asking for money that you could not spend.

(Mrs Roche) I do not think that is the case, Mr Chairman. Certainly if you look at some areas there has been a problem with the slowness of the programme. If you look in other areas, for example where they have had Objective 1 money and where they have been able to put in fantastic programmes with their business community, really straight away and right from the beginning, I think that has been very impressive. Has it been varied? Absolutely.

65. If it was worth negotiating, as you have just indicated, then to lose £48 million is a lot of money.

(Mrs Roche) I am not going to say that is absolutely acceptable. I would like to look at those figures and what can be done, but it is not just an issue for us it is an issue for other departments, as far as this is concerned. There has been a problem with bureaucracy and red tape and my job is to see if we can get through that.

66. Are you confident there will not be an underspend this year?

(Mrs Roche) I never make predictions of that kind, Chairman. All I—

67. Have you checked up to see how we are doing?

(Mrs Roche) Of course I have.

68. Are we on course for actually getting there?

(Mrs Roche) I think we are getting there. Can we do more? Yes. I am still concerned, particularly in my area of neighbourhood renewal, that the money is not being spent as fast as it should be, which is why I gave a very strong message to the NDC partnerships when I addressed them recently.

Chris Mole

69. What is the role of the Social Exclusion Unit now that the very good job it did with the National Strategy for Neighbourhood Renewal has moved to the Neighbourhood Renewal Unit? Do you need two units?

(Mrs Roche) I will have to have a word on that. That was one of the reports that it did, but the Social Exclusion Unit is an independent unit which basically reports to the Deputy Prime Minister and the Prime Minister, and it works on a project basis. The work it did on neighbourhood renewal was part of that, but for example it is currently doing reports on transport and social exclusion, on young runaways, on the educational achievements of children in care and it has just completed a report which we published in the summer—which has been taken forward by the Home Office to implement—on ex-offenders.

70. What criteria do you use to identify what those topics should be that the unit is going to work on?

(Mrs Roche) That is a very good question. Because we work in a way which is cross-departmental, we look to find a subject which is not of exclusive concern to one department but can be of concern to all government departments. Secondly, where we can add value. Thirdly, and very importantly, where we, if you like, can stop the progress of social exclusion. If you do something about rough sleeping, for example, then you can stop people being socially excluded. If you do something about the educational achievement of children in care—and 60% of looked-after children get no educational qualifications at all—you can make sure that they are not socially excluded at some later stage.

71. Changing the subject, how is the Regional Co-ordination Unit fulfilling its gatekeeper role with regard to the new Area Based Initiatives?

(Mrs Roche) Any new Area Based Initiative has to come through the Regional Co-ordination Unit. There is nothing wrong, by itself, with Area Based Initiatives, but what we have to have is a central mechanism to make sure that there is not a proliferation of them.

72. There was a Review of Area Based Initiatives which made a number of recommendations. Have those been implemented?

(Mrs Roche) Yes. I announced just a few weeks ago that we had substantially reduced the number of Area Based Initiatives.

73. We touched on mainstreaming earlier on, because that review recommended that a number of the initiatives should be mainstreamed. Where do you see resources coming from to enable that to happen within the main programmes? I know that many colleagues in local government would see that at the end of a lot of these programmes partners expect them to pick up the bill.

(Mrs Roche) It depends what you mean by "mainstreaming". What I mean by "mainstreaming" is that you bend your normal mainstream programmes so that you are delivering in all areas. My mechanism for delivering mainstreaming is through floor targets. That is a bureaucratic, boring phrase for something which I think is quite exciting.

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[Continued

[Chris Mole Cont]

I think it is about minimum standards, and the social equivalent of the minimum wage. It is my job to try to get mainstream departments to use their funding so it works in deprived areas, which is why we have the floor targets.

Mr Streeter

74. Do you sometimes feel that your job is to go from meeting to meeting, produce report after report, and go from talking shop to talking shop? Do you feel that your department is actually doing something?

(Mrs Roche) You are asking me do I feel like I am going from meeting to meeting and talking shop to talking shop, and the answer, Mr Streeter, is no. I am not really a meetings person, so I try to keep meetings to a minimum. The most important thing I can do in my area is certainly around the question of floor targets. I believe it is an absolutely essential piece of work to make sure that government departments mainstream their programmes to make sure that resources and levels of public service delivery get to our poorest areas. In actually doing the job it is dealing with front line staff who are delivering services, whether it is the Rough Sleepers' Unit or the Government Offices. So it is going out and about, not meeting in airless rooms.

Chris Mole

75. Can you give us an example of how that would work? For example, Sure Start in my constituency delivers services to young families. When that comes to an end, who is going to pick up the tab?

(Mrs Roche) I cannot say exactly what is going to happen there. What is happening with Sure Start is that the Sure Start principles are being mainstreamed because lots of other areas are doing something very similar; even though they do not necessarily have Sure Start funds, they are using the Sure Start principles to set up projects. The interesting thing about Sure Start is that it has got such good main recognition, and, secondly, it has set up a number of genuine partnerships.

Chairman

76. That could mean that the people in Ipswich, having just had the benefits of it, get disillusioned because it does not continue.

(Mrs Roche) I think that is a very pessimistic and, if I may say so, Chairman, extremely negative approach to take.

77. Mr Mole actually asked you what was the hope for it? All we wanted was some indication that it is going to remain.

(Mrs Roche) This Government has been committed to Sure Start. The question asked of me was about mainstreaming. We have put Sure Start in a number of different areas. It has been fantastically successful, but there are some of the principles of

Sure Start that you can do by reconfiguring services in other areas. You can actually ask parents of children under five how is it that they want to see those services running? You can use those principles to achieve it. Why, for once, Chairman, can we not celebrate some of the great success that we have had?

78. I thought Mr Mole was very firmly celebrating the success there was in Ipswich. What he wants is for that success to continue. That is the problem.

(Mrs Roche) I am sure it will.

79. Can I take you on to this new document that has just been published *Living Places: Cleaner, Safer Greener*. It is a very nice document. What happens next?

(Mrs Roche) First of all, we have the DEFRA review of the legislation, but what I would actually like to see happen—and we need to take the decision as to how we roll forward the work—is much more of a concentration on how we can get other departments involved and how we can get local areas involved in regeneration of their public space. I think we need to have much more of a discussion about what livability means. I would also like to make sure that we disseminate the document, because there is a lot of good practice in the document.

80. It is an excellent document. Any money?

(Mrs Roche) You will have to wait and see, Chairman.

81. When will we see?

(Mrs Roche) As soon as possible.

82. As soon as possible. Finally, this question of the chewing gum. We have got these issues about producer responsibility across Europe, so that car manufacturers are going to have to take back their old cars. What about making sure that the manufacturers of chewing gum have to pay some of the cost of cleaning it up? I know the document was a little unfairly—characterised by the chewing gum issue—but it is quite important when you look at how much effort local authorities are putting into pedestrianised areas and other things, and the one thing that makes them look really grotty is the ground-in chewing gum.

(Mrs Roche) I was flippantly going to say that I have found a piece under here, Chairman—

83. I am sure ministers do not—

(Mrs Roche) I would not stereotype in that way, Chairman. It is a serious issue. What people need to do is look at the review of the legislation that DEFRA has initiated alongside our paper. What is apparent is that there is a myriad of different legislation on this. I think, as a lawyer myself, it is very confusing what is out there. People need to know what their rights and responsibilities are. What is your right on graffiti? Who has got the responsibility for removing it? What can you enforce as a private individual? The good thing about the coverage last week is that the issue is alive and up there, and I hope not only in this Committee but people will join in the debate about the legislation.

84. I just thought you might offer us some solutions.

(Mrs Roche) It is not my department because it is DEFRA, but I will offer you a solution. I think you have got to make the legislation much simpler, much

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[Continued

[Chairman Cont]

more able to access and much more speedy. The difficulty you have at the moment with some of the remedies, whether it be on chewing gum or litter or on graffiti, is that they take too great a time.

85. On that note, can I thank you very much for evidence.

(Mrs Roche) Thank you very much, Chairman.

Examination of Witnesses

RT HON NICK RAYNSFORD, a Member of the House, Minister of State for Local Government and the Regions, MR PHILIP WOOD, Director General Regional and Local Government, MR IAN SCOTTER, Divisional Manager Regional Assembly Finance and Functions, Office of the Deputy Prime Minister, examined.

Chairman

86. Can I welcome you to the Committee and apologise that we are running a little bit late. It was fairly difficult to get short answers last time, but I am sure you will give us some very short answers. Can I ask you to introduce your team?

(Mr Raynsford) Thank you very much. I am Nick Raynsford, Minister for Local Government and the Regions. I am accompanied by Philip Wood, who I think was here previously and who is the Director responsible for Regional and Local Government, and Ian Scotter, who is the official working on the regional agenda.

87. Do you want to say anything by way of introduction or are you happy to go straight to questions?

(Mr Raynsford) No, I take your comment about brief responses and am happy to go straight to questions.

Chairman: Can I just thank you for this response to our report.

Mr Clelland

88. Good morning, Minister. On the whole, government departments do not trust local government, do they?

(Mr Raynsford) No, as I made clear in my previous evidence, I do not think that is a correct interpretation. We want to assist local government to raise the standard of performance; we want local authorities to succeed and we are putting in place a whole series of measures spelt out in the White Paper which are designed to do exactly that, to devolve greater decision-making responsibility to local government, within a framework that is designed to drive up standards and ensure high-quality delivery of services to local people.

89. Why does local government not see it that way? They do not seem to think that DTLR represents their views particularly well.

(Mr Raynsford) I beg to differ. The recent Central Local Partnership, which was a gathering between representatives of the Local Government Association and Ministers in ODPM and other government departments, had an extremely positive and very useful, constructive series of exchanges in which a rather different point of view was expressed.

90. That is not what my councillors tell me. I do not know how they are being represented at national level, but certainly there is a great deal of unhappiness about the relationship between central

government departments and local authorities. That is my experience, and I am sure other members have the same.

(Mr Raynsford) If I may express a view, I think there is a time-lag and I think, perhaps, in some areas it takes a little while for people to appreciate there is a very different spirit. Certainly from my experience of talking with leaders of local government, from all parts of the country, there is a growing recognition—and welcome—to the Government's agenda, which is seeking to devolve power. Witness the draft Bill which was the subject of my last evidence to your Committee.

91. It has been said that spending departments are getting in the way of devolving power to local government. What has been done about that? First of all, do you agree?

(Mr Raynsford) I would not agree. I believe there is a general pattern of commitment to the overall approach to public service delivery. That approach was spelt out by the Prime Minister as being based on four key principles. The first of those is setting clear, national standards so everyone is absolutely clear as to what is to be achieved. Secondly, devolving greater power and decision-making to the front line. Of course, this can cause difficulties, because the front line may refer to schools rather than local authority education departments, and there can sometimes be a tension in that local authorities often see devolution ending at the Town Hall whereas others see devolution extending beyond the Town Hall to local communities. So there is an issue there. Thirdly, giving greater opportunity for flexibility to address local issues and to respond to changing demands. Fourthly, giving greater choice to members of the public so that they feel services are focused on them. Those are the four objectives and those are objectives which we are seeking to implement in relation to local government.

92. I agree with you in terms of devolution cascading down to and beyond local government—that is absolutely right—but concentrating on the local government aspect, at the moment, we had Lord Rooker in front of us a week ago and I put a question to him about the sale of council houses. I suggested to him that we ought to give responsibility to local authorities to decide in their own areas whether or not they should restrict sales. He was quite adamant that that should not happen. In fact, I think he said that “we did not want to go back to the 1980s”, whatever that meant, because I remember in the 1970s and 1980s local government was having to put right housing problems which were foisted on

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[Continued

[Mr Clelland Cont]

them by previous governments. That was not an example of wanting to devolve power to local government, was it?

(*Mr Raynsford*) There is a classic instance of where, if you devolve power only to local government and no further, you can have a conflict between the views of individual councillors and individual residents, who may not agree that a national framework is interrupted at the local level. These are difficult issues.

93. On the set of shared priorities which have been announced, looking through them I do not think anybody could disagree with them. Could they? Promoting healthier communities and narrowing health inequalities; raising standards across all schools—all pretty simple stuff. What practicalities are behind all of that?

(*Mr Raynsford*) A very large number of measures being undertaken in very many areas with a great deal of creativity, I am pleased to say. I could highlight a number of ways in which this is happening but perhaps I can just focus on the local PSA programme which has been, in my view, a very considerable success in getting from local government a commitment both to locally determined objectives and national priorities with a system which gives initial pump-prime grant to help local authorities achieve the objectives and then, when they do so, a reward grant of 2.5% of their budget, which provides a very significant financial incentive to authorities. That seems to me the classic instance, and I have seen many examples of innovative approaches taken by different local authorities in the field of improved health care, improved social services, improved education, improved anti-crime and safety measures, and a variety of others.

94. When people are asked about what needs to be done more to improve their local area they generally relate to the local, physical environment. It appears that your department does not have any targets in that area. Why is that?

(*Mr Raynsford*) The local physical environment is hugely important but, I have to say, that is largely the responsibility of my colleagues, particularly Lord Rooker.

95. Does he have a target?

(*Mr Raynsford*) He most definitely does have targets in terms of the decent home standard. At the Urban Summit last week in Birmingham the Deputy Prime Minister and other Ministers stressed the importance of improving the quality of life and the environment in which people live. This is fundamental to urban renaissance. My only caveat is that this is not specifically part of my ministerial brief.

96. Presumably there is some sort of co-ordination between departments?

(*Mr Raynsford*) Of course.

97. But there is not a co-ordinated effort to set a target in terms of improving local environment generally? They are all separate little pockets, are they?

(*Mr Raynsford*) I think there is a great deal of co-ordination, but, again, this is something where you have to have local discretion. Different local authorities will adopt a different approach as to how best to improve the quality of their area. If I may say so, in your area there has been a very, very significant improvement as a result of imaginative local initiatives which have transformed and improved the cultural infrastructure—which, of course, is rather important to your bid for the European Capital of Culture, which I shall say no more about because I would not want to imply I was in any way prejudiced in the outcome of that.

Mr Clelland: On that very positive point I had better leave it there!

Mr Betts

98. Freedom of local authorities. It might be a bit of a caricature of what happens, but many of them will see now they have got the educational funding and they have got to spend up to SSA pressure; extra money for social services has to be spent up to SSA, in line with the Department of Health guidelines, and housing spending has separate and very clear government targets. When you get to the built environment it is very important to people the physical environment in which they live, and it is almost starved of resources on which councils can make decisions. When money is around it is through New Deal for Communities or Neighbourhood Renewal Funding or Estate Action—those sorts of things which are very specific and where the Government is directing, really, how the money should be spent. Is that really a commitment to giving local government greater freedom to act?

(*Mr Raynsford*) Let me say three things on this. Firstly, the overall pattern is one of substantial increases in government grant to local authorities, which has increased, in real terms, by 20% over the last five years. There is, as you know, a provision for further real-term increases announced in the 2002 spending review. So, overall, funding for local government has increased. I accept entirely—this is my second point—there are some programmes that are ring-fenced. There are often good reasons for ring-fencing. If I can take one illustration, in our department's area: the arrival of the "Supporting People" programme, which involves significant transfers from other departments or other agencies, could be problematic if there was not a clear incentive to ensure the spending is allocated to very vulnerable people who are not always the most popular groups in society—people who may be in need of support and accommodation because of an alcohol or drug-abuse problem, and so on. It was felt necessary to have a ring-fence to enable that programme to come in but our approach is that the ring-fence should be only for priorities which cannot be delivered by other means and, wherever possible, time-limited so that there is a clear exit strategy. That is the approach we are trying to adopt to reduce the amount of ring-fencing and restrict it to areas where it is essential to deliver very, very important objectives. Thirdly, the overall approach that we are trying to create is one in which authorities will have greater freedoms to decide on their local priorities while, at the same

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[Continued

[Mr Betts Cont]

time, recognising the importance of national priorities. One of the things we have done in the course of the last year is to agree a joint series of priorities, agreed between the Local Government Association and Government as a whole, to ensure that there is consistency between the local perspective and the national perspective. It is not always possible to do that, sometimes there are conflicts, but a good understanding and a greater willingness to work together, I think, helps to overcome some of those tensions that have created problems in the past.

Mr Streeter

99. Obviously I accept there is more money but are you not concerned that because more funding comes with strings attached—and more and more ring-fencing, it seems, these last two or three years—you are deterring high quality people from standing for local office, because the joy of being a local councillor is to make decisions and exercise judgment, and not just to do what Government wants you to do? Are you worried at all in your department about the quality of local councillors. Is this not part of the reason why, perhaps, it is not as high as it might be?

(*Mr Raynsford*) I can say straight away I share your concern that we do need to make it possible for people to stand for office, be elected and to deliver results for the communities they are serving. It is right that they should be given the scope to use discretion and to make a difference. We want to do that, which is why we are setting tight limits on ring-fencing and seeking to reverse the trend over recent years, which, as I acknowledged in my response to Mr Betts' question, has been the cause of some difficulty. Having said that, I do not think that this is the only reason for some of the problems of attracting people into local government. There have been, often, pejorative images of the performance of local government, some of the procedures have been slow, cumbersome and bureaucratic and people have not wanted to spend long hours sitting through committees that did not seem entirely purposeful. So part of our reform of local government management structures was designed to create a more efficient, transparent, decision-making process that would enable people to get results and be seen to be responsible—

Chairman: You are tempting the Committee into a whole lot of follow-up questions. We are actually making slower progress on the first questions than we did in the last session.

Dr Pugh

100. Your Public Service Agreement contains a target for Comprehensive Performance Assessment but it contains nothing in relation to the new freedoms for councils. It was supposed to have been a combination of carrots and sticks, and you are certainly offering some financial carrots but they are not the sort of carrots that local authorities are looking for—if I can put it like that. They are not freedoms. Does that not show a lack of good faith on the Government's part here, because PSAs were supposed to be, to some extent, "performance in return for freedom"?

(*Mr Raynsford*) Our whole approach is based on that, and that was the principle which underpinned the White Paper we published a year ago and which we have been working to implement. We will be announcing in a very short period of time—later this month—our proposals for freedoms and flexibilities for local authorities related to Comprehensive Performance Assessment—the two go hand-in-hand.

101. We just have not seen that side of the picture. Is there any reason why you show one side first and keep this back until now?

(*Mr Raynsford*) You have seen a number of freedoms. You had an opportunity to look at our draft Bill, which extended borrowing freedoms, freedoms to trade and freedoms to charge for discretionary services. You have seen our plans to reduce the number of bureaucratic burdens; 84 consent regimes which we have either abolished or announced we are going to abolish. You will have seen our consultation principles behind a more proportionate inspection framework which would reduce considerably the number of inspections for high-performing authorities. So there is a lot of work in train, some of which comes out slightly faster than other elements. I can assure you, this is all part of a consistent approach.

102. Can we move on to the Comprehensive Spending Review. In 1998 the DETR had 23 Public Service Agreements with local government, five for the Fire Service. Following the 2002 Spending Review there is one for local government and none at all for the Fire Service. Is this Government suffering from target fatigue, or can you explain the rationale for that change?

(*Mr Raynsford*) No, we are seeking to rationalise our overall approach, in just the same way that we are seeking to reduce the number of plan-making obligations and best value performance indicators for local government.

103. So it is a mistake to have many Public Service Agreements?

(*Mr Raynsford*) I think it is important to get the focus on the issues that really matter and to have objectives that help to drive the improvements in performance that we want to see achieved at both central and local government level.

104. One particular target seems very weighty (?). That is the target for e-government. A lot of research shows that 80% of people prefer to make contact by telephone or face-to-face. Why is the Government stressing this to such an extent?

(*Mr Raynsford*) It is a question of improving accessibility to local services. If I can pick up your example of the telephone, often people's experience of contacting the council is making a telephone call to one department and, perhaps, going to the wrong department or, perhaps, having another question which has to be answered by another department, and then being referred on and on to other people within that same local authority.

105. Do you think e-government will resolve that?

(*Mr Raynsford*) Yes, it will, because good pilots have already been put in place which deliver new comprehensive call centre answers, where people do telephone the local authority, and it enables them to

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get an immediate answer on a range of different services, including services delivered by other public authorities—by the police and by the health service rather than just the local authority. This is all about improving the quality of service delivery to the public and the accessibility of the public to a high-quality local service.

106. Finally, in a previous session of this Committee you actually suggested that all local authorities were capable of making 2% savings in cost-effectiveness year-on-year. You said the Government assumed that. Do you know whether they actually do?

(*Mr Raynsford*) We are undertaking very detailed research on this, because this is an extremely important issue and it does need to be looked at very carefully indeed. There are different possible measures that can be adopted and different ways of judging success. I have to repeat my commitment to an overall framework of seeking efficiency savings. It is not unreasonable for any organisation—whether in the public or private sector—to make continuous improvements in the efficiency of their service.

107. As of now you do not know who has made the 2% and who has not, but you hope soon to be in a position to name names.

(*Mr Raynsford*) We are undertaking further research to identify the key elements that will drive those efficiency savings.

108. That is not quite the same thing. I would like to know which local authorities have made the 2% and which have not.

(*Mr Raynsford*) I am not in a position to give you figures at the moment. Our research will, I hope, inform our judgment on those matters.

Chairman

109. Does that mean you are going to give us a note, in due course, telling us which authorities have managed to make those savings?

(*Mr Raynsford*) As and when we have completed the research into this area, I would certainly expect that to be made public, and we would certainly send a copy to you.

110. Have you any idea of the timescale for completing that research?

(*Mr Raynsford*) No I do not.

Sir Paul Beresford

111. This will be based on value outputs—with finance set aside—instead of procedures?

(*Mr Raynsford*) Yes.

Mr O'Brien

112. Can I follow some of the points you have made? Performance reviews, inspections, district auditors, accountability, best value, national care standards for social services, Council Tax bills to reflect who is responsible for expenditure. In your statement to the House on 30 January, column 3456,

you said: “We will help councils by cutting red tape and reducing central prescription.” When does it start?

(*Mr Raynsford*) We have already, as I said in a response to an earlier question, announced our intention to do away with 84 separate consent regimes which did require local authorities to get government approval for specific actions. We have already set out our proposals for reducing the inspection burden on high-performing authorities.

113. That is a point. You reduce it for high-performing authorities but officials from the low-performing authorities are going to have to spend more time with inspectors, which means to say that the work they should be doing in trying to bring round the authority is going to be spent discussing issues with inspectors. Is that not red tape?

(*Mr Raynsford*) Our paper suggests that there should be a proportionate inspection regime that focuses specifically on the issues that need to be addressed if the authority is to improve its performance. So it will be related to the Comprehensive Performance Assessment and will inform the action plan that we want to see all authorities introducing to drive up standards and tackling weaknesses.

114. Comprehensive Performance Assessment, best value, both running side-by-side. Is that not a performance monitoring regime too many?

(*Mr Raynsford*) No, it is not because Best Value reflected the performance of individual authorities across a large number of different service areas. What it did not do was give us the overall picture of the corporate performance of the authority—its capacity in handling finance, in handling personnel issues, in its management ability—and the Comprehensive Performance Assessment brings together the best value performance information together with the assessment of the corporate capacity of the authority to give a bigger, better and more rounded judgment of the overall performance of the local authority.

115. In your experience, what actions are most effective to improve poor performance by local authorities? What evidence do you have to show that there is some progress being made there?

(*Mr Raynsford*) I think there is a lot of evidence. One can see the evidence in individual service areas, where my colleagues in other government departments have been engaged in working with authorities to raise the standard of performance, whether in social services or education or in benefit delivery or other areas, and I can say from my own practical experience that I can see real evidence of improvement in authorities, like Hackney which suffered very, very serious collapses, in fact, in the performance of its public responsibilities. One can see from the evidence how effective action supported by government intervention is now leading to real improvements.

116. When do you start cutting the red tape that you referred to?

(*Mr Raynsford*) We are doing so. We are cutting red tape all the time, and we are making our whole inspection regime very much proportionate to the

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programme of improvement of council services. So it is all about trying to drive up standards. That is our objective.

Chairman

117. As far as Hackney is concerned, a bucket-load of money helped a bit, did it not?

(*Mr Raynsford*) I have to say, and I have said this very widely indeed, the Government does not believe that it is right that failing authorities should be rewarded for failure by hand-outs. In the case of Hackney the financial position was so precarious and so disastrous that it was necessary to stabilise the position to ensure that they were capable of putting a budget in place in the current year. I am pleased to say that as a result of that we are now seeing significant improvements—for example, in the collection rate of Council Tax, in the delivery of benefits and in some other services. I would just like to add, that is an authority that has been in very, very real difficulty and there is still an enormous way to go. We certainly should not be complacent but things are going in the right direction.

Mr O'Brien

118. One more question about the Comprehensive Performance Assessment. The Audit Commission has admitted that the outcome of the Comprehensive Performance Assessment is being verified against expectations. How can this be objective? They are saying "This is what we expect"; how can that be objective?

(*Mr Raynsford*) This process has been the subject of very detailed consultation with local government, firstly through the work of the pathfinder authorities, then through a series of consultations and discussions in which local government has been fully involved, to refine the methodology and the arrangements for mediating where there are differences of opinion between the authority itself and the Audit Commission about the outcomes. That has been going on, in my view, in a very constructive way over the last few months and will inform the final judgments which the Audit Commission will be publishing early in December.

Sir Paul Beresford

119. The CPA results for London come out fairly soon. I understand it is polarised: you have got a few very good authorities at the top and the usual suspects at the bottom, and not much in between. There is a feeling that there might be a little bit of A-Level-type massaging being done on behalf of the Government (would you like to give a disclaimer at this point), but, seriously, what are you going to be doing about those people at the bottom? The top-quality people who you would hope would move into those authorities to work there will not want to have anything to do with these authorities.

(*Mr Raynsford*) I can say three things on that. Firstly, there is no question of "massaging" the figures. This is an independent operation, conducted by the Audit Commission.

Chairman

120. In the Local Government Chronicle they said that they were changing them slightly—tweaking them. What is that but massaging the figures?

(*Mr Raynsford*) They have had a process of mediation in which authorities have been able to make representations, quite rightly and properly. I think you in your report suggested there should be an appeal procedure, and the mediation process performs exactly that function to enable authorities to challenge judgments, and for the Audit Commission to reach a final decision based on that process. That does not seem to me to be massaging, that seems to be a fair process of proper evaluation of the evidence. Can I, secondly, say that I cannot pre-judge the outcome of assessments in relation to any individual area or type of authority, but if I can just say in regard to failing authorities, I have been talking, in my response to a previous question, about the action being taken in respect of Hackney to raise the standard of performance there. It was widely known to be a failing authority. I am pleased to say that, far from other authorities not participating in helping, the input from staff from other authorities has been crucial in turning around some of Camden's failing services. I mean Hackney of course. The reason I said "Camden" is that the benefits staff from Camden have played a crucial role in turning round the benefits service in Hackney. That is a very good example of the best practitioners in local government helping in the recovery programme in failing authorities, and that is informing our decision as to how we move forward after the Comprehensive Performance Assessment figures are published and how we help those failing authorities to improve.

Sir Paul Beresford

121. There will be a general move, therefore, from some of the top authorities down to help the lower authorities? I can see that going down like a lead balloon.

(*Mr Raynsford*) I think across local government as a whole there is a recognition that the local government family does have a responsibility to help tackle the problems of some of the weaker authorities. To give another illustration: the chief executive of Telford and the Wrekin is currently acting chief executive in Walsall where he is making a very significant contribution indeed and helping to change an authority which has also been in difficulty. I was there last Friday and saw for myself the progress that is being made. I think this is an absolutely correct and, if I may say so, responsible and brave decision by the councillors in Telford and the Wrekin to release their chief executive to help in this process. I think there is an appetite in local government to ensure that they do help those that are not doing as well as they should to improve.

Chris Mole

122. I could not help but think of A levels when you were talking about mediation there. Are there enough competent people to carry out all this inspection? I gather that in the move from the first round of CPAs, which looked at counties and

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unitaries, the role of the peer assessor is going to be dropped for district authorities yet I would have thought these are the individuals that would instill confidence in the authority that was being inspected in the independence of the process and its value?

(*Mr Raynsford*) Two things. If I can say straight away that no final decisions have been taken yet on how the CPA process will roll out to districts. There are important issues to be addressed because of the different nature of the responsibilities of district councils and the importance of having a proportionate regime that does not simply replicate what is appropriate for county and unitary authorities. Secondly, the peer review process has been an important part, if I may say so, of the Comprehensive Performance Assessment and the experience of people who have gone as peer reviewers into other authorities has been generally very positive indeed, not only in helping the authorities that they have inspected or reviewed but also in widening their own horizons on how local authorities respond to particular challenges. I have had a series of very, very encouraging feedbacks from peer assessors. Of course there is a question of capacity and we do recognise that there is a much bigger challenge to roll out the programme to the large number of district councils far greater than the number of county and unitary authorities.

123. Perhaps we will return to capacity in a moment. Has inspection increased or reduced over the last 12 months? What evidence do you have to support your answer?

(*Mr Raynsford*) I think there has been a change in the pattern of inspection. We did express a view that the best value inspections should, where possible, move towards a more thematic and cross-cutting approach rather than be very narrowly service focused. Also there has been a need to complete inspections to ensure that the Comprehensive Performance Assessment was based on data from all authorities, so we have been in a transitional period. I want to see, as I have already indicated in response to an earlier question, a proportionate inspection regime reducing significantly the amount of inspection for the better performing authorities and targeting inspection on other authorities in those areas where there is a need to raise performance so it does mesh together with the Comprehensive Performance Assessment.

124. OFSTED and SSI are claiming that they reduced their inspections last year by about 20%. Is there any evidence of that?

(*Mr Raynsford*) I think there is, yes.

125. If these processes and inspections are producing savings, will they be reinvested in the local government framework entirely?

(*Mr Raynsford*) The whole process is designed to improve performance of local government and clearly those authorities that are high performing will benefit from less time and less expenditure having to go into the process of inspection. That is one of the incentives that is there to help drive up standards.

Chairman

126. But most of them are experiencing increased bills, are they not, for next year's inspections?

(*Mr Raynsford*) Most authorities, in my judgment, will continue to have inspection and rightly so.

127. And it will cost more.

(*Mr Raynsford*) No. That will increasingly focus on those areas where they need to improve their performance and therefore they will be related to the Comprehensive Performance Assessment and will be better targeted. I think that is the right way forward for inspection. We believe that inspection is a useful tool to identify weaknesses, to help show how services can improve and to provide a real incentive to authorities to raise their performance.

128. It is a bit worrying if an authority has not got enough money to provide its services and therefore is a poor performer and then is going to be charged more for someone to inspect to demonstrate what the local authority knows, that it has not got enough money.

(*Mr Raynsford*) If the outcome is that the authority delivers a better service I think everyone, and particularly the public in that area, will be extremely grateful.

Chris Mole

129. You mentioned capacity just now and you have set up a capacity building team in your local government division. What do you mean by "capacity building"?

(*Mr Raynsford*) Capacity building involves a range of activities designed to help local authorities improve their performance. This can at one level simply reflect training programmes for staff or experience building programmes for councillors. It could involve more extensive, longer range objectives, such as increasing the number of graduate entrants into the local government service, assisting career progression and development throughout.

130. It sounds like what the Improvement and Development Agency exists for and has some top sliced resource to undertake.

(*Mr Raynsford*) They are very much part of this process. We are working closely with local government and the Local Government Association has warmly welcomed our approach which has sought to match the funding which they are able to put in through the top slice for the IDeA with additional government money to extend the options because capacity is one of the difficulties. We do need to do more and this is what we are seeking to do.

131. Good. What difference has the Beacon Councils scheme made to the quality of local government services across the board?

(*Mr Raynsford*) I think its biggest single benefit is that it recognises the achievement of front line staff in a range of services where they get recognition and they are able to then extend their skills to others. There are no other programmes that give the same degree of recognition to the staff who deliver at the front line. The chief executives may be very pleased if the council is rated as the top performing council of the year in *Local Government Chronicle Awards* or

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things of that nature, but it is the staff who deliver the individual services who get the recognition and who say to me when I talk to them that they particularly value the Beacon Councils scheme. It is a way of recognising success, acknowledging performance and spreading the word to others. I can see it having lots of benefits, which is why I am delighted that there is a very, very large and enthusiastic expression of interest in the coming year's Beacon Councils scheme.

132. Do you believe that ministers are able to engage as much with the spreading of excellence as might be wished? Are they able to attend as many Beacon events as possible?

(*Mr Raynsford*) I met every single Beacon Council winner last year and have used a number of opportunities to highlight the scheme and to publicise it because it seems to me a very important scheme indeed.

133. I meant the follow-up events that are part of the Beacon programme where councils show off, if you like, their excellence to others.

(*Mr Raynsford*) Obviously if ministers are invited and are able to participate I would strongly welcome that. I certainly have done so and will continue to do so.

Mr Streeter

134. Do you think that more councils should recruit senior staff from the private sector and, if so, what are you doing to encourage it?

(*Mr Raynsford*) I think there is a real benefit of an interchange not just between local authorities and the private sector but between central and local government. One of the things that I have been very keen to do is to ensure that we have more people from local government in our performance unit in ODPM and that there will be opportunities for our staff to spend time on secondment in local government as well as in the private sector. We are doing both of those things and I would certainly want to see local government adopting a similar approach.

Dr Pugh

135. Reducing ring-fenced funding and the numbers of plans, what timetable have you got for this?

(*Mr Raynsford*) As far as plans are concerned, we have announced our objective to reduce the number of plan obligations by 50% and to reduce dramatically the number of plan requirements for the top performing authorities.

136. What is the timetable?

(*Mr Raynsford*) I was just about to get to that point, if you will bear with me a moment. We intend to announce our package of freedoms and flexibilities, which will cover both the plan reductions and ring-fencing, later this month.

137. I ask simply about the timetable because there was an announcement saying that plans would be reduced by 50% by October 2002 and we are in

November now. I figure the timetable has slipped a bit. What timetable have you got for reducing the number of ring-fenced plans?

(*Mr Raynsford*) We will be making an announcement later this month.

138. Will it specify a timetable or will it just be another announcement?

(*Mr Raynsford*) It will indicate our proposals for dramatically reducing obligations for making plans, particularly for best performing authorities but also achieving a significant reduction in plan obligations generally and our future proposals in relation to ring-fencing.

139. So ring-fenced grants will go down appreciably within the next 12 months?

(*Mr Raynsford*) I cannot pre-empt what we are going to announce later this month.

140. The next two years?

(*Mr Raynsford*) As I said earlier, we are seeking to restrict the growth in ring-fenced grants and to limit them to those areas where we regard it as necessary to achieve objectives, such as the one I outlined in the case of *Supporting People*.

141. Why did you not bring the issue of ring-fenced grants in the consultation on the SSA?

(*Mr Raynsford*) The consultation on the changes to the Formula Grant Review was about the distribution mechanism for distributing Formula Grant, as we now will refer to it, between individual local authorities. It is already a pretty complicated process and to have added in an additional complication on ring-fenced grants would not necessarily have been welcomed.

142. Back to ring-fenced grants. The local authorities recognise now that about 12% of their money comes via ring-fenced grants. They would like 4%. I think 4% is probably an acceptable figure. What is your figure?

(*Mr Raynsford*) I do not have one and I do not know what the basis of your 4% figure is.

143. Four per cent is their preference. You do not have a preference?

(*Mr Raynsford*) As I said, we believe that ring-fencing may well be necessary for particular objectives. I mentioned one example and there are others. The caveat that I added was that wherever possible that should be time limited and there should be an exit strategy so that one does not build ring-fencing permanently into the process. If you are introducing a number of very important changes in policy, such as *Supporting People*, which I believe is a very important initiative making care packages respond to people's needs rather than making people fit into particular types of provision, that requires extremely sensitive handling because you are taking money from different sources and you are expecting local authorities to assume new responsibilities. If they do not do it a number of vulnerable people will fall through the net and you will have serious consequences, which I do not think anyone would want to contemplate. For that reason we believe that a ring-fence is necessary for a period of time. If you have two or three programmes of that nature coming in that would inevitably raise the level of ring-fencing for a period of time, but as long as there is an exit

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strategy in place it will not be a long-term one. That is why I am being guarded about this and saying that our objective is to limit the amount of ring-fencing and to ensure that there are exit strategies so that where ring-fences do apply—

Chairman

144. So we can assume that 12% is the top and things will come down?

(*Mr Raynsford*) No. You have just heard me say that if you have a number of programmes that come at the same time there could be in the short-term an increase. I am not going to comment, as I have said, on the actual and overall level.

145. I thought you were explaining to me what had happened and why it had gone up from four to 12. What you are actually saying to us is that 12 is not the top, it could go up even further if a few more ring-fenced schemes come along.

(*Mr Raynsford*) What I have said is that I am not able to give a comment on the absolute figures until we make our announcement later this month. I referred to *Supporting People*, which is a new programme, which comes in from next April and by definition, therefore, there will be some new ring-fencing.

Sir Paul Beresford: It sounds a bit like local authority dictation.

Chairman

146. So ring-fencing is likely to go up rather than the ring-fencing that the local authorities want, or the amount ring-fenced, to come down?

(*Mr Raynsford*) No. Can I just try and make this absolutely clear. We do not have a figure about what is an ideal level of ring-fencing for the reasons I have explained.

147. I would accept that there are ebbs and flows but we want to find out is the tide coming in or is the tide going out?

(*Mr Raynsford*) The tide is going out, ie in the long-term there will be less ring-fencing. That is our objective and we are very clear about. But in the short-term there can be—

148. In the short-term the tide is coming in?

(*Mr Raynsford*) No. I am not saying that the tide is coming in in the short term.

Chris Mole

149. It might not go out as fast as you would like.

(*Mr Raynsford*) Absolutely. I think Mr Mole has hit it on the head.

Mr Streeter

150. So the value of your ring-fencing can go up as well as down. Does this approach apply also to the money that the Chancellor gives directly to schools because more and more schools are reporting to me that they would rather have the money included in their budget rather than ring-fenced for specific issues. I know you are not the Chancellor, perhaps

you will be one day, but what is your view of that? Is this a principle that we can now look forward to across the board?

(*Mr Raynsford*) As I mentioned in response to an earlier question, there is a tension between the wish for local authorities to have the maximum discretion at their level and then the wish for other bodies in a subsidiary position to local government who would like to have greater discretion themselves and they would like the money to be routed directly through to them rather than to go through the local authority. If you do that then clearly you do limit local authority discretion and there is a tension between these two objectives. What my colleagues in the Department for Education are seeking to do is to ensure that there is both greater certainty on the part of both schools and local authorities about programmes and that they are not unduly circumscribed by prescriptive rules which determine exactly how sums should be spent. There is a tension between giving money direct to schools and giving discretion to local authorities and no-one wants to ginsay that.

Chairman: I think we need to move on to something a bit less controversial.

Mr Betts

151. There are proposals around for a new revenue grant formula, could you manage to describe how you think the grants are going to be made to local authorities in the future in one very simple sentence without using the words “intelligible” or “simple”?

(*Mr Raynsford*) We will be announcing our conclusions on this extremely detailed, complex and, I have to say, controversial review of the Formula Grant mechanism. We will announce that when we make the provisional statement at the beginning of December. The objective is a grant distribution system based on four key components. The first is a numerical measure of the particular need of that service, whether it is the number of pupils requiring education, the number of kilometres of road to be maintained or whatever, a measurement of the actual demand, the numerical demand, for the delivery of that service. Secondly, an addition, a top-up, to reflect deprivation where that is appropriate, because that is a factor which can considerably increase the cost of service delivery. Thirdly, a top-up to reflect additional labour costs in those areas where the cost of recruiting staff to deliver the service is higher. Fourthly, additional top-ups to reflect other factors, of which the most significant is sparsity in rural areas where the cost of delivering a service is greater because of the distance between locations and so on. Those are the four key building blocks that will inform the decision in each element of the Formula Grant. As you will know, we proposed in our consultation paper that the elements should reflect the key service areas: education, personal social services, EPCS and so on.

152. I might be cynical but that is not meeting the lofty aspiration to be as intelligible as possible, which was the initial objective, the idea that you would create a system that the person in the street could understand and it is not fairly intelligible to Members

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of Parliament, local authorities or even ministers. Many of your colleagues would be hard pushed to describe it, would they not?

(*Mr Raynsford*) We did run a couple of seminars with a view to trying to help understand what is of necessity a very complex issue. As the former Minister for Local Government in the previous government made the point in the course of the Commons debate on this in urging us not to seek to go too far along the route towards simplification, there is a question of justice. If you do not take account of differing local circumstances, and needs do vary from area to area, you will end up with a scheme which may be simple but which is unfair. The problem is the diversity of the issues, whether it is sparsity in the rural area, whether it is deprivation in a constituency such as yours, whether it is the need to ensure the highest standard of service delivery in all the areas that we represent, all of these factors impact and it is difficult to find a simple way to reflect that and to ensure that authorities get a settlement that broadly reflects the need to spend in a way that is considered fair to an impartial observer.

Mr Betts: So it is difficult, it is complicated, there are lots of new elements. The Association of Local Government have said, and probably other local authorities as well, they are not convinced that some of the options are technically or intellectually robust, they need more testing. Are we really going to have a system that is set in concrete for three years despite all of these problems and difficulties and new elements with no opportunity for changing it at all once the announcement is made?

Sir Paul Beresford

153. More to the point, should we have it? Should it not have some flexibility to reflect on the difficulties that will come out of the woodwork following your announcement next month?

(*Mr Raynsford*) I think I would make two comments in response to those two questions. The first is I am not sure that anyone would welcome a further prolonged period of uncertainty about what the future pattern of grant will be because certainty is terribly important for local authorities, particularly those who are planning future financial provision, they want to have a reasonably clear indication of what their budget is likely to be built on. So a period of stability without throwing all the balls up in the air is something that I believe is going to be largely welcomed by local government. Having said that, clearly we do not want to be absolutely rigid about these things and were there to be evidence of a serious problem I am sure that we would be willing to address that. Our intention is to try to create a framework of stability and not to have a further year in which people are frankly arguing among themselves to get the best interests for their own area. Every area is wanting to get the best for its area out of this. Pitting different parts of local government, SIGOMA versus F40—

Mr O'Brien

154. We are looking for fairness, Minister, not to balance one against another.

(*Mr Raynsford*) I agree but unfortunately the definition of fairness from a SIGOMA perspective is different from the perception of fairness from an F40 perspective and that has been part of the difficulty of the last year.

Mr Betts

155. Can I go on to one specific issue. The Environment, Protective and Cultural Services block is one that we were referring to previously about the physical environment and local authorities are often very stretched to do anything positive given the amount of money involved. There are major disparities in areas yet the proposals are to use recent spending patterns as the basis for the distribution of resources. Is that going to be a fair way of doing it? Should we not be looking at deprivation and problems rather than what has been done in the past?

(*Mr Raynsford*) What we have tried to do generally through this process is to reduce the dependence on regression analysis to previous spending patterns. That has been taken forward in many areas. However, in the case of the EPCS block, which does contain a large number of different components, it is difficult to find a single indicator or series of indicators that accurately reflect the need to spend across such a wide range of different services. The conclusion that we have come to, and we have discussed this in detail with representatives of local government, is that there is a need for some of the formula to be based on an analysis of previous patterns of spending quite simply because of the lack of a credible alternative. That does not mean that other factors, including deprivation as you have described, are not taken into account.

156. I am sure colleagues will come back to grant distribution in a minute. We raised with your colleague, Barbara Roche, earlier the differences in spending between regions and the fact that the previous Secretary of State, Stephen Byers, when he was here before us last year said that a review was being set up to establish what was going on in regional spending, whether it was fair and appropriate and, indeed, how it fitted into the national picture of spending in the regions of Scotland and Wales. Has that review taken place?

(*Mr Raynsford*) It is taking place. Professor McLean of Nutfield College, Oxford, is in charge of a team which began its work in May of this year and is due to report in April 2003. We are mid-way through the research. You may also be aware that the ONS published just at the end of last month some experimental figures trying to quantify both the contribution in the form of tax payments coming from different regions and the receipts of different regions in terms of benefits received and other costs such as education and health.

157. The government report, will that be published?

(*Mr Raynsford*) That is published already.

158. The review that is going on?

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(*Mr Raynsford*) We certainly would intend to make the findings of our review public when they are available.

159. When?

(*Mr Raynsford*) I have already said that the team is not due to complete its report until April of next year, so it will be after then, but I cannot give you any more information.

160. When the government publishes its findings it will publish them not merely in the context of the distribution of spending in the English regions but it will connect in to what is happening in Scotland and Wales as the Secretary of State indicated to us last time?

(*Mr Raynsford*) Let me make two things quite clear. The Barnett Formula is not the subject of this review and that is not being reviewed. What the research is doing is trying to get better information about the flows of money into and from individual regions in the way that I have described.

161. The Secretary of State said that the work has to be done with regard to research between English regions and that will then feed into wider considerations within the United Kingdom about how we do that within the United Kingdom and not just for the regions. Is that going to happen?

(*Mr Raynsford*) The research is designed to improve our understanding of these rather important issues and that is scheduled to report in April of next year. Clearly when we have the evidence from Professor McLean's team I am sure that will inform what will probably be an extremely vigorous debate about the balance of funding between different regions and different parts of the United Kingdom.

Mr O'Brien

162. Revaluation of properties and the fact that we should have had a revaluation and some local authorities may be losing because of the fact that revaluation has not been carried out, when can we expect the revaluation to come about?

(*Mr Raynsford*) We have already announced that the next revaluation of domestic properties will be conducted from 2005 and the conclusions will be implemented from 2007.

163. Will there be any compensation to the local authorities for the loss of revenues?

(*Mr Raynsford*) We have not yet discussed any of the arrangements for the phasing in and cushioning, damping, of adjustments that may take place.

164. You are aware, Minister, that the difference now between the actual expenditure in local authorities and what was allocated to SSAs is three billion pounds. You have told us about the formula that you are going to introduce. That three billion has more than doubled over the last decade and, therefore, the escalation is continuing. Is the new formula going to address this void between what we actually spend and what we get?

(*Mr Raynsford*) I think the problem with the SSA system was that it was based on a concept which is difficult to sustain, and that is the concept that central government can determine through formulae exactly what needs to be spent in any one part of the

country. I think most people now believe that that is quite simply not tenable. What we are trying to do through the new formula is to devise a framework that distributes grants between local authorities on the basis of various factors that reflect the need to spend area by area. There will no longer be a presumption that government specifies through SSA some kind of level of expenditure which is the right level for spending in any one individual area of the country.

165. The question that we have pursued on more than one occasion is the fact that low income areas are the highest taxed areas and some of the highest taxed areas have the lowest council tax to pay and the imbalance between those two areas. You mentioned F40 and SIGOMA. If you look at the local education system we are both arguing the same point, that the deprived areas are paying more for education and social services than some of the less deprived areas. When will that stop? When can we expect to have equalisation on the question of education provision?

(*Mr Raynsford*) I have to say my interpretation of the evidence being submitted by F40 is not quite the same in that they are seeking increases in the basic element of spending reflecting the cost of education per pupil as against the increased weighting given to top-up factors, such as deprivation and other elements. There are different perspectives. What we are trying to do through this whole review is to find what in our judgment is the best way forward to do that. That is designed to ensure that each local authority receives support from central government based on a proper appraisal of the needs of that area to spend in order to deliver those services.

166. Can I just say that the Area Cost Adjustment will now be based on actual expenditure right across the country more than assumed expenditure, will it not?

(*Mr Raynsford*) No. No decisions have yet been announced. I have said that we will make our announcement—

167. You have just told us, Minister, that the cost, particularly on education, will be based on need. I am saying if that is the case the Area Cost Adjustment must be based on need and no assumption.

(*Mr Raynsford*) I am sorry, I did try and make it clear that there were four components. The first would be the unit cost depending on the number of people, in the case of education, requiring schooling. Secondly, there would be a top-up for deprivation. Thirdly, there would be a top-up for additional pay costs incurred in areas where wage levels are higher. Fourthly, a top-up relating to other factors such as sparsity. Those are the building blocks. The emphasis on the particular element, the unit cost as against the deprivation top-up as against the wage cost top-up as against the sparsity or other top-ups will vary from service to service. We have not reached decisions yet on those. We are moving very near to making decisions, we have had a very useful consultation and we have had a lot of feedback but our final conclusions will only be announced—

Mr O'Brien: It will be based on need.

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Mr Clelland

168. Will the best way forward be what is fair and equitable or what is politically expedient?

(*Mr Raynsford*) It is an attempt to find what is fair and equitable.

Dr Pugh

169. Can I ask you briefly about the Area Cost Adjustment. The policy has been implemented for quite some time but what research has been conducted into how effective it is in dealing with the problem that it is supposed to deal with? I am not talking about special pleadings by local authorities but academic research or departmental research, evidence led policy?

(*Mr Raynsford*) This whole debate was kicked off by the Elliott review which was exactly that, an academic attempt to define the key components and the drivers for additional cost. Of course, as always happens on these occasions, following the publication of that report people differed in their view about the validity of the Elliott methodology and a whole series of alterations, amendments and tweaks, if I can use that word, were suggested. That is why in the course of this review we have looked at a number of different formulations, we have consulted on them, we have set out exemplifications and we have been very ready to listen to views put forward in response to that.

170. But the government are probably mindful not to throw more money down estate agents' throats and subsidise council tax unnecessarily. Whatever formula they go for in the Area Cost Adjustment they want to target it in such a way that it does actually recruit more people.

(*Mr Raynsford*) We have no intention, in your choice phrase, to throw more money down estate agents' throats.

171. I am relieved to hear it

(*Mr Raynsford*) We certainly do recognise that it does cost more to deliver services in areas where labour costs are higher and that is one of the factors that has to be taken into account.

172. Moving on to the labour picture, the shortage of staff is a consequence sometimes of housing and also a consequence, according to the Audit Commission, of basically local government staff being very unhappy with the amount of bureaucracy that surrounds their job. Are you doing anything as a government to actually improve staff retention within local government quite apart from the Area Cost Adjustment?

(*Mr Raynsford*) Yes. We think this is a very important issue and it is one of the factors that we are taking into account. I talked earlier about our commitment to reducing red tape and bureaucracy and unnecessary consent regimes and hopefully that will help to address that particular problem which was rightly highlighted by the Audit Commission.

Christine Russell

173. Can I go back to the consultation on the Formula Grant Distribution. Do you know how many responses you actually received in that consultation?

(*Mr Raynsford*) We received a lot of responses but they came in different forms. Some of them, as would be expected, came from the main interest groups representing different groupings of local authorities and then a lot from individual local authorities themselves. We also had a substantial number prompted by a write-in campaign from the F40 group which generated about 55,000 letters, many of which were very similar indeed as you may imagine.

174. You did not get many unprompted responses from the general public?

(*Mr Raynsford*) We have had some.

Sir Paul Beresford

175. Will you be receiving deputations from individual councils after the announcement in December?

(*Mr Raynsford*) We will be receiving deputations after the announcement in December, in the period between the announcement of the provisional settlement and the point at which we then need to firm up.

176. From whom?

(*Mr Raynsford*) I was about to answer that question, we need to take decisions by the second week in January in order to enable final settlement to be available for local authorities to meet their timetables. This is a very, very tight period of time. What I have said to individual local authorities and the local government associations, and I will say it to this Committee, is that while we will see delegations from individual authorities, if individual authorities wish to come, there will be some who probably have general concerns which are shared by other authorities and if they wish to come collectively as a group that will certainly ensure that the whole process can be managed in a more expeditious way without going through the motions of meeting people without sufficient time to discuss the issues. If every local authority wanted to come in that very short period of time it would be difficult, as you will know from being a minister who has gone through this process, to give the detailed attention that one would want to. We are encouraging authorities who have a common interest to come together as groupings, but we will see any individual authority that wishes to come individually.

Chairman

177. You are expecting to see one of them on Christmas Eve and Boxing Day, is that right!

(*Mr Raynsford*) I cannot imagine my Christmas holiday is going to be a long one.

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Christine Russell

178. Would it not have been simpler to have returned far greater control to local authorities over the amount they raise locally? Would that not have let you off the hook?

(Mr Raynsford) That is another component in our plans. As you will know from previous discussions we are committed to a review of the balance on funding.

179. What is happening to that? When you came in July you said you were going to initiate it.

(Mr Raynsford) We have. We are undertaking initial analysis in the Department, so that will inform the wider review, which will involve other parties, which we will be making an announcement about probably early in the new year. There is a limit to what can be done in any amount of time.

180. Are you consulting local authorities on that or are you just doing an internal review of it on the balance between the amount of funding from central . . . ?

(Mr Raynsford) We are currently doing an internal analysis which will inform wider review, which will involve other parties, including local government.

Chairman

181. Is that available for the Committee to have a look at?

(Mr Raynsford) Not yet. When the conclusions are complete we would expect them to be made available.

Chris Mole

182. Do you have any idea where you would like to see it?

(Mr Raynsford) No, I do not. The issues are complex and in some respects contradictory.

183. The issues could be very simple, you need to be over 50% for it to look anything like local control.

(Mr Raynsford) If I can put that point, the last time that 50%, or so, of local government expenditure was raised locally was in the late 1980s, I am not sure that people would regard that as a time for optimum freedom for local government.

184. For different reasons!

(Mr Raynsford) I say that only because a simplistic view that a percentage of money raised in one source or another does not necessarily get to the heart of this problem, which is a complex problem, and we will need to look into it.

Chairman

185. I think you are slightly rewriting history because although that may have been the period of poll tax it actually did not increase the amount the local authorities were able to raise locally, it simply found a new way of funding it. Can I very quickly ask you on this, what is happening about the Census figures? The city of Manchester tells me that if they new Census figures are going to be used it could cost them £26 million a year, which is a lot of money. Obviously there were wards in Manchester where only 60% of the Census forms were returned. You

have a problem that nobody has accepted the Standard Spending Assessment, but most people simply said that the statistical data was correct, they may not have liked the weighting but they accepted the statistical data, they may want it introduced earlier or later, but now you have added in a further complication, that some people think the statistical data from the Census is up the creek!

(Mr Raynsford) I think this illustrates exactly the nature of the problems we face. Everyone agrees in principle that we should use the most up-to-date and most accurate data. The ONS tell us that the new Census data that they have made available is the most accurate and up-to-date yet. However, some local authorities, not surprisingly those who face significant negative consequences of estimate that are lower than previously expected, have challenged those. That is always the way with this process. We have asked a number of questions about the data, obviously we have listened to the representation we have received. We have made a commitment, and I think this will be helpful to those authorities that are worried about the consequences, that the floors mechanism will cover changes related to census data so that no authority faces the possibility of a serious loss of grant because of new census data, they need not actually fear that outcome.

186. The little bit of money that is allocated as far as schools are concerned on the basis of where the pupils are at present taught, is there any chance of that being allocated on the basis of their post code?

(Mr Raynsford) The school population is a very interesting example because this is where the general view of local government is that they want the most up-to-date figures to be available. I am expecting us to receive the secondary schools population figures for September literally this week, that is the earliest that we can get them, so that is an indication of why it is not possible for us to make available the provisional settlement earlier than it is, because a lot of this data comes at the last minute. Local government says they want to have up-to-date figures rather than figures that are by definition at least a year out of date.

187. That is not really answering my question. My question is about schools in Stockport who get £800 per pupil less than in Manchester, even though the pupil may live in Manchester.

(Mr Raynsford) In response to an earlier question I indicated that the components that go to determine the amount of grant available for any individual local authority will reflect a number factors, it is not just the number of pupils, it is also the other factors that I referred to, and those vary from area to area. There will never be a position, if you take account of deprivation, of variations in labour costs and of issues such as sparsity you will never have a situation where you have an identical amount for pupils area by area.

Mr Betts

188. First of all, in your response to the Committee's report on the draft for the Local Government Bill that it would welcome the decision not to go with the merging of revenue support grants and national non-domestic rate, there is a list of these

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and others, also in our comments—I have not read all of your detailed responses—we generally had the view in some areas you are quite rightly pushing back the boundaries and giving local government greater freedom, we thought you were being a bit too timid in a few of the areas. When we get the Bill itself are we going to see a move in the Committee’s direction?

(*Mr Raynsford*) You have highlighted one area where we have responded to your recommendations in a positive way. As I made clear when I last gave evidence to the Committee about this Bill, I believe it is an important deregulatory measure which gives extensive additional freedoms to local government and helps to set out the agenda in the White Paper to encourage local government to improve both its performance and its competence. I hope you will welcome the Bill as and when it appears. As you will appreciate I cannot say any more about when that might be.

189. Are we going to see some further changes, apart from the one that I have just described, to the draft Bill?

(*Mr Raynsford*) We have also tried to reduce the number of provisions dependent on secondary legislation. The Committee recommended that we should reduce the number of statutory instruments. We have looked very carefully to see how we can do that and there are a number of other changes we have made.

190. In your response you also referred to this issue of the internal analysis of the balance of spending and the Review Group. You say, “it will be inappropriate to consider any provisions in the Local Government Bill prior to this thorough analysis and the review itself”. How does that mean that this review of how much money local authorities can raise themselves is going to link in to the Local Government Bill? Does it mean that it is. It says, “it will be inappropriate to consider any provisions in the Local Government Bill prior to this thorough analysis. . .”

(*Mr Raynsford*) That is correct. Because the analysis will not have been completed and we will not have undertaken the review which we are committed to we cannot possibly pre-empt the outcomes of that by making any provisions in the Local Government Bill, if that Bill is introduced in the coming session.

191. Are we to have another Bill in another session to do something about the balance of funding?

(*Mr Raynsford*) That is axiomatic. If you are conducting a review into a subject you have to wait for the conclusions of that review before you can consider the need for further legislation, if there is a need.

Mr Clelland

192. On elected mayors, Minister, are you more or less enthusiastic in light of experience?

(*Mr Raynsford*) I continue to keep a balanced view on this. I think the provision is an interesting and significant provision. It has been used in a number of areas as a way of expressing concern about the performance of the local authority and I think that will continue to be the case. Where people do not feel happy with the way in which the local authority is

delivering, and they believe a directly elected mayor could do better, they will continue to consider the use of the petition option. That is quite a useful discipline for local government and I am pleased that it is in place. Obviously on the performance of individual mayors it is too soon to say, they have only just been elected, the first ones were in place in May of this year and some additional ones were elected last month. It will be a couple of years or more before we will be able to assess what impact they are making in their communities. It is almost inevitable that there will be variations in performance between areas, but we will be watching this closely.

193. There have been occasions recently where you could have used your powers to intervene and direct local authority to go down that way because of the results of referenda in their area being ambiguous but you choose not to, does that mean you are a bit more cool on the idea than you might have been?

(*Mr Raynsford*) No, I think it is consistent with our overall approach that central government should not be telling local government what to do. We are building a new relationship in which there is greater trust between central and local government. These decisions should, wherever possible, be taken by local authorities having regard to the views of their local electorate. That is why I mentioned the petition route as a useful discipline.

Mr O’Brien

194. Your recent report on the development, overview and the scrutiny of local government concluded a precondition that the effective scrutiny is a responsive executive. Do you agree that there should be scrutiny of decisions before the executive have taken those decisions and the council have approved them so that there would be a real holding the executive to account? Once the decision has been made by the council scrutinising it does not have a great deal of effect. Do you support there should be scrutiny before the actual decision is taken?

(*Mr Raynsford*) I believe both will inevitably form part of the process of scrutiny. Wherever possible it is desirable that scrutiny committees should be engaged in looking at issues before decisions come to be taken because that helps to inform those decisions, but that is not always possible. There will inevitably in any organisation be a need for decisions to be taken quickly in certain circumstances and then if there is doubt about the decision scrutiny can be a useful way of assessing whether or not the authority was correct to take that decision and whether it might have approached the problem in a different way.

195. What advice will you give to local authorities as to which should be considered for scrutiny, before the decision or afterwards?

(*Mr Raynsford*) I think this will vary from case to case because we all know some issues or problems can be anticipated a long time in advance and there is plenty of time to prepare before decision-making is necessary. In other cases, say a major closure of a large industrial complex in the area of which the local authority only had very short notice and it took certain decisions to try and alleviate the consequences of that it simply would not be realistic

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to have a scrutiny process before decisions were taken. It would be necessary for action to be put in place very quickly.

196. In the example that you have give I cannot see any member of a local authority wanting to scutinise a decision to try and help an area where there has been local unemployment created. The point I am making is the day-to-day decisions are the issues that affect communities in general, they should be scrutinised before the decisions are taken. Is there some directive we are going to see on that decision?

(*Mr Raynsford*) With respect, I would regard it as quite appropriate to scrutinise decisions taken by authorities trying to address problems of that nature as to whether they were the most effective way to respond or not. There are different ways of tackling some of those problems. The point I was making was that those are precisely the circumstances where you could not anticipate in advance and have detailed scrutiny in advance. In other circumstances where it is known that the authority will need to be developing new policies in respect of, let us say, a particular type of social service or a new community development initiative there may well be plenty of time for advance examination of the issues and scrutiny before a decision is taken. That is why I think it is necessary to have both options.

Mr Clelland

197. What monitoring of the Standards Board for England is going on? Do we know how many complaints it is able to deal with per month and how many complaints it is receiving each month?

(*Mr Raynsford*) We do. I have absolutely up-to-date figures, as of 31 October the Standards Board had received 1,600 allegations, of which 68 are still awaiting assessment, 843 have been referred to ethical standards officers and 690 have been rejected. Of those 843 already referred to ethical standards officers 777 are currently being investigated and 66 of the investigations have been completed.

198. Those statistics are alarmingly new to the Committee! In terms of the percentages, what percentage are frivolous and what percentage have some substance?

(*Mr Raynsford*) I am actually meeting Tony Holland, the Chairman of the Standards Board, later on today which will inform me more about the implications of those figures, which are hot from the press. On a superficial look it is possible to say that of the 1,600 allegations received just about half were referred to ethical standards officers and less than half were rejected, that gives an indication.

Dr Pugh

199. Before we move on to the Regional White Paper can I ask a supplementary on that, what precautions are being taken by the Department to see that the reference to the Standards Board cannot be used as an electoral technique? I am thinking of a malicious application put into the Standards Board prior to an important election which then turns out

to be insubstantial, but nonetheless acquires some publicity prior to the election, what can be done about that?

(*Mr Raynsford*) This is one of the many issues I will be talking to the Standards Board about. They have had quite a difficult challenge, a very large number of cases, which were far in excess of what they expected, that has put pressures on them, and they are trying to deal with these in the most expeditious and the most thorough way without opening themselves up to potential abuses, of which you gave one illustration. These are quite difficult issues and I will be talking to Tony Holland about some of these.

200. Can I take the Regional White Paper now? Last year you told us that it would be possible to have elected regional assemblies up and running by the end of this Parliament. Do you still hope for that?

(*Mr Raynsford*) I hope it will be possible for there to be at least one referendum, possibly more referendums in the lifetime of this Parliament, but given the timetable that we have spelt out which requires, firstly, an identification of those regions where there is an appetite for a referendum, secondly a consideration by the Boundary Committee of the framework for local government in those parts of the region, which have both county and district authorities, to produce a proposal for wholly unitary local government and thirdly for that information to be made available for the public before they reach a view in the referendum. I think it is unrealistic to expect referendums to be held and the bodies to be up and running within the lifetime of this Parliament. I expect the referendums to be held but I do not think it would be possible to get the bodies up and running, because there is a further stage, which is the substantive legislation, which will only come after a positive referendum, which is necessary in order to make it possible to establish an elected regional assembly.

201. Would it be fair to say, taking on board the local government ramification decision in favour of regional assembly, that it is dawning on the government that they have undertaken a task of Banham-like proportion, if I can put it like that, and this is going to be long, drawn out and convoluted. What difficulties do you foresee?

(*Mr Raynsford*) I am sorry to see the Conservative members of the Committee are not present to hear me say this, I have no intention of us following in any way the pattern of the Banham Review of Local Government.

(*Mr Raynsford*) You may have opened up a Pandora's box here, might you not?

(*Mr Raynsford*) I think there are issues and I do not pretend there will not be difficulties. I do believe that it is right that if you are creating a new tier of government you should in parallel with that streamline existing tiers because in all the parts of the United Kingdom where there is the equivalent of a devolved body, whether that is in London, the Greater London Authority; Scotland with its Parliament; Wales with its Assembly there is a unitary local government.

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202. In some areas there might be a huge unitary authority and lots of small unitary authorities in other areas, are there not intrinsic difficulties in that kind of template?

(*Mr Raynsford*) This is a matter for the Boundary Committee to reach a decision on what is the most appropriate structure for local government region by region.

203. In an area like Lancashire there is a patchwork of metropolitan boroughs and unitary authorities, do you not see any consequences for the unitary authorities that this is an organisation taking place on their doorstep, the existing unitary authorities?

(*Mr Raynsford*) We not propose the Boundary Committee would revisit the boundaries of existing unitary authorities, the Review will only look at those parts of the region that are currently divided between county and districts. In some regions, Yorkshire/Humberside it is a relatively small part of the region, just North Yorkshire, and in others, you quoted Lancashire, so I will give the North West, and indeed also in the North East, it is about one third of the total region currently in two tier local government. The picture does vary from area to area. The principle must be right, in our view, that there should be a stream lining of local government so there is a single tier of local government where there is a new tier of regional government introduced.

204. Will the government be producing further recommendations of principle, or is it what they elect for?

(*Mr Raynsford*) We will set out our guidance to the Boundary Committee when we are in a position to instruct them as to which regions they should review in order to produce recommendations on a wholly unitary—

205. Will they be the same regardless of the region?
(*Mr Raynsford*) Yes.

Chris Mole

206. Can the Minister confirm that this does not necessarily mean the demise of any particular form of local government, either county or district? Can he reassure this Committee that any review of local government following a referendum for elected regional assembly will be informed by the many mistakes and costs associated with the establishment of many of the unitary authorities that followed the Banham Review?

(*Mr Raynsford*) We have all learned from the experience of the Banham years. One of the lessons is that in some cases a great deal of time and effort was spent to no good purpose because the outcome was no change. In this case we will be very clear that there has to be a recommendation for a wholly unitary structure at the end of the process. To take your main point, I can give that assurance because we have no view as to what the desirable outcome should be in terms of a size or type of authority. It has to be effective. It has to be of a size that enables it to deliver services effectively and it must reflect the area. These are proper issues for the Boundary Committee to determine. If they believe this is best modelled on a county as a single unitary authority for a particular

area or on a grouping of districts that would be entirely for the Boundary Committee to determine. There is no predisposition in favour of one style or type of unitary authority.

Chris Mole: Except it should be effective.

Mr Clelland

207. Given the process you have described, when is the earliest date we can reasonably expect a referendum to take place?

(*Mr Raynsford*) I would have thought the autumn of 2004.

Dr Pugh

208. Can I put a nightmare scenario to you, you decide against the county options and you decide you are going to make districts but you find with that nest of districts there are a couple of districts that are not big enough to sustain unitary status, what do you do then?

(*Mr Raynsford*) This will be a matter for the Boundary Committee itself to consider and to make recommendations on. We are very clear this should not be decided by government ministers, it should be decided by the independent Boundary Committee.

Mr Betts

209. For those regions that do not choose an elected regional assembly the governments idea is to increase accountability at regional level to give more strength to government regional offices, it seems a rather peculiar choice, is it not?

(*Mr Raynsford*) There is an obvious advantage in improving coordination in the regions and the government office is in a strong position to pull together various different strands, that does not necessarily mean giving them more power. One of the illustrations we have had put in both our White Paper and subsequent discussions has been the question of achieving better, more coherent arrangements for housing capital allocations. Currently there are quite distinct streams, one of which goes for Housing Corporation funding for registered and social landlords, the other of which is determined by our department and by government office, which then goes to local authorities. We believe it is right that those streams should come together. It is difficult to see that happening in a way that does not involve the government office, they would not necessarily be determining the outcomes.

210. If only it was that logical. That logic that applied to housing does not seem to work its way through to do with skills, it is not proposed the Learning and Skills Councils and Business Link may be members of the regional office. Why?

(*Mr Raynsford*) This is a very good illustration—

211. Inconsistency.

(*Mr Raynsford*)—about the issue about subsidiarity.

We talked earlier about the fact that councils want often—

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Chairman

212. Wait a minute, subsidiarity, what you are saying is your Department is subservient to the Department for Education?

(*Mr Raynsford*) No, I said subsidiarity because at the moment local authorities have representation on Learning and Skills Councils. I am not sure local authorities would be pleased to lose that and for that to be transferred upwards to regional authorities. We have been very clear in our objectives for elected regional assemblies that they should not take power from local government. Local authorities should continue to exercise their powers as the bodies best able to deliver services locally. In general we have not taken decisions which would remove powers from local government and give them to regions, instead we are devolving power downwards to regions from central government, departments or agencies. That is something which applies very obviously in relation to Learning and Skills Councils.

Mr Clelland

213. There is no reason why the two tiers should not work together, regional government and local government. There is no doubt about it, there is a very important regional aspect to training and retraining.

(*Mr Raynsford*) Absolutely and that is why we are proposing a framework in which local authorities would still be able to have membership on Learning and Skills Councils and so would the elected regional assemblies and both would be able to make an input.

Mr Betts

214. Can I pick up on the issue of trying to get some connection back to the democratic process at regional level with Government Offices. There would be regional chambers in those regions which choose not to have a regional assembly. Would there not be some merit in giving those chambers some authority to scrutinise and monitor what Government Offices are doing and maybe call officials in?

(*Mr Raynsford*) The primary role of the chambers has been to oversee and scrutinise the work of the Regional Development Agencies. We have not just established them with that remit but also we have given them finance to enable them to do that. I am not sure we want to widen their remit so much that they would not be capable of performing that function effectively. Certainly we do believe they should have a wider role and remit, that is why we have given them additional funding and why we have talked about their role, for example, in relation to planning matters where it is important that there is a better co-ordinated regional approach. We do see an importance of the chambers in those regions where there are not elected regional assemblies and we want to see them continuing to do a good job. I do not want to extend their remit so widely that it makes it impossible for them to perform their primary function effectively.

215. It does actually say in the White Paper that the Government Offices for the Regions will in future "be ready to discuss their work with the regional chambers".

(*Mr Raynsford*) Yes.

216. Scrutiny and monitoring should be part of discussing their work.

(*Mr Raynsford*) There is a difference between discussion and formal scrutiny. Clearly if you are talking about people relating to each other and working together and sharing information, that is exactly what we want. If you establish a formal scrutiny framework you would impose an obligation on the chambers to be able to scrutinise a very large number of different activities which the Government Office is engaged in. This would radically affect the workload, certainly, and the pressures on the chamber and possibly could interrupt its current work and focus on helping to improve regional competitiveness and helping the work of the RDAs.

Mr Cummings

217. Will there be a cap on the regional authorities?

(*Mr Raynsford*) We indicated that the overall capping framework would apply but certainly we would not expect to set an arbitrary figure on the ability of an elected regional assembly to raise money regionally.

Christine Russell

218. We all welcome the fact, obviously, that a damaging strike by firefighters has been averted yet again. As you will be aware, the Bain review is looking at pay and conditions of firefighters. To what extent do you consider that a pay increase for the firefighters will have to be met by increased productivity?

(*Mr Raynsford*) We have made it quite clear that the discussions about pay for firefighters must be linked to modernisation of the service and that is fundamental. The Bain review team is making good progress. I expect them to be able to feed in to the negotiations which are taking place already between the employers and the Fire Brigades' Union. I hope that they will be able to influence the outcome of those negotiations in a very constructive way. Certainly we want to see an outcome that does recognise the legitimate concerns of firefighters who feel a strong sense of grievance but equally we need to be very mindful of both the wider impact on public sector pay and the wider economy and also we are very conscious of the importance of changes which improve efficiency and deliver a higher quality service to the public. That is why we have always said that pay and modernisation must go hand in hand.

219. In July you proposed the introduction of a new duty on the fire service to promote community fire safety.

(*Mr Raynsford*) Yes.

220. How important an element is that? What effect do you see that having on possible new terms and conditions?

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RT HON NICK RAYNSFORD, MR PHILIP WOOD
AND MR IAN SCOTTER

[Continued

[Christine Russell Cont]

(*Mr Raynsford*) I think it is right that the service has been changing and will continue to change significantly. It is called the fire service but now a very substantial amount of its work is related to what can be described as rescue activities, dealing with motor vehicle accidents and other natural disasters, not fires. I think that should be reflected in the long term arrangements for the future of the service, as rightly should the focus on community work and preventive work. The more we can do to reduce the incidence of fire in the first place and reduce the need for firefighters to be called out to put out a fire the better. All of these issues are within the remit of the Bain review and certainly I would hope their conclusions would help to inform the appropriate future for the service which will reflect these changing needs and patterns.

Chris Mole

221. Can I ask if that is likely to change the funding formulae for the fire service to move away from fire calls to include a recognition that prevention is equally important and, in fact, perhaps for the first time to recognise RTAs which are not recognised currently?

(*Mr Raynsford*) If I can just answer that by saying obviously we have not announced our conclusions of the Formula Grant Review but it has been an open secret that we want to end the fire calls indicators which is a perverse incentive curiously against effective preventive work.

Christine Russell

222. Can I ask you about the fact that the annual report that we are discussing this morning did not set a target this year for the number of days off sick for firefighters and the control room staff. It did the previous year but do you know what the average number of days is?

(*Mr Raynsford*) I cannot give you a figure off the top of my head. This is something we are looking at within the overall context of the Bain review. I know that Sir George and his colleagues are particularly keen to come forward with proposals which will help to ensure a more flexible framework for the service and ensure that those firefighters who may no longer be able to do active duties have got alternatives other than the one of early retirement which is broadly the only alternative currently. The emphasis on new preventive work and community based work is an obvious opportunity and that more diverse framework in the future where there are greater

opportunities for firefighters to do a range of different activities may well be one of the issues to emerge from the Bain review.

223. Finally, can I ask you about the proportion of women in the fire service because most fire services are not meeting their target of 9%. Why do you think that is? Is it a problem with the culture, the macho culture within the fire service? Is it a problem perhaps that the physical requirements are too tough bearing in mind, of course, that there are increasing opportunities now for non front line work but more the community safety agenda?

(*Mr Raynsford*) Let me just say two things. I think the current level is completely unacceptable and we need to drive the percentage up from 1.4% as it is currently to much nearer the targets which have been set. Secondly, I believe that is entirely consistent with the more diverse range of activities which I described earlier with greater emphasis on preventive and community work and the ability of the service to respond to a range of—

224. More family friendly shifts?

(*Mr Raynsford*) That is another issue which has some influence on this undoubtedly but I would not like to speculate more on that at the present time.

Chairman

225. Why has arson gone up in recent years?

(*Mr Raynsford*) I think the biggest single problem has been the case of abandoned cars which have been a target for fire incidents. The Arson Control Forum is doing useful work already in helping to identify ways in which that particular problem and other problems of arson—because it is not the only one, I think that has been the most substantial increase—can be tackled more effectively. Certainly we believe there is a lot more work to be done in terms of tackling arson, whether it is setting fire to buildings, abandoned cars or other premises.

226. Can you tell us anything now about sites for travellers?

(*Mr Raynsford*) I cannot I am afraid. I do not have responsibility for planning matters any more and while I did have and initiated the programme of refurbishment of local authority sites with financial assistance to make that possible there have been further interesting policy developments since then but I am not responsible for those myself.

Chairman: Right. On that note can I thank you for your evidence.

WEDNESDAY 20 NOVEMBER 2002

Members present:

Andrew Bennett, in the Chair

Mr Clive Betts
Mr John Cummings
Chris Mole

Mr Bill O'Brien
Dr John Pugh
Mr Gary Streeter

Examination of Witness

RT HON LORD ROOKER, a Member of the House of Lords, Minister of State for Housing, Planning, Regeneration and Regulatory Reform, Office of the Deputy Prime Minister, examined.

Chairman

227. Good morning. Can I welcome you to the second of our sessions on the Annual Report and the Estimates and could I ask you to introduce yourself? I gather you are on your own, are you?

(Lord Rooker) Jeff Rooker, Minister of State. You are seeing officials afterwards, and the issues that I fall foul on or cannot answer I am sure they will do their best to pick up. They are the finest officials in Whitehall.

228. So you do not want to say anything by way of introduction, do you, or do you?

(Lord Rooker) No; except that you are doing an inquiry on an Annual Report which, I have to say, I do not feel a terrible degree of ownership about, for the obvious reason that it is another Department and I was not present at the time, but obviously I will do my best to answer your questions.

Chairman: Thank you very much.

Mr Cummings

229. A MORI survey conducted in 2002 posed a number of questions to people on the environment, and the result of that was that people indicated that the physical environment was the main issue that required improvement in any particular local area. Why do you believe that the local physical environment is always such a low priority when it comes to funding?

(Lord Rooker) I do not think it is treated as unimportant, the local physical environment. From people's perception when they are asked questions about their locality, or about what affects them most, your own local environment is the thing that is up front—the buildings next to your home, what is at the bottom of the garden, developments nearby, the lack of public—

230. Can I try to help you perhaps, Minister, by indicating some of the areas which the MORI survey uncovered: low level of crime, road/pavement repairs, public transport, facilities for young children, clean streets, low level of traffic congestion, shopping facilities, job prospects and health services. So it was a wide-ranging survey?

(Lord Rooker) A wide-ranging survey, yes, but the fact of the matter is, all those issues, you can argue, are addressed across Government. It may be the priorities are not fixed by the Government, a lot of

the priorities in that respect are decided by local government and we try to interfere as little as possible with local government. And there will be different priorities at local level, and that is up to people to make themselves a nuisance with the authorities that can make a change. Now central government can only do so much—issuing guidance, making funds available, where possible, changes in the law, of course, is a key aspect of that, where there are difficulties—but all the issues you mention, in terms of getting a solution at local level, are best organised by the local authority, or the local authority is responsible for that particular area of activity, which tends not to be central government.

231. Do you think that perhaps more encouragement given to local authorities to improve the physical environment would work towards preventing and stemming the outward flow of population from inner-city areas?

(Lord Rooker) Yes, certainly I do. I suppose, instinctively, the answer to that question would show that I am a ring-fencer, but we are supposed to be moving away from ring-fencing; but we can do all those things, to say to local government we can produce reports about the effect of making their public spaces nice and clean that people use, so they feel safe, they do not feel they are 'no go' areas, and we can make funds available. But then if we say "You've got to spend the funds on this particular activity," or we have a host of different, complex schemes to access funds which make it so complicated people lose track of what money is available, then we are accused of interference from the centre. So you have got to strike a balance. But I agree absolutely that we ought to send the right signals about the very issues you have raised, but these are important to people's lives and they must not be just as an add-on or treated as something that is not important.

232. In a previous inquiry on town parks, which this Committee carried out some two or three years ago, it became quite obvious that public open spaces and public parks in inner cities were way down the list of priorities, because of various cutbacks in local council expenditure over a number of years. Would you now anticipate perhaps your Department giving encouragement to local authorities to embark on a policy of improving the physical environment, as a positive measure?

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RT HON LORD ROOKER

[Continued

[Mr Cummings Cont]

(Lord Rooker) We can do it by way of encouragement, yes. So far as the parks are concerned, I do not want to use the excuse of the Lottery, but I know, from parts of my former constituency, what would almost have been heritage parks, where there is access to funding, because it simply was not a priority in the scale of other things, ie education, social services and other matters, for authorities, these things will slip off the end unless there is active support locally. But if you are asking me should we be making specific ring-fenced funds available then that goes against the grain of trying to relieve local authorities from having lots of ring-fencing on specific issues.

Chairman

233. You mentioned the Lottery, but the problem with the Lottery is that that is capital money to restore historic parks; the difficulty appears to be the lack of current expenditure to maintain parks?

(Lord Rooker) If the Committee comes up with a proposal that the central government should be ring-fencing money for parks, I will be very surprised, but that is a matter on which I would have to take further advice, to be honest.

Mr Cummings

234. Could you not perhaps work it, Minister, by your Department having a PSA target relating to the physical environment?

(Lord Rooker) On the targets, as far as I know, we are not looking to have any more targets than those we have already got, and the fact of the matter is to try to achieve the targets that we have actually got. That is not always easy. We set targets, we think they are realistic, they go sometimes across Government, working with other Departments; but I have not come here this morning to add to the seven targets that we have just agreed with the Treasury.

Chairman

235. And, in fact, you have set an eighth, have you not, which is getting rid of some of the targets?

(Lord Rooker) That is one way of putting it.

Mr Cummings

236. Will you clarify for the Committee, Minister, what the Government policy is in relation to the use of planning obligations to get a commuted maintenance sum for off-site provision of open space?

(Lord Rooker) In respect of Section 106, the policy there will be enunciated in greater detail when we produce the Planning Bill and just afterwards. As you know, we had a plan that we consulted on, the idea of tariffs, to have a structure so that developers knew what would be required, that local authorities would be more encouraged actually to get more planning gain, both off the particular site where the development was and, indeed, on the site. That proposal was abandoned after consultation, and our plan is to issue new guidance and a new circular in

respect of Section 106 Agreements. Now the Planning Bill will be published very soon, before the end of the month, and hopefully will have its Second Reading before Christmas. By the time it is in Committee, in your House, I hope sincerely we will have draft guidance and a look at the new circular on Section 106, so that people can see how better they can maximise the benefit of planning gain for open spaces. And our advice also is that PPG17, which of course we have just redone, allows the use of planning obligations for maintenance of open space, but what we have to do, of course, is make sure the local authorities actually actively seek the benefit of the planning obligations anyway. Too many local authorities, in terms of planning, have not been realising the potential of Section 106, and that is what we want to push.

237. The Committee produced some time ago a report on walking. When do you propose introducing the policy guidance to local authorities on designing a pedestrian-friendly environment?

(Lord Rooker) That is a good question, to which I know I have got the answer, somewhere.

Chairman

238. The important point is that you stressed to us that we would not want to ring-fence money, as far as local authorities are concerned, but what you suggested as a Department was that you would offer policy guidance, and we would just like to know how soon this policy guidance is coming along, given that you made that promise nine months or more ago?

(Lord Rooker) On the walking, and I cannot see it on the list but I know I have read about it, it is imminent, in the sense that I think it is early next year. So we have given a commitment to the Committee.

239. We always puzzle about this question of timing. 'Imminent' means early next year, is that it?

(Lord Rooker) It would do, as we are now on 20 November, yes, being realistic about it.

240. I would have thought 'imminent' was tomorrow?

(Lord Rooker) No, no. I do not want to tie it to something before Christmas, although I shall look at it for Christmas recess reading. We probably have not got that because at the moment most of the effort in the Department is directed towards the Communities Plan the Deputy Prime Minister will be launching in January.

241. So, January?

(Lord Rooker) It is fairly soon in 2003, I know that.

Mr O'Brien

242. On the question of targets and housing, Lord Rogers at the Urban Summit did recommend that there should be a target of 100% of houses built on brownfield sites in the North and the Midlands. Do you agree with that?

(Lord Rooker) Our policy is to make sure that any housing that is built really ought to be put on brownfield land if there is brownfield land available, and only have the use of greenfield land when the

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RT HON LORD ROOKER

[Continued

[Mr O'Brien Cont]

local authority has gone through a sequential test to show that there is not any other land available. So the first priority is brownfield land or brown buildings, conversions, obviously, and that is national, that is not necessarily related to any particular part of the country. And, as you know, we have got a national policy of seeking to have the target of 60% of new housing on brownfield sites; now that has been a target that has been met some seven or eight years earlier than planned, it is on the margin, at 61% last year. Given the fact that our housing production is the lowest it has been since 1924 and we intend to have a step change in production, we will have to work really hard to maintain the 60% target with an increased level of production, but we are determined to do that. So to the extent that, in principle, I agree with Lord Rogers, and the policy is directed that way, then it is brownfield first, greenfield comes only if the brownfield is not available, and there are tests to go through to bring that about.

243. When he published his report on urban regeneration, one would assume that he would have done some research that that target could have been met in the North, and now we have the question of the East Riding of Yorkshire who are wanting to step up building on greenfield sites, so there is a conflict there. Are you going to take any action against this proposal by the East Riding of Yorkshire to develop more housing on greenfield sites?

(*Lord Rooker*) What will happen in this respect is, the Government Office network there is available to help the local authorities operate the Planning Guidance PPG3 and to interpret the national policy and the regional policy on the specific sites, so that there is a policy about managing the release of greenfield land for house building. But we have made it clear to the area that you are talking about, in Yorkshire and Humberside, that there is a policy of limiting the greenfield land for housing, there has got to be a test followed, so we are very reluctant. By implication, a 60% target means there is 40% going to be on greenfield, that is the implication, so greenfield is not ruled out; the question is where the priority comes.

Chairman

244. But there is a problem, is there not, in that area, that you have got Hull with very significant abandonment of housing, and then as soon as you cross over into the East Riding you have got very big demand from house builders to go onto greenfield sites? Now, is it not time the Government actually got some sense between those two local authorities?

(*Lord Rooker*) The Government Office is attempting to do that as we speak, as it were, that is one of the functions of the Government Office network. There will be these local dilemmas, one can argue it, it is not local if it comes down to a regional issue, as people have already said. If one takes the South East target for brownfield, you could do 100% of the target in one area, ie the Thames Gateway, so there would be an implication of saying there will be no brownfield anywhere else. And yet you have got to look at each individual case because there will always be a case put forward. But if the sequential test is followed and greenfield is the answer after the

end of the sequential test as laid down in PPG3, there really cannot be much of a dispute, but it should not be the first choice—it should not be the first choice.

Mr O'Brien

245. But, in the North in particular, we have developers who have banks of land, particularly greenfield land. Now my constituency is not far from the boundaries of East Yorkshire, and if East Yorkshire is allowed to develop more greenfield sites, contrary to what the Government's recommendations are, then I can see that pressure will be coming on West Yorkshire for the same principle to apply, and the whole concept of the Government's policy of 60/40 will go by the way. The question is, what are you doing to ensure that the pressure from developers to bring forward greenfield sites for development in the northern regions will not apply?

(*Lord Rooker*) If there is an unnecessary proposal to use greenfield, we will call it in, consider it and then take a decision. I cannot simply say we will refuse every single one of them, but, by and large, our argument will be, we are against the unnecessary use of greenfield land for house building. Now that is a national policy, it means some tough decisions in local areas. If the developers have, as you say, land-banked, and if they have got planning permission already, then of course sometimes that is more difficult, but in respect of planning decisions they have got to get for it then we would have it called in.

246. Have you any proposals to introduce targets for brownfield land development in urban areas, other than the 60/40? I am going back now to what Lord Rogers recommended.

(*Lord Rooker*) The whole policy, and we have made it absolutely clear, is brownfield first and foremost, and this applies equally to market towns, the counties, all urban areas, brownfield first. Now it is true, the distribution of brownfield land is not equal round the country, although, I have to say, we are finding more brownfield land all the time, it is actually being searched out. I was at a presentation in the House the other day, with techniques being used to search for brownfield and find out why it had been brought forward and why it had not been. So the policy is brownfield. There are some cities, some urban areas, where 100% of the development can be on brownfield without any problem whatsoever; if that is the case, it should be, because that is the first priority. There are targets laid down at regional level, but I do not think they have been set at a sub-regional level, it would not be necessary, but the Government Offices are there basically to spot what is happening in terms of the planning applications, and we get them called in. There is not a day goes by when I do not get planning applications, one way or another, either to call in or not call in, or an inspector's report across my desk, for the three regions that I look after on a detailed basis.

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RT HON LORD ROOKER

[Continued

Mr Betts

247. Just continuing with the issue of the 60% figure as a target, I think one of the great advantages of the figure, unlike most targets which the Government have, is that it is quite clear what it means, it is quite well-known as well and it is fairly easy to monitor it. So it is a bit surprising, therefore, that, given that was a national target in the Public Service Agreements for 2000, when we get to 2002 that very clear objective of 60% building on brownfield sites and conversions is replaced by a wording which says: "Achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt—and the sustainability of existing towns and cities through specific measures to be set out in the Service Delivery Agreement." That does not seem such a clear target, does it?

(*Lord Rooker*) We have not moved away from the targets at all.

248. Why have we replaced it then?

(*Lord Rooker*) Those targets are laid down in PPG9 anyway on a regional basis. They are not the same. The 60% is a national figure. I am reminded, in the West Midlands, it is 75%. So those targets remain.

249. Why has it been removed from the PSA then, as a target?

(*Lord Rooker*) I do not know the detail on that, but the fact is the target has not been removed from the Department's targets. And the way we are operating policy, and developers are under no illusions about this, by the way, there can be no doubt in the minds of developers that we are, if you like, hell-bent on making better use of our land while making sure we are quite ruthless in operating, whether it is out-of-town shopping centres or out-of-town housing, in that respect, and we are making that clear. And obviously we are coming up against difficulties with some of them who are trying to push it, and they always will try to push it, because at the moment it is cheaper, they say, to build on greenfield than it is on brownfield. I do not know why the 60% figure is not there, but the 60% figure is Government policy, so there is no drawing back from that, it is in PPG9, and we have said it repeatedly in speeches, it is what we are checking against.

Chairman

250. I understand that, but what we are puzzled about is why, in the actual Public Service Agreements, it has been changed. Is it really that the Treasury got hold of you and twisted something that came up with this set of words rather than something that was really concrete?

(*Lord Rooker*) I can interpret those words in Target 5 as really wanting to be even better than 60%, because you will get a better balance about housing availability on brownfield.

251. Yes, you could interpret them that way, but I suspect most people in the Committee could interpret them in slightly worse ways. What we had was some

percentages, on which all of us could agree, and now we have got a set of words which could be tighter or could be weaker?

(*Lord Rooker*) I am telling you what the percentages are; 60% national, which was 61% last year, it will be more difficult to maintain even that, which we are going to try to do with a step change in housing production. We have got to build more homes, we have made that clear, that is why we have issued a Density Directive, it is operating from next month, to increase the density of dwellings in certain parts of the country.

252. I understand all of that, but why did you not put that in then as a clear Public Service Agreement target?

(*Lord Rooker*) You could argue, it is repeating what we have already got as a target. I keep being told what I am saying. We have got a target of 60%, we will retain the target of 60%, we are not moving away from the 60% as a national figure. We have got it split on a regional basis in PPG9, we are applying it ruthlessly when we are getting applications called in, and we know that from developers feeling the pinch, as it were, because they try it on all the while, because inevitably that is the way it works. And having achieved one target eight years early, I can assure you we are not going to willingly give it up, all the pressure has been to have increased it. There was pressure, to say, "Well, you've got 60, it was an easy target," in other words, "You achieved it too soon; why don't you make it 65?"

Mr Betts

253. Let us look at one of the problems then which might cause difficulty. You mentioned that if we started building more houses that would really cause pressure on the system, but also we know, and perhaps you could tell us how big a problem it is, that there are lots of existing planning permissions for greenfield sites already in the system, which may be squeezed out if we started to get a demand for more houses. Do we know how big a problem that is?

(*Lord Rooker*) No. Simply because of planning permissions lasting for five years. I know that, on the other PPG on the retail outlets, on PPG6, for example, because planning permissions had been given so long ago, because that was in 1996, so anyone that had got planning permissions, it is only now, 2001–02, that developers have woken up to the fact, if you like, because they are running out of their five-year banking of planning permissions which they might have had on land and they are coming up against new policies, ie city centre, brownfield, before going outside. What would have happened if they had got land banks and banked planning permissions as well, which they have got, which would last for five years, it is only now they are coming to the end of that. And one of the issues in the Planning Bill that will be raised, of course, which has made it quite clear, is to reduce that five years down to three years.

254. Is not the other problem presently as well that even when the five years run out an application that comes in to continue the planning permission is automatically granted?

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[Continued

[Mr Betts Cont]

(*Lord Rooker*) No, I do not think so. The fact of the matter is, the policy changed about brownfield/greenfield, it changed about town centre and edge of town, and I have no evidence that we would have to automatically grant those planning applications or simply carry them on if they had not been used over five years.

Chairman

255. You do not have to automatically grant them, but I think the custom and practice for most local authorities has been that, if they were given and the five years is up, actually almost automatically to extend them. Now what you are actually saying to the Committee is that that should not happen, and if the old planning permission does not meet the new Planning Guidance then it should definitely be refused?

(*Lord Rooker*) Yes, it should be, that would be my personal view, and I hope that is the view that carries from a legal point of view. I will give you an example. The Density Directive, that will come in on 1 or 2 December, there was a slight delay because we did not want to catch things that were in the system, it would not be fair on developers, so we had to give a view. But anybody that comes back after that date, they have got to fulfil—true, it is regional, it affects only London and the South East, but the fact of the matter is, that will change, and the policy has changed.

Mr Betts

256. I think it would be helpful, perhaps you could consider giving some very clear guidance to local authorities about this issue of reapplications to renew planning permissions, both for retail and for housing. My impression is that very often they are just given automatically, despite the change of planning policy?

(*Lord Rooker*) The best thing I could do there, because of the timescale, first of all, as I have said, we hope to publish the Planning Bill, and I mean imminently, it has got to be imminent to have a Second Reading before Christmas, of course, and therefore during the course of the Planning Bill, in which these issues of twin-tracking, reducing the five years to the three years for planning applications, are elements in the Bill, I will make sure that my colleagues in your House, because the Bill will come to this House first, are fully up to speed on that so that we can set it out exactly as this legislation goes through Parliament.

Mr Streeter

257. Minister, can you tell us a little bit more about the strong, regional housing bodies that the Chancellor announced in his Spending Review and reiterated again at the Urban Summit, could you describe them to us and say what is going to disappear as a result of their coming into existence, please?

(*Lord Rooker*) There is a lot of ifs and buts here, I am afraid. Anyone in the debate yesterday, which I heard extracts from, will realise that the ifs and buts

are it is intended to make housing a regional function, the real function will operate only once there is an elected regional body, in that sense, because of the money and the democratic accountability. We can still operate a regional housing function with an unelected regional structure, but at the end of the day it will have to come back to Ministers so they are accountable to Parliament, because of the public money involved. The intention is to have a single housing pot, ie the money that, I tend to say, goes to local authorities, or the money which we allow the local authorities to borrow, and the Housing Corporation funding, put into a regional pot, and then the housing dealt with at a strategic level, on a regional basis, rather than each and every local district housing authority. Initially, it will be the Government Regional Office, the regional office of the Housing Corporation, I expect the regional planning body involved as well, the Regional Assembly. It will be different, of course, if and when there is elected regional government, and obviously we are somewhere down the road for that; if we do not get a referendum before the election we would not get the body set up until afterwards. But they would make the decisions. The size of the pot probably would still be predicated on the basis of what we have already allocated, in terms of the region, the way it is done now, but the decisions then on housing would be made at that regional level, not in my Department and not at the local authority level.

258. So they are unlikely to come into existence until we have elected regional government?

(*Lord Rooker*) No, because we are starting the process now, as it were. It will not be done as a 'big bang' but to try to have a look at the operation of what would happen with the Government Regional Office, the RDAs—that was the one I was missing out, I am sorry about that—so the Government Regional Office, the regional office of the Housing Corporation, the RDAs and the Regional Assembly, to get round a table now. We have already announced, for example, the Housing Corporation's approved development programme for 2003-04. As a Department, we have not really announced anything much other than that following the Spending Review, and all will be set clear in John Prescott's statement in January, there are some decisions to be made just before Christmas, it is true, but the bulk of that. Now it may be that in years two and three we are able to say the money will go to the regional pot, as it were, to be looked at by the housing board on a regional level with the organisations I have just mentioned.

259. Is that not taking decisions away from district level, so it is taking power up from local elected councillors to a regional body?

(*Lord Rooker*) Yes, but it is also taking it away from my Department, in some respects, so that the strategic housing decisions, in a region, for a region, will be made in that region, not in my Department, and if that is strategic decisions, clearly they cannot be made by small, very small in some cases, housing authorities; and the implication is to do it on a regional basis, before your next question. It does imply that, within a region, if it is looked at at a strategic level, it does not mean to say that every

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[Mr Streeter Cont]

authority in that region will get a share based either on population or their housing, it will be based on the housing needs of the region, and that has implications for all kinds of decisions later on.

260. So in a region like the West Country it is possible, in two, three or four years' time, the strategic regional housing body will make a decision about how many houses should be built using public subsidy in Plymouth?

(Lord Rooker) Correct.

261. And that will not be a decision any longer for Plymouth Council?

(Lord Rooker) Correct. That is the implication of what could be the case, with housing becoming a regional issue; housing is not, at the moment. We divide up things on a regional basis, obviously, with the Housing Corporation being a good example, but the actual operation of it in some detail is not done on a regional basis, the implication of doing it on a regional basis is it will be done differently from how it is today.

262. My final question is about Starter Homes Initiatives. You have a target of 10,000 new starter homes to be met by 2004, how are we doing with that?

(Lord Rooker) We are up to about 1,400 at the moment. It has taken a while, and there is a sort of Starter Homes Initiative Mark II, which will free up Starter Homes Initiative in some ways, and we are looking actively at this. And one of the great things about being a Minister is you can remember decisions being made, you cannot always remember whether they have been announced, and therefore I will have to be careful what I am about to say. But the way the Starter Homes Initiative was set up, it did not actually operate to increase supply of housing, because you could go into the market, and we want to change some of the money that is set aside in Mark II, as it were, along with other schemes we have got, actually to direct it to increase supply. But, so far, the latest figure I have got in round figures, to the nearest hundred, is about 1,400. It has been a slow start, but there is an awful lot now in the pipeline as well.

Chairman

263. So we have got, on the target, about 15% has been sorted out?

(Lord Rooker) From a standing start, yes.

264. So we are looking at 85% to be sorted out. It does take a bit of time to build houses, does it not?

(Lord Rooker) It does, yes. That is one of the reasons we have introduced the Housing Corporation Challenge Fund, because we want to speed up the process, and we were looking for different ways to speed up housing production. The Starter Homes Initiative Mark II, the rest of the money, could be partly involved in that anyway to get a faster build, because the way the Starter Homes Initiative operates it does not do anything to increase supply, and we want to jig it so that it has an effective increase in supply.

265. Are you warning us that the target is not going to be met, or are you telling us that you are going to make the target?

(Lord Rooker) No, I am not saying anything about whether the target is going to be met or not. The fact of the matter is, it has been a slow start, and it was directed of course also to 100% owner-occupation, in terms of the Starter Homes Initiative, and there are ways that we are looking at, if you like, to dilute it, so it is not 100% owner-occupation on, say, existing properties, because there are ways you can make it work faster, if, for example, it covered intermediate, half rent half buy, new-build, actually to increase the spend of the money faster to meet the targets.

Chris Mole

266. Some people are expressing the view that the really radical changes that were in the Planning Green Paper have been dropped, in terms of what is likely to be coming through in the Planning Bill that was announced in the Queen's Speech. When the new planning system is introduced, in what way will people notice a real difference from the one that it is replacing?

(Lord Rooker) Two questions, in a way. I would not say they were really radical proposals. We have not had a lot of negative comment from the statement of 18 July, which John Prescott made to the House, about where we had got as an initial response, obviously we have replied to your own Select Committee Report. The Bill, as I say, is due to be published imminently, within the next few days. In terms of what they will notice, not all the planning changes actually are in the legislation, one of which of course is the money and the resources, our planning performance has not been that good, as you will appreciate, in terms of getting decisions. Part of the Planning Delivery Grant which we will announce—and that will be done shortly, I hope certainly before Christmas, as to where the mechanism works—will ensure there are more resources, I almost said targeted into the planning departments, to increase performance, but we will pay the Planning Delivery Grant on the basis of improved performance. There will be a mechanism to start in the first year, but most of that £350 million will be spent as a consequence of the increase in performance, so while it will not be ring-fenced to start with, it will end up making sure we get a better performance. So, to that extent, faster decisions, that means hopefully no lesser quality decisions, whether they be commercial or for home-owners, that is one way; now that is not anything to do with the legislation. Obviously, the change in abolishing the county Structure Plans is one area where, in putting together Local Development Frameworks, one could argue, at a lower level, there will be far more consultation and activity at that level because the region will deal with the strategic issue in terms of planning, so there is a change there. Some changes probably people will not notice, like, for example, if we can avoid the fiasco of the Terminal Five Inquiry, people will not say 'thank you', because they will not know they have avoided it. But if we can deal with major infrastructure projects without that kind of problem, and we think we have got a mechanism for doing that, which will be in the legislation, that is a success, but it is something that people will not actually notice. We do not get that many major

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infrastructure projects anyway, but they do come a few a year. Another aspect is the change in the culture of councils. Hopefully we can encourage people either to stay in planning or go into planning as a career, to make a really worthwhile contribution to the society in which they live in terms of design and the environment. So there are things that people will change. I am not saying it will be a 'big bang', you cannot have a 'big bang' through primary legislation, it would take a year to get through this place, for a start.

267. You mentioned the Local Development Frameworks as an important element coming through. Presumably, that follows from the European special development perspective, talking about a more holistic view, and that is why Local Development Frameworks are expected to implement Community Strategies. There is obviously going to be consultation by local government on Community Strategies and then consultation on Local Development Frameworks. How is this all going to fit together, and what if one consultation produces a different result, and will people feel confident that the consultation on the Local Development Framework is as meaningful as it should be?

(Lord Rooker) I certainly hope so, otherwise it would be a failure, in terms of the policy change. I am not so sure people feel terribly involved at the moment, and, of course, at the moment, the time involved in putting together these plans is enormous. Obviously, I am familiar with examples in my own former constituency, although, being a single city, it is sort of a bad example, but when one looks around the country and looks at examples since I have been in the ODPM, the amount of time involved is incredibly lengthy. Now we do not want to cut the time by cutting consultation. We want people to have opportunities, we are not snuffing out people's opportunity to be heard, if they are opposed to various projects, but also we want it to be more flexible so that the Local Development Frameworks can knit into changes that have occurred one authority across another, and to do them jointly in some cases, so they do not need to do them in a separate way. We facilitate in the legislation the availability for local planning authorities to do a joint operation, if they so wish, and that can speed up the process. The boundaries of local government do not fit naturally, sometimes, or well, with the environment or the changes, so you need to cross the boundaries in some cases, and I think facilitating that is going to make a difference, and local people would be involved. But if we can also have more flexibility where change is required, so we do not have to spend years unpicking what would have been the county Structure Plans to make progress, that has got to be an improvement.

268. There is a view that that is what happens already when a county Structure Plan is put together, that they bang the heads together of districts in order to resolve those sorts of issues. And if you come back to what the Committee were talking about earlier, between East Riding and Hull, which is its neighbour, then presumably the absence of a county

Structure Plan is one of the reasons why that is happening in the way it is. Why are you doing away with county Structure Plans?

(Lord Rooker) Because planning will be a regional function, it is another one on Gary's first question. What we do not want is extra layers. What we need, effectively, is three layers, doing it on the basis of something that is local to local communities, and then the next layer being the region is much better. There has got to be some ownership and accountability here. If we start having too many layers it gets diffused, nobody knows who is accountable and who is responsible for what. It is quite clear cut. The ownership of the Local Development Framework will stay with the local authority, with the local planning authority; the strategic element will be with the region. The county gets in the way of that process.

269. Even in the brave new world?

(Lord Rooker) Yes, it diffuses it. Nobody knows whether it is the county that is responsible, or accountable, or the local planning authority, and if you introduce Local Development Frameworks something has got to give if you do not want layer upon layer. And the decision was made, and I do not think anybody dissents from this, in terms of the strategic level, that the planning should be at the region.

270. So if there is no actual regional assembly, where is the democratic accountability?

(Lord Rooker) The answer to that is the same as I said earlier on. Where there is not a regional assembly and where there are disputes or where there are decisions to be taken, they would have to be taken by Ministers in my Department, and therefore accountable to this House.

Dr Pugh

271. I wonder, Minister, if you can confirm or correct an impression I have got of this aspect of legislation, it is a favourable impression really, that the Local Development Framework, the Community Strategies, the Community Plans, and so on, offer opportunities, new tools, for local authorities to control development in their area in a far more rational way than hitherto. I am thinking, for example, of my own constituency, where you might wish to reduce the density of pub development, and a decline in residential family homes, and so on. In the past that has all been done by precedent, by looking at, in a sense, what has been done before and according to very tight planning criteria. Do the Community Plans, the Local Development Frameworks, offer more an opportunity for the local authority to be proactive and positive and to do some real planning for their areas? Am I right in thinking that that is a possibility?

(Lord Rooker) The short answer I can give to your question is, yes.

272. It was a rather long question. I am happy with the answer.

(Lord Rooker) Yes, I know, but the preamble and the finality of the question are such that I can answer yes. And certainly I hope, when you see the Planning Bill, as I say, it is not all in the Planning Bill because

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obviously the financing is crucial, there has been a lack of resources in planning, I would think they have diminished a third since 1996-97, and that is a cause of concern, so we need to have an uplift in resources, otherwise, with the best will in the world, the plans in the legislation will be a bit of a con, unless we are prepared. Hence £350 million in the Spending Review, earmarked by the Treasury, which we will have to account for in terms of increased performance in planning, but I think the Bill will justify the gist of your question.

Dr Pugh: I have got the flavour of it, yes.

Mr O'Brien

273. Just one question, Minister. The local planning authority takes a great deal of time in drawing up its Local Plan, it also has to ensure that the element of control can ensure that the quality of that Plan is carried out. Which is the most important, speed or quality?

(Lord Rooker) It is quality, really; because I am not prepared to push a programme of a step change in production when I know quality goes down. I am not prepared and neither is John.

274. How can we safeguard that, Minister?

(Lord Rooker) By a combination of circumstances, and certainly, in areas, we have asked the Commission on the Built Environment to have a role, particularly in some of the growth areas, to make sure that the quality of our buildings is up to scratch and best practice is used, and I think that is pretty fundamental. And also we would expect, if you like, at the regional level, or the strategic level, once it comes into operation, both housing and planning, that quality is a factor, because you almost have to keep adding on sustainability and quality every time you speak. And then you say, "Well, it goes without saying, so I don't say it," and if you do not say it people forget that that is to underpin, that we want sustainable developments that are quality developments, otherwise people will not want to live there. And we will learn the lessons in terms of abandonment, of the collapse of markets in parts of the country, because they were not sustainable, or they have been sustainable but two centuries was a bit too long for them, as it were, and they were not good quality. People recognise quality. I know it can be very subjective, but people will walk away from it, given an opportunity. So if you ask me, quality or speed, then I have to say quality.

Mr Betts

275. Can I just put a question about the practicalities of the proposed new system. Currently, if someone hears about a planning application near their home they come to me and say, "Is it likely to be granted?" and either they or I can go into the local planning department, we can get hold of a land use map for the whole of the city and look at a site and say, "It's in an area zoned for housing," or a zone for commercial development, or a zone for retailing, and have a reasonable degree of certainty, both the developers and the community, about what the likely outcome is going to be. If they go under the new

system, the LDF, once it is in place, and they go down to the local planning department, what documents will they actually be able to see?

(Lord Rooker) I hope, amongst various things other than policy statements, they would also be able to see a plan as well.

276. For the whole area?

(Lord Rooker) Yes. I think that is a commitment. I freely admit, I have not read all the evidence of the past, but I know this is something the Committee was particularly keen on when Charlie Falconer came, and it is my understanding that we gave the commitment that there will be plans available.

277. And that will be an obligation on authorities to produce, rather than something that they can if they want to?

(Lord Rooker) Yes.

Chairman

278. Can I be clear, when will the Unitary Development Plan in an area like Sheffield or in Greater Manchester become the Local Development Framework, how are we going to phase between the two of them? Are local authorities going to have to produce a new Local Development Framework, or are they going to be able to say, "We've just gone through the revision of the Unitary Development Plan, we want to use that as the plan"?

(Lord Rooker) It is a good and obvious, sensible question, because what we do not want to do is have people who have just gone through a process—you see, plans are being put together as the legislation is going through Parliament. We have had to say to planning authorities, until the new regime is in, the present regime stands, we did not want people saying, "Tear it up," abandoning their own inquiries.

279. I understand that, but how do you get from A to B?

(Lord Rooker) Hopefully, over as short a period of time as possible without too much disruption. There is an implication, is there not, because I do not think we are saying within so many years, but we have got to have a transition from the process we have got now.

280. All we want is some clarity about that transition period?

(Lord Rooker) Yes, there would be transition arrangements or a transition period, and I will get you that, certainly during the passage of the legislation; because I am not going to promise to write to you on everything before Christmas, bearing in mind we have got a Bill coming to the House, of which these matters are an integral, detailed part, because the transitional arrangements are fairly crucial. It could be some people have not updated their plans and have not done anything for several years; others, as we know, are at the moment going through inquiries on plans, as the legislation is going through Parliament. It means there are some plans that are more up to date than others, and the process, I suspect, in terms of a commonsense approach, would be where we have got new and modern plans that have just gone through a democratic process we would not tear them up and start again in a short period of time.

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Chris Mole

281. That question prompted another one, in the Minister's response, that zoning is likely to continue in Local Development Frameworks. Has anyone ever posed the question whether zoning is compatible with sustainable development, in that it encourages employment in one location and residential location in another?

(*Lord Rooker*) I do not know about research. We have a difficulty with this, by the way, there are parts of the country where local authorities have had land zoned for industrial or commercial use for years and nothing has happened, and then the question arises, someone says, "Look, we're short of homes," and we know there has been a reaction, because, if you like, it was an unspoken part of the policy.

282. I think the Minister gave that as evidence at a previous meeting of the Committee and it is a fair point. But the question is, should we be actually encouraging more mixed use zones?

(*Lord Rooker*) Yes, mixed use, in terms of industry, retail, leisure, housing. We have got to stop having sites set aside, however big they are, for single tenure, single use.

283. So will we see that in guidance in the future?

(*Lord Rooker*) Yes. In fact, it is already there, in some ways, in PPG3.

Mr Cummings

284. In the event of the Planning Bill including provisions for Business Planning Zones, Minister, what steps and processes need to be taken before the first Business Planning Zone would come into being?

(*Lord Rooker*) The Planning Bill—I am giving no secrets away here—will include legislation for Business Planning Zones, to have them implemented. It will be the regional authorities, the regional planning body, that designates the Business Planning Zones, identifies the broad area, as to whether they should be there, roughly where they should be, the local planning authority hopefully then can identify suitable sites that meet all the criteria. We are not envisaging many of these, maybe one or two per region, so it is not something that is going to be in every planning authority, that is our initial view.

285. The proposed changes to the 1994 version of the Minerals Planning Guidance basically has very minimal policy consequences. Why do you believe it has taken so long to propose these limited changes?

(*Lord Rooker*) Even 1994 is going back a bit from the Annual Report that we are dealing with this morning, but I do not know the answer to that.

Chairman

286. But the problem is that it does appear that the Government wants to speed up the planning process, but it has taken a long time to revise Planning Guidance in all sorts of forms. What we would like is just a little bit of evidence that the Government can do things quickly if it is demanding that local authorities can do things quickly?

(*Lord Rooker*) The sets of Planning Guidance that are on the bookshelf in my room, I realise some of them date back quite a while and they have not been changed and we have continued. PPG6 is a good example, I think that was 1996, we have not sought to change it, we are actually trying to operate it, which is where the pinch is coming. But we are committed to reviewing the Planning Guidance and we have got a programme, we have just published the Open Spaces one, 17, I referred to earlier on, and we have got a programme, over the next two to three years, I think, unless I am corrected, of having the review of all the Planning Guidance to bring those that we need to up to date. And also, by the way, we are committed to making them shorter. There is one I looked at yesterday, or the day before, I have forgotten which one it is now, it was initially 40 pages, so incredibly detailed. Our process, which we will consult about next year, will be reducing that probably by two-thirds.

287. How long will this consultation take?

(*Lord Rooker*) The particular one I was looking at certainly will be going out to consultation in early 2003, and hopefully to have it finished by 2003.

Mr Cummings

288. I am just wondering whether the Minister would drop the Committee a note, Chairman, on that particular issue?

(*Lord Rooker*) I can give you a note of those which we plan to do. I am not sure whether we have got specific timetables for them all.

289. The note, Minister, to include why it has taken so long to propose such limited changes, and why such limited changes?

(*Lord Rooker*) The resources of the Department are directed to other matters, that is the issue. You have had one once, I know, because I have checked the background on this, on mineral workings, where the former Permanent Secretary was pressed on aspects and gave some personal commitments which we are going to deliver on. But it does take time, and resources in the Department are not unlimited, and therefore a priority is drawn up about the work that Ministers ask officials to do. And therefore I would argue, without going into the details of any specific one, it had a lower priority on the grounds of other things were taking place.

290. What do you believe your Department will do to stop local authorities from ignoring the Environment Agency's advice on building on flood-plains then, Minister?

(*Lord Rooker*) I have to say, since I left MAFF I have not had a lot to do with floods, but, bearing in mind what you have just said, in answer to your earlier questions, PPG25, Development and Flood Risk, published in July 2001, that is pretty up-to-date advice, by and large, pointing out to local authorities that probably it is not a good idea, and they need to have a look at the risks they are taking where they are looking at possible building on a flood-plain, taking account of issues such as climate change and other matters. And also, of course, making sure we have got in proper drainage systems that are sustainable, if that work is taking place. But this is a good

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example, in some ways, where because of what had happened in the recent past new guidance was issued in 2001.

Chairman

291. Yes, but the problem is, it is being ignored, is it not?

(*Lord Rooker*) Where? Give me an example. Where is it being ignored?

Chairman: I understand that there is a significant number in East Yorkshire, or it may be North Yorkshire, around the Pickering area, where there have been problems.

Mr Cummings

292. The Environment Agency has recently published figures on the number of cases where councils had given planning permission on potentially dangerous sites in flood zones. So the evidence must exist within the Environment Agency?

(*Lord Rooker*) Yes, but I am a bit surprised you have not got a specific example to give me. Virtually no houses are built in flood areas. I have got, 800 in 2001. And if you can give me examples of where, because I have not got any evidence of local authorities ignoring and going on, willy nilly, building houses on land which they know is going to flood.

Chairman

293. The Environment Agency has come up with 300 cases. We will send them to you and we will be grateful if you can go through them and explain what is going to happen in each of the cases?

(*Lord Rooker*) Before we finish that, I will just go back and clarify the figure that I could not read here, just so that it is on the record: 2000-01, fewer than 800 houses were permitted in flood risk areas against Agency advice, compared with housing completions of 167,000.

294. That is still quite a lot, is it not?

(*Lord Rooker*) Eight hundred, out of starts of 184,000, is very, very small, bearing in mind what had happened in the past, with the huge numbers of houses built on flood-plains, which of course are now subject to flooding because advice was not proper, no drainage systems were put in place. And we have issued new advice in that respect, and we have got 800, out of 184,000, against Environment Agency advice.

295. But you would be very upset if you were in one of those 800, would you not, and found you could not get insurance because of the flood risk?

(*Lord Rooker*) I would certainly be upset with my solicitor, yes.

Mr O'Brien

296. In the next three years, Minister, and you have commented on this today, we are hoping a lot of money will be offered to planning authorities to improve planning procedures. How will that be distributed to the authorities most in need?

(*Lord Rooker*) I am not in a position to answer that question in detail, because the details in the Planning Delivery Grant have not been published. As I said earlier on, I am hoping that it will be published before the recess, because it is important that authorities can make plans for their budgets for next year. But it is a question of how we divide up the extra £350 million over the three years, and while I understand, quite legitimately, people want to ask, "How are you going to spend the money?" it is the same as the rest of the money the Department obtains from the Treasury, most of it we will not announce until the Deputy Prime Minister's Communities Plan in January. The Planning Delivery Grant is, I think, one of the exceptions, which we will announce before Christmas as to how it is divided up. The basic principles of the Plan are to spend a very small amount of that money in year one, of the £350 million, not much more than about 10 maybe 20% of it in year one, almost a seed-corn, but then to have a Delivery Grant mechanism for spending the rest of the money, based clearly on improvements in performance of the planning authorities, so that it could be argued, in terms of seed-corn, there is an incentive for every authority to move. But we need to reward performance with the rest of the money, and we will put the details of that, because obviously we want to be able to skew the money to the areas where we need better increases in performance. But it is a complicated issue, and therefore it is going to be subject to us publishing the details.

297. On the point that you made there, what you are saying is that the planning authorities that have been hit most by the previous Government withdrawing resources and reducing their influences, and they have got to build up now to the level of the better ones, that they will not get the resources to do that?

(*Lord Rooker*) No, no; and that is why I am reluctant to go down the road of giving details, because I am not carrying it about in my head, and secondly we are about to publish them, hopefully before Christmas. You could argue, yes, if we are only doing it to those authorities which have had, let us say, a really appalling performance, because they have taken money out of planning to put it in other things, and that they are the ones which are going to get all the £350 million, it is damned unfair on those authorities that did keep money in planning to maintain a better performance. We have avoided that in the scheme that we have got. It is very clever, the way it has been worked out.

298. But you said earlier that you were not a ring-fencer; are you saying now that it has got to be ring-fenced?

(*Lord Rooker*) I can say to you, and I wrote on the note when it came to me, I said to officials, "This is a very clever way of dividing up the money to achieve—

Chairman

299. This is a clever ring-fence?

(*Lord Rooker*) It is not ring-fenced.

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Mr O'Brien

300. How will you guarantee then that it is spent on planning; how?

(*Lord Rooker*) No, I cannot guarantee the specific pound that has been marked as Planning Delivery Grant gets spent on planning, but I will guarantee another pound has been spent on planning that has had the consequence of increasing performance.

301. In 1999, the Department at that time funded the Planning Officers Society, with the Local Government Association, and other organisations, to draw up a good practice guide on planning and best value. What has happened to that report?

(*Lord Rooker*) I will have to write to you. I have no idea.

302. Would you do that, because we were advised, at that time, on the question of the best value and that benchmarking would be introduced, that they would draw up a guide on planning and best value, and I consider that that is very important to the future of planning. If there is a report then I think we should see it, because I come back to the point that not all authorities transferred money earmarked for planning for other services, it is because of the fact they did not get the money in the first instance?

(*Lord Rooker*) You have asked me about a specific report and I have said I will write to you on that. The fact is, we have got the figures about the performance and targets of local authorities, but what I also have to say to you is, by the way, early this year, in April, planning application fees went up 14%, I think it was, that is quite a hike. I think, overall, it would bring in about £20 million, quite a small sum of money, relatively, to the Planning Delivery Grant, but £20 million. The purpose of that, the idea behind it, was to get a little more resources to planning authorities. Anecdotal evidence, which we are about to get a bit more detail on, is that, by and large, the local authority treasurers out there, doing their job, have hiked most of the money for other things. Now what were we supposed to do; we had given local government a facility to raise extra funds for a specific function, and they are all treasurers, presumably under political guidance.

303. What evidence have you got, on that, Minister?

(*Lord Rooker*) As I say, it is anecdotal. We are checking with authorities. We know some authorities have not seen any of the money.

304. If you are making a statement like that against local authorities then I think we should have some evidence for it?

(*Lord Rooker*) You will have, because we are about to contact them all, asking them to do it. And part of the Delivery Grant mechanism is, we might have to ask them for planning accounts. The fact of the matter is, that has happened, and I am not going to quote individual authorities because I know it is only anecdotal, we have been on the 'phone and we are about to write. If we have not already written, we are about to write, to check with authorities what has happened to the extra fees they have been charging since April this year.

305. So you will publish the report?

(*Lord Rooker*) Yes.

Chairman

306. So this clever plan that you are talking about, which is not ring-fencing, is going to guarantee that not only the money coming from the Department but also the extra money coming from the fees will get spent on planning?

(*Lord Rooker*) I cannot say about the fees, it is not ring-fenced, but it is no good, on the one hand, complaining that they, local government, have not got enough resources for planning, and, on the other hand, knowingly accepting higher fees for one function and putting it somewhere else. That is just the idea of a bottomless pit, they keep coming back for more all the while. And we are after an increase in performance, and we are going to get the increase in performance; we presume they want to increase performance, by the way, the whole system is predicated on the basis they want to be better than they are now, and we are going to actually facilitate, with the £350 million, over three years, to bring about that increase.

Mr Betts

307. Talking about targets, one of the targets that the Department has got is to reduce the persistent gap in growth rates between regions, which I understand is shared between your Department, the Treasury and DTI. How is that going to be achieved? That is 2002.

(*Lord Rooker*) Is it PSA Target 2?

308. Yes?

(*Lord Rooker*) In terms of the Department's objectives, it fits in, we are having to work across Government Departments. As you gather, with that one, it is a joint target with the DTI and the Treasury. First of all, the way the RDAs have been set up and also the function of the RDAs, and of course they are led by DTI although 90% of their funding comes from my Department, they themselves are drawing up their strategic plans for achieving this. They are not all the same, our regions are different, we do want to iron out some of the differences; but they will not all be the same, their plans will not all be the same, that is part of the process, and I cannot say, at this point, in advance of them producing all their strategic plans. What we have made clear to them is, I know they are set up basically with economic targets themselves and economic Directives, but, as we are making clear in the Communities Plan statement in January, it goes well beyond the straightforward economics, in terms of jobs and industrial activity, it goes in towards sustainable communities, education, leisure and a whole range of factors. And we will produce, alongside the Communities Plan in January, a statement for each region, it will not be just a document for the overall Communities Plan the Deputy Prime Minister will announce, but there will be a daughter document for each of the regions, setting out a range of areas, some with targets, some with other activities and also funding arrangements as well, which will help put flesh on the way we hope to meet Target 2.

309. Sometimes I get the feeling that the Government has got all these grand strategies and targets, but there are some very practical things it

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[Continued

[Mr Betts Cont]

could do itself it is not doing any more. In the 1970s, we had quite a big programme of moving Government jobs and Government Departments out of the hot spots of central London into some of the more deprived regions. That seems to have stopped. And is there not a case for reactivating that, as part of helping them to hit these targets over the next few years?

(*Lord Rooker*) It would be. Where new Departments are being started, they are not all necessarily based in central London. I have got personal experience of taking a deliberate policy decision in 1997, and threatened with an accounting officer certificate for doing so, to take jobs 300 miles away from London, and it turned out to be extremely successful. On the other hand, I was insistent on the Food Standards Agency being in central London because of the nature of its task. So where Ministers can influence I think they should, it does not have to be necessarily central London. I am not sure there is an overall target for moving jobs away, in agencies, but there is an awful lot has been moved away from London, mainly because the quality of life is better in other parts of the country as well.

310. But should there not be an overall Government strategy for this; it does not seem there is one?

(*Lord Rooker*) I do not think there is, in terms of a target of moving. What there used to be, with the Location of Office Bureau, there was this organisation to move people out of London, then I think there was something set up to move people back into London, over the years. I am not sure whether there ought to be or not. I think, in principle, when new organisations are started, then you should not start to look at London or the South East, in principle, because it is an overheated part of the economy. On the other hand, it depends solely on the function, and if you have got some control over it, as a Minister, then my view is, and, as I say, my own personal experience, on two examples in MAFF, one I insisted on being well away from London, and the other had to be in London. I can defend both equally against any charge that was put to me.

311. You have got this general target about economic growth between the regions and trying to do something to equalise it. Lord Rogers also recommended that there should be targets to reverse population decline in the major cities in the UK. Is that something that you would want to take on board as a target for your Department?

(*Lord Rooker*) Certainly I agree with the principle. That came out very much at the Urban Summit recently. The whole point about it is, we are losing population in the cities, and the Census figures show this, because we have not looked after our inner cities. We have not allowed going back to mixed developments, we have allowed too many derelict sites, we have not created enough higher-density dwellings, we have not reused buildings in cities for people to live there, so we have not created quality environments for living and working in the cities, and we want to do that, though there are examples where we have, it is true, but we want to have an urban renaissance. The consequence of that is, people will want to live and work in the cities, it will then stop the flow from the cities to the outer urban areas, the

market towns, putting pressure on the countryside. By having a renaissance of the cities we actually protect the countryside, it is an exact, direct correlation. Now what we have not got is a target to say the numbers of people to be in the centre of this city, we are opposed to that, but we have got targets, again going back to the planning, with the Density Directive. And the whole thrust of the Urban Summit was to get an urban renaissance, so that we actually reverse that trend of people leaving our cities, so that they want to live and work and enjoy a quality of life there, and to stop them decaying and bleeding into 'no go' areas, where business will not invest and nobody wants to live, and we can all think of examples like that.

Dr Pugh

312. Can we talk about Structural Funds now. A DTI briefing note has been reported as saying it is hard to demonstrate long-term structural benefits as a result of European Structural Funds. Now that is odd, is it not, because you know what structural benefits are and how they can be measured, do you not?

(*Lord Rooker*) I do not, off the top of my head, no.

313. You would agree with the DTI?

(*Lord Rooker*) It is not always easy to see the cause and effect. You can go around the country and see all the stickers up there, with EU Structural Funds, making a connection. I think you would have to give specific examples of circumstances where—

314. Do you have any suggestions as to how we could better measure the benefits?

(*Lord Rooker*) I have not, no, but I will have a think about it, with my advisers, and I will write to you. I agree with the thrust of it, we ought to be able to do it. There is a huge amount of money involved in the Structural Funds and we ought to be able to have cause and effect. I do not think it is easy to put it in simple, if you like, bullet point headlines, to say that, "The effect of this fund on this area and the structure was X, Y, Z," but certainly I agree, we ought to be able to do it, but it is not easy.

315. Thank you for your frankness. Going on further, what is more important to the Government, at the moment, securing an extension of the RDF funding after 2006, or reform of the state aid rules?

(*Lord Rooker*) Not being up to speed on both of them, I would say probably they are equally important to the Government, because they sound worthwhile things to do. That is a glib answer, because I cannot give you a detailed answer on that.

316. It is a hard question, to be fair. And, finally, when do you anticipate the new European Regeneration Framework being agreed?

(*Lord Rooker*) That I can give you an answer to, because that was written about a couple of days ago, I hope so, anyway, being agreed. There is no lack of commitment in the Department, because that is what it says here, under the heading, "line to take." I have now seen a date, 2006, is the answer to your question.

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[Continued

Mr O'Brien

317. Minister, could I introduce a new subject, and that is the question of New Age Gypsies, these travellers that locate on unauthorised sites, and I am sure that I am not the only Member of Parliament who has problems with these and my constituents harassed by them. Your Department published a report by the University of Birmingham into the quality and condition of gypsy/traveller sites last month. How do you intend to take this forward?

(*Lord Rooker*) I know my House gets criticised, but it was way ahead of the game on this, because there was an oral question on 30 October, Column 197, for the better purposes of your advisers, in which I was actually asked about the issue by Lord Avebury. The report was done by Birmingham University, it has got to be considered. It made it quite clear there is a shortage of overall pitches and sites, there is no question about that, and it gave some figures. We need to consider this. I think it was October 10 it was actually published, so it is pretty early in the day, as it were, for us to come up with a decision about how we are going to deal with the implications of the report. It needs to inform policy, it is true, and in some respects I think there is an issue tied up with legislation that may come to the House, in terms of people being moved on by the police, and the police will not move people on unless they know there are local authority sites to move them to, for example. So there is a shortage overall of sites, I think the figure is about 1,000, as I recall, from what the estimates were. So it is too early. We are looking at it; we certainly want local authorities involved in consulting about the report, because they have got the day-to-day knowledge that we have not got. And, I know for a fact, Members of Parliament have certainly got day-to-day knowledge of New Age Travellers.

318. Are you going to continue the Gypsy Sites Refurbishment Challenge Fund into the coming years?

(*Lord Rooker*) That is a leading question. The answer is, yes, certainly we are continuing having the sites improved, that is one of the issues, in some ways, I know, of locations of particular sites and they have not really been looked at. The report suggests an expenditure of £16 million over the next five years, to bring the sites up to standard, so we are giving serious consideration as to how that money will be raised, as I said in answer to one of my noble friends.

319. Have you done any research into the continuing increase in the number of people who are now travelling with mobile homes, and this is the only home that they have? And if we look at the numbers there were 30 years ago, we find there is a substantial increase, and therefore the greater demand for sites is always with us. Is there any research being done by your Department to see what the real problem is?

(*Lord Rooker*) When you say 'problem'—

320. It is a problem?

(*Lord Rooker*) The people who travel are not a problem. There is nothing wrong with being a nomad, it is not illegal to be a nomad, it is a way of

life. It is how it impinges on other people, is the issue that policy-makers have to take account of. So being a nomad is not a problem.

321. But being a nomad and camping on illegal sites is a problem?

(*Lord Rooker*) No. Being a nomad is not a problem, camping on illegal sites is a problem. I am separating the two. There is nothing wrong with being a nomad, it is not illegal, it is a way of life; it is how it impinges on other people. Hence, the fact is, if there are illegal sites used, and society does not provide enough sites that are well managed that people want to use, if being a nomad is their way of life, and it is their only home—

322. Who is responsible for ensuring that they do not occupy illegal sites?

(*Lord Rooker*) I suppose, at the end of the day, it comes down to the local authorities.

323. But they do not have powers, do they?

(*Lord Rooker*) I know, but that is the point. I did hint that there will be some legislation coming forward, and we have to look to make sure there are enough sites available to meet the need, to avoid the problem that we do get in urban areas. But also I have to say, and I think it was implied in part of your question, because you did say for people for whom it is their only home, my own personal experience is, in an urban area, the biggest problem comes from people for whom, for part of the year, the caravan is their home, but elsewhere they are not in that caravan they are somewhere else. They have come to Birmingham to do the tarmacking, the paving, the tree-logging, in the rest of the country we think they are living in leafy suburbs, in the South East, in their home. So there is a different issue here of people who are travelling as a way of life and who cause no problem to anybody, for whom we need to have the sites. Now part of the research did identify the fact that we had not got a widely understood policy of accommodation, and this is something, as I say, that we do need to have a look at, the management, and to make sure the sites are managed.

324. You have introduced a new dimension there, Minister, by advising us that they only do this part-time?

(*Lord Rooker*) I did not say that. I said there were two sets of nomads. And your question started off, quite legitimately, by saying it is their only home, they have got a nomadic way of life.

325. Yes, but you have introduced a new subject now, because I was not aware that the people that are causing my constituents problems do live in the leafy suburbs?

(*Lord Rooker*) I am not aware of your constituents, I just speak about my own knowledge.

Chairman

326. I think it would be very helpful if you could give us some numbers for the two groups. But can I take you on briefly to one other issue, before we finish, and that was when you replied to our report on tall buildings, and an interesting phrase in the report which said: "high rise buildings generally require smaller sites than low rise buildings with big

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floorplates offering an equivalent amount of space.” I wonder whether you could perhaps give us an interpretation of that, not now but in some written form, so that we can fully understand your reply to our report? I am quoting from your reply to our report, I cannot give you the page.

(*Lord Rooker*) I have just noticed the paragraphs are not numbered, that is not very satisfactory, is it.

327. But I will make sure that you get it afterwards; because I am only asking you for a written reply, that is all?

(*Lord Rooker*) Yes, certainly I will be happy to provide that.

328. Then on that note can I thank you very much for your evidence. I am sorry that we have kept your officials waiting.

(*Lord Rooker*) Nothing about the Department’s underspend, and things like that, from the past.

329. You anticipate our next question, and if you wish to, stay and help your officials out on these matters. But I seem to recall that when you started off you did suggest that you had only taken over responsibility for these issues relatively recently, some of your officials have been in post slightly longer than you have.

(*Lord Rooker*) Okay; thank you very much.

Chairman: Thank you.

Examination of Witnesses

ROB SMITH, Director General, Regional Co-ordination Unit, PETER UNWIN, Director, Corporate Strategy and Resources Directorate, PHILIP WOOD, Director General for Local and Regional Government Group, DAVID LUNTS, Director, Urban Policy Unit, MICHAEL GAHAGAN, Director, Housing Directorate, and JEFF CHANNING, Divisional Manager, Planning Policies Division, Office of the Deputy Prime Minister, examined.

Chairman

330. Can I welcome you, gentlemen, apologise that we are running a little bit late and ask you to identify yourselves, for the record, please?

(*Mr Smith*) I am Rob Smith. I am Director General for the Regional Co-ordination Unit, which looks after the Government Offices of the Regions, and we are a cross-departmental body located in the Office of the Deputy Prime Minister.

(*Mr Unwin*) I am Peter Unwin, the Director of Corporate Strategy and Resources, and the Principal Finance Officer.

(*Mr Wood*) I am Philip Wood, Director General of Local and Regional Government.

(*Mr Gahagan*) I am Mike Gahagan, Director of Housing, but because my colleague, Director of Planning, is not able to be here, I will do my best to cover planning, and I will be assisted by Jeff Channing.

(*Mr Channing*) Jeff Channing, Head of Planning Policies.

(*Mr Lunts*) David Lunts, Director of the Urban Policy Unit of the ODPM.

Chairman: Thank you very much.

Mr Streeter

331. Can we start, gentlemen, where the Minister left off, in terms of the underspend, which we understand to have been, in the last financial period, a total of approximately £650 million. Can you just explain why that underspend arose and its implications for this financial period?

(*Mr Unwin*) Let me say at the outset, there will always be a propensity for some underspend; given that we had the priority of not overspending, the only way of ensuring that obviously was by underspending. And the introduction of end-year flexibility and ring-fencing will both increase that

propensity and in some sense make it less undesirable, because properly managed through EYF underspend can avoid some of the end of year rushes of expenditure, for which there were incentives before end-year flexibility was introduced. But having said that, clearly the level of underspend in DTLR last year, and the figure has still to be finalised, but our figure is about £620 million, so quite close to the figure you have quoted, is higher than any of us would have wanted, and certainly higher than this Committee would want to see. Maybe I can say briefly a little bit about what we are doing generally in a financial sense to try to learn the lessons, and then a little about the major areas, unless one my colleagues responsible for those areas might want to take you into more detail on that, if you would find it helpful. First of all, on the overall financial systems, there are four things I would want to mention. One, we are continuing to increase financial training, which in fact had started before 2001–02, so you might well say that had not been as successful as we would have liked it to be, but clearly these things take time. And now, within the core finance staff of the organisation, which number about 200, we have almost 120 either with accountancy or financial qualifications or in the process of getting them, and that is an increase of about 25% over the past two years. Secondly, clearly this is an issue that goes beyond central finance staff and into line management, and we have done two things on that. One, after the underspend last year, we launched a ‘better budget management’ project, which has looked at all the areas of underspend and is due to report at the end of this month, or early next month, and we will be taking up the lessons from that. Thirdly, we are about to introduce a resource management passport for staff in the Department, which will enable staff to get a recognition of the financial skills they have got, and it will be tailored on

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[Continued

[Mr Streeter Cont]

a one-to-one basis to allow for the different roles that staff play in financial management within the organisation. And fourthly we have introduced a new accounting system which has come in this year and will give us better monitoring information. Turning to the specific areas that have contributed most to the underspend, there are three that I would highlight. You might want to ask about others, but the three I would highlight are, the first of the Regional Development Agencies. As you will know, after the last election, with Machinery of Government changes, the responsibility for sponsorship of the Regional Development Agencies was transferred to DTI, although the DTLR, as was, remained the largest funder, with over 80% of the budget for RDAs. There were teething problems with that change of responsibility, and in particular there were two misunderstandings between Government and the RDAs. One, many of the RDAs felt that they could not commit themselves to expenditure until it had been formally voted by Parliament. Therefore, when EYF was drawn down late in the year and was not formally confirmed until the Spring Supplementary Estimates, it was then too late to make commitments which would lead to spending in that year. And, secondly, there was a view amongst the RDAs that if they did not draw down EYF then they would lose it. So a sort of 'use it or lose it' culture developed, that meant, to be frank, that they forecast more than they were likely to achieve in order to avoid losing what they saw as their share of EYF. We have increased liaison between ourselves, DTI and the RDAs. We have now written at Accounting Officer level to DTI, and we have given them assurances both where that, EYF that is to be drawn down in the spring Supplementary Estimates, RDAs can commit to that expenditure in advance of the Estimates to ensure that it gets spent, and that if they do not draw down EYF and let us know early enough then, provided that they can come up with suitable projects in the following year, they will be able to carry forward that EYF. So we hope that will lead to considerable improvements there. The second area I would highlight is the Neighbourhood Renewal Unit. As you all know, this is a very difficult area because we are dealing with some of the most needy, or indeed the most needy, areas in the country. And there is a difficult balance to strike here, because, on the one hand, the Government clearly wants to tackle the problems in those areas as quickly as possible and get the money into them that they need. On the other hand, we want to learn some of the lessons of the past and to ensure proper community involvement in the projects and in the expenditure, and therefore we have to go through processes of consultation, of building up local structures in very difficult areas, of giving capacity building to those structures to enable them to handle difficult programmes they have got to deal with and then to plan those programmes properly, and that will always lead to a slow take-off in spending. And I think, frankly, we got the balance wrong, we went too much for the first objective of getting money into those quickly, without allowing for the needs of the second objective. That has been recognised in the last Spending Review and there has been a considerable reprofiling of Neighbourhood Renewal expenditure to the later years of the programme, although in the main programme, the

New Deal for Communities, the total amount committed to the programme which is £2 billion over 10 years, will still be honoured. Third and last area to be highlighted is, ERDF, which you have already covered, in a sense, with the Minister, but I know you raised with Barbara Roche when she was here before you. All I want to say is, and David Lunts, my colleague, can give you more on this if you want, I think the understandable concern you expressed that the ERDF underspend would lead to money lost—

Chairman: We will come to that with a separate question.

Mr Streeter

332. It does support what you say then, that this current financial year lessons will be learned and that a similar level of underspend will not be on the table. But can you just say has any money been lost in terms of European funding, as a result of this underspend, particularly in relation to the Regeneration Neighbourhood Renewal underspend?

(Mr Unwin) No. The European funding comes in two streams. One, the Objective 1 areas, which are the three most needy areas, and then Objective 2 areas. On Objective 1 areas, that is Merseyside, Cornwall and South Yorkshire, all of the money for the current period has been spent up to the limits allowed by Europe, and therefore certainly none of that has been lost. On the Objective 2 underspend, which I think was the one you were discussing with Barbara Roche, those programmes for the current period were approved late by Brussels, not until 2001. That is, the allocations for the calendar year 2000 and calendar year 2001 were not approved until some time during 2001. In recognition of that, Brussels have allowed us until the end of 2003 to spend the money formally allocated to 2000 and 2001, so nothing has been lost. We need to ensure that we spend that by the end of 2003, and, as the Minister said when she gave evidence to you last month, she will be doing all she can to ensure that; but for the moment no money has been lost on that.

333. Do you think the poor performance on spending has contributed towards some of the targets of your Department not being reached, in the last 12 months?

(Mr Unwin) The performance on ERDF spending, I would say the primary reason was the lateness in the agreement of the allocations with Brussels. I think that that has not contributed to slippage in our previous PSA targets, which we had under Spending Review 2000.

Dr Pugh

334. You have covered a lot of the questions I wanted to ask, but I come from an Objective 1 area and I am listening to this and I cannot help feeling that a lot of what you have said in the way of problems is both perfectly predictable and not altogether unprecedented. Now what I did not hear, in the explanation you gave, was who you think is responsible for this failure to commit funds appropriately?

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[Continued

[Dr Pugh Cont]

(*Mr Unwin*) The main issue, as I say, is a delay in the negotiations with Brussels on the approval of those funds.

Chairman

335. Whose fault is that then?

(*Mr Unwin*) My colleague, David Lunts, is closer to this, and is responsible for it. I am not saying he is responsible for the delay in the negotiations, but he may be able to be more helpful than I can with my answer. But all I can say is, I know, as Barbara Roche said to you, we are doing all we can to tackle this through the Government Offices, who co-ordinate the partnerships that deal with these funds.

Dr Pugh

336. So Brussels are to blame?

(*Mr Unwin*) That is not what I said. Obviously, it takes two to tango, and these are complex issues which have to be negotiated.

337. There is collective blame here, is there, you are to blame, Brussels are to blame, the Minister is to blame; actually who is to blame for this?

(*Mr Unwin*) We are talking here about a programme that goes from 2000 to 2006, and the issue is to ensure that the £3.7 billion that the UK has got from that programme is spent well, on good value projects that will help the regions.

338. To be fair, we are talking about a programme that has performed dismally in the first year, much-needed funds have not been committed to small businesses in Objective 1 areas like Merseyside in the way that they ought to have been. Now I am saying that is not unprecedented, it has happened before and it is not unpredictable. Therefore, I think somebody ought to be to blame. You seem to be saying there is collective blame, to be distributed around all the parties. Is that the case?

(*Mr Unwin*) As I said, if you are talking about Objective 1 areas, actually nobody is to blame because the money has been spent, so Merseyside, although I have not got precise figures for Merseyside, but certainly Objective 1 areas collectively have spent their ERDF money.

339. And with regard to the specific point about small businesses, how much do you think small businesses have lost out in the first year, in terms of funds they might have received and have not done so, in all the areas where grants are available?

(*Mr Unwin*) I have not got that detail with me. I do not know whether David can help me, otherwise we can let you have that.

(*Mr Lunts*) We can find out and let you know.

Mr O'Brien

340. Public Service Agreement targets. When do you expect to publish the 2002 targets?

(*Mr Unwin*) We will be publishing very shortly, I hope within the next few weeks and certainly before Christmas, what are called the 'technical notes' for the targets. What those do is set out how the targets will be measured. So you are familiar with the seven

Public Service Agreement targets we have got, and the first thing we publish will be the technical notes, which set out how we will measure the success against those.

341. What effect will the delays have in meeting those targets? If the targets were set and now we are extending them, what effect will that have on meeting the specified targets?

(*Mr Unwin*) I am not sure I follow your question. The targets were set in the summer and it was always the intention to publish—

342. They were due to be published last month?

(*Mr Unwin*) The technical notes, I think, were always due to be published, as I understand it, in the autumn, and they are being discussed with Treasury at the moment and I do not think they are particularly behind schedule. So those will come out, as I say, very soon, in the next few weeks.

343. If they were due to be published in the autumn, was there a specific date?

(*Mr Unwin*) Not that I am aware, no.

344. So does the Department have plans to arrange independent validation of the performance targets for 2002?

(*Mr Unwin*) The technical notes will be set out in the public domain and published, and we will send them to—

345. Who will judge on them?

(*Mr Unwin*) We expect the National Audit Office to look at the methodology of how they are to be measured.

346. Are they going to do it? Have they been commissioned to do it?

(*Mr Unwin*) We were talking to them and they will do that. I do not want to mislead you, because what they will not do is give a judgement as to the success or failure of those targets, but they will look at the methodology that we were using to measure success.

347. So who will judge whether they have met the targets or not?

(*Mr Gahagan*) Can I help on one target, because I looked after the housing targets, Target 5 and Target 7, Target 5 is the Regional Distribution target, 7 is the Decent Homes target; and the targets have been published. What has not been published is the technical notes about how they will be measured, and it will vary from target to target. If I can you an example on Decent Homes, there, that will be done by the English House Condition Survey, which will tell us, and it will be published, that will validate it.

348. Who will they be responsible to?

(*Mr Gahagan*) That is a published document.

349. Yes, but it is not like the Audit Office being responsible to the Auditor General. Who will they be responsible to?

(*Mr Gahagan*) The English House Condition Survey is undertaken by the Department, the results are published and we take—

350. The point I am trying to make is, the Department, or a section of the Department, will mark their own exam papers?

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(Mr Unwin) The technical notes I referred to will aim to be very specific, and this is the intention of them, to setting out what success or failure is.

Chairman

351. So they are actually setting the questions as well as doing the answers and doing the marking?

(Mr Unwin) You will be able to look at the technical notes and make judgements on that.

Mr O'Brien

352. We are not there to validate the Department's performance. What we want to know is if the performance is on target, and is it achieving the established performance targets that were set? Now unless someone independent of the Department is judging that, then it is like you people or the members of the Department setting out the questions, announcing the questions themselves and marking the questions. Now, to me, that does not sound as though it is fair, open and just. We are wanting some meat in the performance targets reports. Now I fear we are not going to get that?

(Mr Gahagan) Can I come back to the one that I am responsible for, to pick up that question, because we fund and carry out the survey, that is true, but it has to meet the proper standards of Government surveys, of independence and publication. Those results are made public to everyone, there are plenty of people who trawl through the detail of that.

353. Just let me put one question to you. In Target 5, it does say that they have got to achieve a better balance between housing availability and demand. What do you mean by 'a better balance'?

(Mr Gahagan) That will be a raft of things, such as, for example, the proportion of housing that is affordable, ie what proportion of the lowest income groups, the money it takes, it will be a range of indicators like that. There will not be any single, one indicator, there will be several indicators, and, again, the results will be published.

Mr O'Brien: Can I say finally that a number of the PSA targets are scheduled for delivery in 2006 and 2010. Is it sensible to set targets so far in advance?

Chairman

354. It means that all of you probably will be in different jobs and most Ministers will be in different jobs. Is that the aim of these targets, so that no-one can take the blame?

(Mr Unwin) The Government, in moving to three-year Spending Reviews, clearly is trying to take a longer-term view.

Mr O'Brien

355. But 2010 is not three years away, is it, we are looking at seven, eight years?

(Mr Unwin) And those targets that are set for the longer term in that way will have a trajectory towards them, so I would think when you see the technical

notes, when you see monitoring against those, one will be able to see whether the Government is on course and judge the action we are taking.

356. Finally, is there any approach to review these long-term targets?

(Mr Unwin) There will be more Spending Reviews between now and 2010, PSAs will be reviewed as part of each Spending Review.

Mr Betts

357. Resource Accounting and Budgeting. Can you simply, because it is a fairly complicated subject, explain to the Committee what specific benefits have resulted from Resource Accounting, and how far is it used now within the Department?

(Mr Unwin) Resource Accounting is now being fully used within the Department. When you spoke on this before to the former DTLR, I think it is interesting, if you look at the Transport and ODPM elements of the former DTLR, Resource Accounting is, in the short term, a bigger issue for Transport than it is for the rest of the Department, because most of the capital asset base of the former DTLR was actually on the Transport side. The immediate ODPM capital asset base is actually quite small. That will change over the next two, three, four years, when we move on to what are called Central Government Accounts, which will bring within our ambit some of our non-departmental public bodies and increase our capital asset base. It will change even more so when we move to Whole Government Accounts, which will bring local authorities within the ambit of our capital base as well. So, in the short term, with the pure introduction of Resource Accounting, the impact for ODPM is much less than it was for the previous DTLR. But we still welcome, the benefits of it and the preparation it will give us for these changes to Central Government Accounts and Whole Government Accounts that I have referred to.

358. To the outsider, it begins to look occasionally, though, that it is an exercise to have a few more accountants doing a separate set of accounts from the existing financial accounts. So when we come to capital expenditure, for example, we are told that one of the great benefits of having PFI is because it can bring forward capital spending because the cost of that spending is then spread over the lifetime of the asset, as you pay rent or a fee to the actual owner of the property, compared with mainstream capital funding, where the costs all have to be incurred in the first year, up front. That is not really using Resource Accounting, is it, it just becomes a meaningless exercise, it does not actually influence the real decisions on capital spending?

(Mr Unwin) Under Resource Accounting and Budgeting, we will be charging in our accounts for the use we are making of our capital assets.

359. Is it practically going to influence the way decisions are made, in terms of capital investment? I think we are going to say we actually can bring forward expenditure eventually, when local authorities come in, on more housing, because we are going to spread the cost of that over the lifetime of

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[Mr Betts Cont]

the asset, not having it all up front counting against the PSBR. There are not going to be any changes there really?

(*Mr Unwin*) Not all the housing will come in because a lot of it will still be in housing associations, which will be outside. But if we make, say, improvements to council housing then that will show as an improvement in our asset base, in a way that previously it would not have scored.

360. Fine, but will it affect the way in which the decisions to spend initially are taken, in terms of the year in which that money is accounted for?

(*Mr Unwin*) I would hope so, yes.

361. So there is a plan to do that, is there?

(*Mr Unwin*) As I say, we are still two or three years off the Central Government and Whole Government Accounts that I referred to, but we will be moving in that direction, yes.

362. Presumably, you planned for that. Is that the intention then to change the way that it is accounted for? The Treasury will want it done in a belt and braces way, will they not, as well, having financial accounts, where you actually account for the money in the year it is spent anyway?

(*Mr Unwin*) We will see, when we come to that.

Chairman

363. This question of internal control, are you going to meet the Treasury target for March 2003?

(*Mr Unwin*) This is for having our Statement of Internal Control; yes.

Dr Pugh

364. Empty Homes, and we move on to that now. You are planning to introduce legislation to license private landlords and houses in multiple occupation. Will the powers to license private landlords be available outside areas of low demand, and further will they be linked in any way to housing benefit?

(*Mr Gahagan*) The second point, I am afraid, you will have to wait for the publication of the draft Bill on that.

Chairman

365. When is it likely to be available?

(*Mr Gahagan*) Very soon, but I am not sure of the precise date.

366. We have a fair number of things 'imminent', 'very soon'; is 'very soon' quicker than imminent?

(*Mr Gahagan*) Shortly after Christmas, I hope. I hope that is a bit more precise. The answer to your question is, the current proposal is that the powers will be available generally, but Ministers have said that they would expect the powers to be used, because there will be discretion as to whether the powers are used, the proposal is that local authorities would make a proposal.

Dr Pugh

367. So powers will be available right across the country?

(*Mr Gahagan*) Yes; but the expectation at the moment is, they would be used mainly in the areas of low demand, where (a) the pressures are most acute, and (b) if landlords do get out of the business there is an alternative home for the tenants to go to.

368. Are you taking any action to address the problem where very high levels of housing benefit are paid in pockets of low demand, simply because the housing benefit is determined by the average rent? Are you going to do anything about that specific problem?

(*Mr Gahagan*) Yes. We have done an analysis with the Rent Service, that this is, I hope, and my understanding is, a declining problem. There were problems initially of consistency of approach between rental property when the Rent Service was set up a couple of years ago. They have worked very hard to get the consistency of approach, and the level of redeterminations, I think, is not what it was. So I am hoping that that is far less of a problem now than it was. It is a matter of valuation.

369. You are planning to introduce sellers' packs; now in some areas sellers' packs, when they cost £500, are going to be pretty well near the price of a house, in some cases. Is that realistic, to have them available?

(*Mr Gahagan*) There is an issue as to whether or not sellers' packs should apply in these areas, which Ministers are turning their minds to. Amongst the research that we did in these areas, a number of people were concerned that they should apply, both because they are the areas with the worst stock, where the purchasers enter the highest risk in proportion to their income, in terms of the quality, and also because of the fear of red-lining of these areas that might occur.

Mr Cummings

370. What measures have you introduced, or measures perhaps you intend to introduce, to prevent the slide into low demand in areas at risk of housing market failure?

(*Mr Gahagan*) I think there are two main answers to that, because you have to act both on the supply at both ends, if you like, you have to cut back. And this relates to one of the questions that you asked of Lord Rooker, and the answer he gave, you have to look at the supply provided through the Regional Planning Guidance on greenfield sites, because most of the move out of the low demand areas is not move across regional boundaries, it is within regions.

371. But what measures have you implemented?

(*Mr Gahagan*) In a couple of areas we have reduced the proposals in the Regional Planning Guidance for new provision, I am thinking particularly of the North West and the North East, are two that spring to mind.

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Chairman

372. Could you give us the figures for the reduction?

(*Mr Gahagan*) I cannot, off the top of my head, but certainly I can write to you with it.

373. A rough percentage?

(*Mr Gahagan*) No, I cannot give you that. The figure in the North East, what the guidance basically says now is that where you clear stock you do not have to provide a one-for-one replacement any more, so that cuts back, if you like, on the provision of new stock. The other point I was just going to add is, you also have to take action, of course, in the areas which are the low demand areas.

Mr Cummings

374. What actions have you taken in those areas already, because, your response to our predecessor Committee's report into Empty Homes: "The Government is therefore looking at the range of tools . . ." What tools have you looked at and what tools do you intend to apply?

(*Mr Gahagan*) I do not want to sound ingratiating but that was a jolly good report, actually; that sounds awful, does it not. The main action we have taken is to set up the Market Renewal Fund with the nine pathfinder areas. Now the money for that has not yet been announced, it will be announced in the Communities Plan, but we have given each of the pathfinders just over £2.5 million, and in order to prepare the plans for what is very large-scale, costly tackling of these big areas, and that has come in very rapidly.

(*Mr Lunts*) It is also perhaps worth just adding that in some of the Housing Market Renewal areas actions are already under way, in terms of an urban regeneration company has been established in Hull, there has been an urban regeneration company in East Manchester now for some time, which has made considerable progress, I think, in terms of not just stabilising the situation there but actually helping to create the conditions to build new, high-quality homes.

375. So are you saying that the various measures you have introduced, or intend to introduce, are tailor-made for specific areas within the country?

(*Mr Gahagan*) Yes, increasingly that is the case. And if you look at the nine pathfinders, for example, they will put together very different schemes because of the different market circumstances in their area. And, similarly, referring back to your question about brownfield development to the Minister, the level of requirement on brownfield land varies from region to region. They have always been very different, housing markets, within the country, and increasingly you are looking to tailor policies to those.

376. So are you yet in a position to indicate some form of measurement to the Committee on the degree of success of the measures you have introduced?

(*Mr Gahagan*) It is the same answer as I gave earlier. That will come out in the technical notes, but we will be using a bundle of measures, like house prices in those areas relative to other areas, like the

affordability of housing in those areas relative to other areas, the level of voids, it will be that sort of measure.

377. What has been the outcome of your consideration of measures available to encourage the sharing of risk in failing housing markets?

(*Mr Gahagan*) I am not quite sure to what you are referring there. There are different elements in the sharing of risk.

Chairman

378. It was the question of talking to the Council of Mortgage Lenders there, and possibly either the local authority or the Council of Mortgage Lenders putting a floor into the market?

(*Mr Gahagan*) We are talking all the time especially to the Council of Mortgage Lenders, we have actually brought in someone from the Halifax to help us with that, because we recognise that the work with the lenders is extremely important; that is going on at the moment. We have also just recently got approval to the gap funding scheme, this is approved from Brussels, which enables an underpinning amount of public expenditure to reduce some of the risk in areas such as this. It does not provide any money, it gives us the power to use the money to take on board some of that risk.

379. So in parts of East Manchester, where house prices are crashing on particular streets, how soon is something practical going to happen on the ground?

(*Mr Gahagan*) The answer to that is, as soon as the money is made available, if Manchester wish to do it and it is good value. Care has to be taken that you are not putting public money in a declining market, so there has to be a very careful assessment of these risks. Government should not take a disproportionate share of the risk away from the lender.

Mr Cummings

380. Once again, our predecessor Committee recommended that there should be annual monitoring of the account that is taken of low housing demand in all regional strategies, and, at the time, in your response, you said that you would consider this further. What have you decided to do?

(*Mr Gahagan*) We are. As each regional strategy comes up, this is very much at the forefront, as advised, yes.

Chris Mole

381. Mr Gahagan, turning to New Towns and the relationship with English Partnerships, which has been given the role by the Deputy Prime Minister in the Sustainable Community Strategy, there are a lot of issues which have concerned local authorities with responsibilities for new town areas, such as underinvestment in infrastructure and issues to do with land transfer to local authorities. You have said that new towns should be 'normalised'. Should not these issues be being resolved, rather than seeking to extend the role of English Partnerships?

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[Chris Mole Cont]*(Mr Gahagan)* This is for David Lunts rather than myself.*(Mr Lunts)* Sorry, can you just help me to understand exactly what the question is?

382. The statement has been made that new towns should be normalised; therefore, should not those issues that I was referring to, which give great concern to local authorities that do have responsibility for new town areas, be addressed, rather than there being an extension to the role that English Partnerships have?

(Mr Lunts) I think, in effect, that they are. The whole notion of normalisation means precisely that, that the mechanisms and policies to pursue the resolution of some of the difficulties that everyone knows the new towns have should be put together, in the main, by local authorities working together with Government Agencies, Regional Development Agencies, and so forth. I think that is exactly what is happening. I know that English Partnerships, because they do still have land holdings in the new towns and they still have a sense of responsibility for some of the new towns, are working very closely with a number of those local authorities as well. I can give you one example, Corby, where English Partnerships, the RDA and the newly-established urban regeneration company are working precisely on some of these sorts of issues.

383. You mentioned land there; how does it make sense for EP to retain non-strategic pieces of land in new towns? And have you changed your mind on this, because apparently the stage one review of EP said that progressively there should be a transfer to the local authorities of this land, and yet in the Government's response to the Committee's report it said there is no intention to divest EP of non-strategic assets?

(Mr Lunts) There is no doubt that the resolution of the stage two review has given English Partnerships a clearer remit, and a remit that certainly develops the outline remit that was offered in stage one. And I think that is a reflection of the fact that there is a new ministerial team, indeed there is obviously a new Department and there is a new emphasis on this notion of driving forward, through the concept of sustainable communities, addressing these issues of mismatch of housing demand and supply.

Chairman

384. In other words, there has been a policy change?

(Mr Lunts) There has been a policy development. I think, because of that, the Ministers have made it clear that they want to reserve their position on the disposal of English Partnerships sites as we run up to producing the detailed plans that the Deputy Prime Minister said he will announce early in the new year.

Chris Mole

385. But can it be right that EP continue to have control over things like subsoils, covenants, clawback and ransom strips, in terms of enabling the local communities to make themselves sustainable? Is not that a nonsense, that they should have those things?

(Mr Lunts) No, I do not think so, because, if you look at the distribution of sites around the new towns, it is certainly the case that many of those are in areas which have been quite specifically defined now as being within the growth areas, and indeed one or two of them in areas where they are potentially helpful in terms of resolving low demand issues as well. So, given that English Partnerships has been quite specifically identified as the agency that Ministers have asked to take a leading role in the development of these strategies, it seems that it is quite a consistent view to say that they should retain those powers for now.

386. But we heard, in Hull, that EP owns the subsoils beneath the roads, and every time the Council needs to do some road work they have to consult with EP. How can that make any sense?

(Mr Lunts) I will get back to you on subsoil issues.

Chairman

387. Perhaps you could also get back to us on the question of the problems for stock transfer. And I think we saw in Telford that the local authority had transferred the housing to a stock transfer company, who every time they sold off a property had to pay back a fee to English Partnerships, so they were losing the property and they were losing money on every single sale, and does that make sense?

(Mr Lunts) Presumably, this is part of the historic clawback arrangements?

388. Yes. I am asking you, does it make sense?

(Mr Lunts) I think it probably does make sense, but I am quite happy to get back with a more detailed note.

389. So the logic is that the stock transfer company eventually would go bust, because it would keep having to pay out more money than it had, or existing tenants are having to subsidise the sales?

(Mr Lunts) I am not sure that I see why the stock transfer vehicle would necessarily go bust, because presumably it would factor in—

390. Well if you pay out more money than you have got coming in, it is not easy to go on being profitable, is it?

(Mr Lunts) Yes, but I assume that any stock transfer vehicle, before it becomes established, is likely to do its business planning in the knowledge of what the existing clawback arrangements will be, so it would establish its financial viability before it was launched.

391. Would you like to have a look at the problems and tell us?

(Mr Lunts) I will, yes.

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Chris Mole

392. Before we move off that, there are broader issues of concern that have been expressed about English Partnerships' ability at partnership working, and I think a previous Committee made comment on their audit and performance management abilities, and I know the Regional Development Agencies are now sweeping up after. How are you going to achieve the cultural change within EP that is necessary?

(*Mr Lunts*) I think it is true to say that English Partnerships struggled last year, because it was for a substantial period unclear about its future remit, indeed for a while it was unclear whether it would have a remit at all until the stage one review was concluded in March. There was then a shorter period of uncertainty, because of changes to the Machinery of Government. There has been, I think, the beginnings of a very healthy culture change in English Partnerships, there is a new Chairman in place from 1 April, there is clarification, as I have said, about their new remit, there is a new Chief Executive who will be taking post within the next few weeks. There has certainly been a huge increase in morale within English Partnerships, and Margaret Ford, the Chair, has been driving forward a process of internal change, which includes addressing some of the issues you have alluded to in terms of programme management, financial reporting. I think, as well, over the last three or four months, English Partnerships, again largely through the efforts of Margaret Ford, has done a very good job at brokering, if you like, a new set of relationships between itself and Regional Development Agencies. So I think the process is under way; it is far from concluded, but it has got off to a good start, I think, since the stage two announcement in July.

Mr Cummings: I am delighted to hear what the official has said, because going around the country on that particular visit it was quite apparent to me that there appeared to be no trust whatsoever between local authorities and English Partnerships. I cannot recall one meeting I attended where a complimentary remark was made about English Partnerships. And I think it is right that this is placed on record, Chairman, today, so that the officials within the Department can have a true understanding of the manner in which English Partnerships is not just perceived but English Partnerships is viewed by the respective local authorities who have new towns in their area. And I happen to have a new town in my area, so I only hope what you say is correct and that there is going to be a new regime.

Mr Betts

393. We have just talked about the approval to the housing gap and link scheme. At the same time, when Lord Faulkner came to the Committee, he said it was hoped that the new derelict land and heritage schemes would also be approved by the Commission in October. Apparently this has not happened. Do we know when they are going to be approved?

(*Mr Lunts*) You are right, they have not been approved, and it is now November. We are pressing the Commission very hard on this, and we expect a decision to be made soon, but I cannot, in all honesty, tell you when 'soon' is going to be.

Chairman

394. A former adviser to the Committee was not very impressed with this progress. Can you suggest to us how it might have improved in recent months?

(*Mr Lunts*) I think the ODPM has taken full regard of the Committee's previous advice in regard to state aid, and I can tell you that there has been a spirited series of meetings and discussions with the Commission, and indeed with other Member States, since your report, which I think has helped to refine our thinking and also perhaps make it clearer to Brussels that we are not simply going to sit back and wait, we are actually going to do what we can to lobby to see that decisions are made more expeditiously.

Mr Betts

395. That is within the Department as well?

(*Mr Lunts*) Yes.

396. Coming back to the housing gap funding scheme, now a very nice idea but that is all it is until some resources are actually given to it. When we looked at this issue before, the Committee recommended there be sort of an element of ring-fenced funding for the housing gap funding scheme, or an allocation of money put on one side, or indicated by the Government; the Government indicated that was not their intention. But at the same time it was very clear that lots of the RDAs do not give a terribly high priority to this, so we could have the scheme in place and nothing could change?

(*Mr Lunts*) I think the notion of a ring-fenced fund for housing gap funding probably does carry with it some problems, because I think the approach that we are taking is to operate more strategically to understand and help to resolve some of the issues of market failure in housing areas, and certainly that is the way that the Housing Market Renewal Fund is being developed. So that I am sure that housing gap funding is going to play a crucial role in terms of the delivery of the strategies that the various pathfinders are producing.

397. If the RDAs agree?

(*Mr Lunts*) Certainly the RDAs are very involved. I go back to the example of East Manchester, for instance, where I suppose probably Housing Market Renewal solutions are most advanced, because the strategy there, based around the urban regeneration company, precedes the pathfinder initiative, and there the North West Regional Development Agency has been extremely helpful in terms of acquiring sites and doing up-front enabling works, as indeed has English Partnerships, to start to correct the conditions where the market can build houses with relatively little support.

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[Mr Betts Cont]

398. Is the Department therefore putting pressure on RDAs, particularly those who have not been very interested in housing in the past, actually to get interested now and start using the scheme?

(*Mr Lunts*) We are, indeed, and we have had some very useful discussions with colleagues at DTI about this. We have also made it clear, through the Tier targets that the RDAs are committed to, that the provision of holistic regeneration solutions that will explicitly or implicitly include housing delivery are going to be important targets against which the RDAs are measured over the next three years.

399. And could you just explain, you mentioned the Housing Market Renewal Fund, I am not quite clear how that is actually going to be administered, which agency or institution is going to do that, and how that will fit in to the housing gap funding scheme and how they will work alongside each other?

(*Mr Gahagan*) It will be administered from the Department but it will go to the pathfinders as they put forward their strategic plan. They each have to nominate a banker, so it will go to the pathfinders. For example, in your area, the one which has Sheffield, Doncaster and the others in, they have to put forward a strategic plan, and the money to prepare that, as you know, has gone to them. There will then be money attributed to that plan, and the future money will be performance-related, which brings us back to the earlier question, well who judges that, and the pathfinders have asked that there should be independent advice as to whether they are delivering against their own strategic plan. So that is the way the money will be routed. The Market Renewal Fund will be available to fund the gap funding scheme, it will be one of the sources of money, if the pathfinder wants to use it.

400. When we looked at issues of the PIP replacement schemes before, we recommended that information for developers and others should be available on the ODPM and RDA websites. Apparently that has not happened?

(*Mr Lunts*) The position on this is that we have worked up a series of both hard leaflets and website material jointly with RICS, I think it was one of the points that the Committee made in its recommendations, that the Department needed to work more closely with practitioners, so that advice has been heeded. The final consultation on that is almost complete now, because clearly we do want to get RDAs, in particular, signed up to the material before it is actually posted, and the intention is to post it before Christmas.

401. So we will be able to switch onto the websites and we will have that information by Christmas?

(*Mr Lunts*) It should be posted before Christmas.

Chairman

402. Would you e-mail us when that is posted?

(*Mr Lunts*) Yes.

Mr O'Brien

403. Can I refer to issues involving local government and the fact that Ministers have played a great deal on the question of giving greater freedoms to local authorities, and this is one of the priorities of the Department. Why is this priority not reflected in the PSA targets?

(*Mr Wood*) I do not think the Government's position is that PSA targets must cover all the objectives and all the priorities that the Government and individual Departments have got. That does not detract from the fact that the Government—

404. Is there a reason why this has not been included?

(*Mr Wood*) As I think was said last time when you talked to the Minister, there has been a deliberate attempt to focus and reduce the number of PSA targets, and you have in front of you a PSA target, which I think is number three or four, I can never remember which it is, which the Government chose not to put in, deliberately, a target on freedoms and flexibilities. But, as I say, that does not detract from the fact that the Government attaches a very high priority to this, as expressed in the White Paper at the end of last year.

Chairman

405. How do we balance a target and a high priority, which is sort of more important?

(*Mr Wood*) I do not think they are alternatives, frankly. As I was saying, the Government does attach very high priority to this, as evidenced in the White Paper, and as you will see in the Government's statement on freedoms and flexibilities, which, unless there is any last-minute hitch, is going to be published tomorrow.

Mr O'Brien

406. Is it a fact that the Comprehensive Performance Assessment and Action Plans are part of the PSA targets?

(*Mr Wood*) Yes.

407. And so here we are then, that that is accepted as a matter that could be included in the PSA targets but the question of greater freedoms to local authorities is not. Does not this demonstrate where the priorities of the Department lie, and this question of freedoms to local authorities is not a target, it is not high?

(*Mr Wood*) No, because, as I say, the intention is not that CPA targets should cover all the Government's and all the Department's priorities.

408. But Comprehensive Performance Assessments are part of the targets. In local government, obviously, they are concerned and they welcome these new freedoms, but they are not going to be monitored?

(*Mr Wood*) But they are going to be monitored.

409. But they are not in the targets, are they, there are no targets set?

(*Mr Wood*) No, they are not in the targets, for the reasons I gave, that the targets are not intended to be comprehensive, and the Government can quite

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[Mr O'Brien Cont]

separately, and does, attach a very high priority to the freedoms and flexibilities policy. And we can see that in both the action it has already taken to increase freedoms and flexibilities, the policies that will be announced tomorrow in the Freedoms and Flexibilities paper, and indeed in the forthcoming Local Government Bill.

410. Let me see if you can help me on another matter then. How many councils will be given new freedoms and flexibilities, following the Comprehensive Performance Assessment?

(Mr Wood) The intention is that there should be variation according to the councils which fall into the particular categories, and that will be made known when the CPA results are published, which we hope will be on or about 12 December.

411. Yes, but in the categories that you refer to, there is this question of 'excellent' bands and there is a formula that allows local authorities to enter that band. Is there going to be any review of that, because if an authority does sustain an excellent report on education, immediately it puts them into the 'excellent' band, but other authorities who are struggling to try to achieve targets could lose out because of the way that the system is set up and the formula is applying? What are you doing about that?

(Mr Wood) A top-rank mark, as it were, on education will not on its own get an authority into the top overall 'excellent' marking. Obviously, the Government, but more particularly the Audit Commission, will wish to review how the first round of the CPA process has gone.

412. When will the next round be introduced?

(Mr Wood) The next important development will be the extension of the CPA process to district councils, which is already the subject of pathfinder experiments, we hope leading to the introduction and completion of the regime for districts by the end of 2004.

413. What about the other authorities, the municipal authorities and the counties?

(Mr Wood) Those will be the subject of the announcement on 12 December.

Dr Pugh

414. We are in the middle of a Fire Service pay dispute at the moment, which could lead to a 16% increase, or possibly more, in Fire Service pay. The SSA is fixed for 2003-04 at about £1,583 million. Is your expectation that when the pay dispute is settled, assuming the Fire Service gets more, the SSAs will themselves be adjusted upwards?

(Mr Wood) No.

415. You assume they will not be?

(Mr Wood) Correct.

416. So the burden of the additional pay will fall predominantly on the council taxpayer and not the Treasury?

(Mr Wood) I think it is too early to say what the outcome of the present Fire dispute will be. The Government's position, as stated by the Deputy Prime Minister in the House and separately, is that the fire authorities have the funding which they have through the Spending Review 2002, and that is clear,

and any additional settlements that might be reached over and above that will have to be linked firmly to modernisation.

417. So additional pension contributions that will be necessary as a result of the pay dispute and additional pay that will be required obviously by the firefighters has got to be found internally from efficiencies made by local authorities, is that what you are saying?

(Mr Wood) The employers will have to consider all the effects of any settlement—and there is not a settlement yet—which they reach, and it will have to be funded, as I said, in the light of (a) what they have via the spending settlement, as in SR 2002, and (b) from and linked to modernisation of the Fire Service.

418. Let me be precise about this. If the modernisation process itself does not generate sufficient savings in order to fund the pay increase, or the pension increase that follows with a pay increase, you presumably have the view within Government, or you have the view from your masters in Government, that the additional revenue will need to be found from another source outside the Treasury, and that presumably is the council tax revenue?

(Mr Wood) No. The Government expects the employers, like any reasonable and responsible employer, to consider in advance what will be affordable and how.

419. In a sense, it is, I suppose, the employers who are settling on the 16%, but if 16% is decided you will expect the employers themselves to find that money and the Treasury will make no net contribution to the process?

(Mr Wood) There is no proposal to make any further contribution, other than what is in the public expenditure settlements.

420. So the SSA for 2003-04 will stick at £1,583 million?

(Mr Wood) Correct.

421. Can I move on now to the Public Service target for the reduction of arson. That has been dropped, has it not: why?

(Mr Wood) Again, we are back to the refocusing and concentration of the PSA targets, as I think Nick Raynsford mentioned to you when he gave evidence last week. We cannot have everything in there, including things of very great importance.

422.

But a specific reason for dropping that was? You could drop the lot, could you not, but you chose that one?

(Mr Wood) Ministers had to take a judgement on what to include and what not to include, and they chose not to include that one.

423. And you concur with that advice?

(Mr Wood) It is not for me to second-guess Ministers.

424. We understand there are a number of pathfinder projects moving from a property-based to a people-based fire risk assessment. What have these so far concluded, if they have concluded at all? You can give us a written answer.

20 November 2002]

ROB SMITH, PETER UNWIN, PHILIP WOOD,
DAVID LUNTS, MICHAEL GAHAGAN AND JEFF CHANNING

[Continued

[Dr Pugh Cont]

(Mr Wood) This is a reference to the fire cover, so called. This is a very important development. Historically, and this has been the case certainly since the late 1940s, the process by which fire authorities and fire brigades decided how to provide cover, through fire engines and appliances, and so on, was based on the type of property involved and how many properties there were, what the geographical distribution was and the risks associated with them. That took no account of risks to life, and that was a major defect. So the Government has been very keen indeed that there should be a much more holistic approach to the identification of risk, in order that we should have a more rational fire cover process. I think that the bulk of the fire sector, including the trade unions, are very much in favour of that more holistic approach, and it will give the industry an instrument by which to adjust and tune its cover in a more optimal way, matching risks both to life and to property in future.

425. Do you think it will lead to higher costs?

(Mr Wood) Not necessarily, at all, because better tuning, I think, can give great efficiency savings. Let me give you one example. At the moment there is no

differentiation in the cover provided as between night and day. If you are thinking about and including the risk to life, take a city centre office area, but it is undoubtedly the case that the threat to life is vastly reduced during the night, and also it happens to be the case that the incidence of fires is vastly reduced in the night. Now, where should we be putting any given amount of resource in order to meet the risk, and I think the answer would be that you put it when there is the greatest risk to property and life, and that will be during the day. Now you can take, as it were, the implicit benefits from that sort of approach in all sorts of ways, you can have more intensified cover, you can save resources as well, and it will be an issue for the future as to how you reap the benefits of this more holistic and rational approach to fire cover.

Chairman: There are quite a few more questions that we have got down. I think probably it would be helpful to everybody if we sent them to you in writing and you responded in writing. So can I thank you, gentlemen, for coming.

MONDAY 27 JANUARY 2003

Members present:

Andrew Bennett, in the Chair

Mr John Bercow	Mr Bill O'Brien
Mr Clive Betts	Dr John Pugh
Mr David Clelland	Christine Russell
Mr John Cummings	Mr Gary Streeter
Chris Mole	

Examination of Witnesses

MR JOHN PRESCOTT, MP, Deputy Prime Minister and MRS MAVIS McDONALD, Permanent Secretary, Office of the Deputy Prime Minister, examined.

Chairman

426. Good afternoon, Secretary of State. Can I welcome you to the Committee and our session to deal with the Annual Report and Estimates and also the Government's Regeneration Initiatives. I understand you have to go by about 6 o'clock but you will leave your Permanent Secretary to answer the remaining questions. Can I ask you to introduce yourself and the team for the record?

(*Mr Prescott*) First of all, can I offer my apologies for having to cancel earlier meetings and thank the Committee for their generosity in understanding that. Mr Chairman, I am grateful for this opportunity to appear before your Committee. I would like to say a few words of introduction and I would also like to introduce my Permanent Secretary, Mavis McDonald, who is on my left. The Office of the Deputy Prime Minister was created on 29 May, as the Committee knows, so we are less than 12 months old but our responsibilities are already well known to you. I suspect our title gave you a difficulty for the title of your Committee. Apologies for that. Our responsibilities are unique in addressing the combined impact of Government policies and public services on complex problems in specific places. As a central department we work closely with other government departments and with local government on the important cross-cutting issues, which I know the Committee has been concerned about. Since May we have made considerable progress on a wide range of issues, some of which you have addressed yourselves to. We have set out strategic priorities and key targets in the 2002 Spending Review; we have completed the work for the Communities Plan which we hope to make a statement to the House on next week; we have introduced legislation on regional assemblies, local government and planning, all of which are now before the House. We have almost completed the draft legislation on housing which will be submitted to your Committee for pre-legislative scrutiny. Mr Chairman, I have received your letter in which you suggest almost a pre-legislative pre-legislative one, and I am rather favourable to that idea, that the Department should get into a kind of debate before we develop the Bill. I have sent a letter to you in response to your request. There are certain difficulties, as you will appreciate, about a new Bill

which is well advanced and indeed has gone through the legislative Committee where the size of the delegation and what will be contained has already been decided, but I rather like the idea that we should be able to discuss it with the Committee, and I can perhaps take the opportunity you offer to discuss this informally. We cannot do it at the moment but we can discuss whether we can do it at a later stage. I would just like to record that I think that is a good idea and I would like to see it come about. We have announced the results of the first round of the Comprehensive Performance Assessment for local authorities and agreed a package of freedoms and flexibilities for the best authorities. We have hosted the successful Urban Summit, which you attended, Chairman, the conference on urban renewal in Birmingham. You are well aware that we are also dealing with a major industrial dispute in the Fire Service which we have just been reminded of in the last few minutes. Today we are looking at the DTLR Annual Report. Obviously I was not there this time last year. As you know, the transport portfolio has gone to a separate Department for Transport, and I deal with other areas such as social exclusion and the Government Offices for the Regions which were not part of the DTLR. You have already seen all three of my Ministers of State in the course of this inquiry and have taken evidence from six of my senior officials covering all responsibilities. I also understand you are planning or pursuing 11 separate inquiries into ODPM business, which I understand are well on the way, and a number of inquiries for next year. This of course puts quite a bit of pressure on my Department, which I have talked to you about. It is, I think, twice the number of inquiries which other Committees subject their Departments to. I am complaining but not complaining—I would be a bit unwise to make that point now—and what I would say is that these inquiries are undoubtedly invaluable. I found the one on New Towns really superb. It gave me an understanding of the difficulties to be found in New Towns as we come to planning in the community statements. Certainly I appreciated that. But I would want to sound a note of warning on the question of targets. We cannot always predict what the future holds and what impact unexpected events will have on what we hope to achieve. For instance, the Committee will be interested to know that the current dispute with the

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[Continued

[Chairman Cont]

Fire Brigades Union has so far cost the ODPM about £70 million net. In addition to that, there will be the transition costs of implementing Sir George Bain's recommendations. In those circumstances that means there is less money for our other priorities. In order to fund the fire dispute I will have to cut budgets in a number of areas, and when you come to assess me on next year's accounts I may have to take into account certain changes I made in order to meet the expense of that dispute which we do not know the full cost of yet. So, to be brutally frank, as a result of the FBU's action, there could be less money for the most deprived and vulnerable in our communities, and less resources available to fund the transition costs suggested by Bain. I have just heard, Mr Chairman, this afternoon that the FBU has confirmed the next 48 hour strike starting tomorrow and on Saturday. I will attend to this matter as soon as the hearing is over but the Committee and the public should be aware that the FBU has just imposed another £6 million surcharge on the taxpayer, that is the extra four days they have declared, which is what it will cost my Department. That is an additional cost for the replacement of emergency services for the next two 48 hour strikes. That has to be taken from regeneration budgets designed to help those most vulnerable, all in pursuit of the FBU's 40/50% pay claim. They are some of the priorities. I only simply give notice to you, Chairman, because you will be examining me on my accounts next year, when I am fully responsible for them, that that is an important issue in the amount of resources which are available to meet those priorities. So today I hope we can concentrate on the big issues on the forward agenda. Mavis will be able to handle some of the more detailed questions on financial management and performance targets. We will give answers where possible and follow with written replies if necessary. Thank you for being so generous in allowing me to make a statement at the beginning.

Chairman: Thank you very much. We want to come back to the fire dispute at the end but perhaps we could start with some of the issues about the way in which the Department was established.

Chris Mole

427. Deputy Prime Minister, you have mentioned in your introduction the demise of the Department of Transport, Local Government and the Regions and the creation of your own Department. Can you remind the Committee again why the functions of the Department of Transport and your Office were split?

(Mr Prescott) All governments have gone at sometime or another for what you might call super departments, and in this case it clearly was a super department with both transport and environment. I certainly was an advocate of it because I think transport, environment, local government, all these issues, are interrelated and we spend a lot of time trying to get cross-government action, and I thought the Department could achieve that. The reason why it was split was basically because of the tremendous problems which were becoming associated with the Department of Transport. For example, we set up a plan for £180 billion in 10 years and were told almost every month it was going up; every year the cost of

the North West line was going up £1 billion. It went from £2 billion when I first came into the office to nearly £12 billion. It is very difficult to make assessments in those circumstances. So it was felt by the Prime Minister that what we should do is have a separate Department for Transport to concentrate on the very real difficulties in that, and that is why the changes were made. By the way, I am still an advocate for super departments.

428. You have said we need to integrate the Departments of the Environment and Transport, and you recognise that is how you get greater coherence and an integrated approach to policy, so what has really changed and has undermined the need to have that coherence between, for example, the planning system and transport planning?

(Mr Prescott) Of course anything on the transport system requires planning, as we know in this House when we have to deal with an awful lot of the legislation. It really was felt that it needed to focus primarily on the transport issues, that is raising the kind of resources, determining the priorities, which are largely the ones to be found in the 10 Year Plan, but you can see that when there is such an extraordinary demand not expected on resources you have to choose different priorities or increase the amount of resources available. It was simply the Prime Minister saying, "I believe in these circumstances"—and almost public opinion was demanding it—"somebody should be directly responsible for the transport issues." That is why the decision was made.

429. So it might be appropriate to come back to it at a future time?

(Mr Prescott) I think the challenge for us now is to make sure our planning and transport do dovetail and take account of the environmental considerations. We have Cabinet Committees which enable us to achieve that and that is how we work at the present time. Each of us has our different views on which is the best way of dealing with it but I think at that moment the concentration on transport was important, to get it focused in one area and to make sure that the other departments which have responsibilities in the integration of planning and the environment are co-operating, and that is the case at the moment.

430. So you do not think the Transport Secretary has given up on trying to reduce the need to travel and reduce the length of journeys, which your Department is pursuing in PPG 13? Mr Darling said in December that he understood the argument but he was not sure we should continue to adopt that as a major part of the transport solution.

(Mr Prescott) I think if that had been within one Department, you would have had the same problem. For example, you have a £180 billion transport plan, £60 billion of it on railways, and the North West line goes from £2 billion to £12 billion—and that is not the only one—so escalating costs on that scale are quite considerable and not envisaged. In those circumstances, the Transport Secretary, in this case, now has to find his priorities of expenditure when the demands are far greater. Can I take you to PPG 13, if you plan housing or if you plan new growth areas, which we talk about in the Community Statement,

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[Continued

[Chris Mole Cont]

you have to find the follow-up for the infrastructure, which may be hospitals, which may be schools. If you take the Thames Gateway, an awful lot more money has to be put into transport infrastructure. So we still have to find the balance and in some cases it will come from existing budgets, and hopefully it might even come from new forms of innovative financing.

431. That is one area where people have concerns that the policy may be diverting as a result of the separation. Another one would be looking at the example of the rail freight terminal at Colnbrook which your Department rejected. Has not the rejection, on the grounds that it creates pollution locally, rather missed the wider benefits of that, which seems to be the only practical solution for meeting the Government's 80% rail freight target?

(*Mr Prescott*) We were well in advance of getting the freight target—I think it had doubled at that time—but we were beginning to get into a real problem. We were increasing the number of trains on the track, we were getting problems with the track, so to that extent we had real problems in meeting both capacities. I opened a number of freight terminals which contributed to the doubling of the switch to rail, which we want, but at the end of the day we have to deal with the capacity which is available. On the freight side and the terminals you are talking about—and I cannot talk about the specific one because that is a planning decision which was made and obviously in my position I cannot comment on it—it is still the Government's desire to get more freight on to rail and terminals will play a major part in that. Whether it is passengers or freight, capacity on our railway lines at the moment is a major problem. Indeed, the present Secretary of State is pursuing the policy I had in the early days, that we provide more public transport to get people out of cars onto public transport, and it has got to such a stage now that the congestion on our railways and our roads is very, very considerable. Capacity increase is still the main challenge.

Mr Streeter

432. Deputy Prime Minister, can we take it therefore the integrated transport system is now well and truly dead?

(*Mr Prescott*) Why is it? Why do you come to that conclusion?

433. Have you delivered on it?

(*Mr Prescott*) If you say we want to transfer more people using their cars onto public transport, we know the people using rail and buses and public transport has increased considerably, but it has led to some of our problems at the present stage. If you look at whether people use their cars less now and use public transport more, which I was appealing to them to do—we have seen the light rail systems in Manchester and Croydon—they have actually done that. Where the systems do integrate with rail and road and the bus systems, it does have an effect. The real problem is whether you have sufficient resources to meet the capacity demands, and resources are limited. Where we do act, where we do make the investment, yes, integration works.

Mr Clelland

434. I agree, Deputy Prime Minister, that transport and environment ought to go together. Is it the case that the two Departments were split because the plans to improve roads and widen roads and bring in new road programmes was actually in conflict with making improvements to the environment?

(*Mr Prescott*) No. If I can refer you to the plan itself, as to how much was going into rail and roads, in fact the same amount of resources is going into roads. What I did point out when I launched the Transport Plan was so much would go for roads but then we would start up the integrated studies to see whether it was best to move people by road or rail or a combination of the two. What Alistair is doing at the present time as Secretary of State is looking at these studies and making recommendations. If more people go by road than rail, with the consequences on greenhouse gases, *et cetera*, and the environmental considerations which come from congestion, yes, you can say it would be better if they were on public transport but you have to have the capacity to encourage them to change to that. It is the same on the Underground as it is on the railway system.

Chairman

435. But there is the fundamental question, is there not, should we be encouraging people to travel more? If we up-grade the West Coast Mainline, does that mean somewhere like Stoke can become a commuter belt for London? Or do we want people to live much closer to their work?

(*Mr Prescott*) I think in reality we want both. Ideally, you should get the work alongside what is happening in a community—and your report on New Towns brought this out. They really become dormitories for London rather than developing jobs and community facilities for people wanting to stay there. That is brought out in your report very well. It is one of the points I make in drawing the distinction between sustainable communities, on which I will make a statement next week, and the new town areas. You have to look at jobs. If you look at Skelmersdale, which is a classic in the North West, Courtaulds went in but as soon as Courtaulds pulled out the heart was taken out of the community, the jobs never came back, and it became a real problem in that area where there were no jobs. So we must try and plan the jobs, the infrastructure, the schools, to encourage people to stay in their vicinity. But, at the same time, people are mobile and they are still going to be moving north, south, east and west as well as within the community itself.

Christine Russell

436. At the Urban Summit, Deputy Prime Minister, you said you were going to increase housing densities in the south and restrict the building of new homes in the countryside in the north. Why did you say that and how are you going to do it?

(*Mr Prescott*) How we do it, particularly in regard to densities, is for me to make clear that I will not accept applications in building areas of less than 30

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[Continued

[Christine Russell Cont]

per hectare. That now is applying. In fact the average has been something like 22, 23 in the south east area. We calculated if you lifted up the densities in those areas, you would not have to have so much land-take, because that is quite controversial as well in the south east. Therefore it is right to lift those densities. It always amazes me that we had the arguments between 25 and 30, when you look at some places in London where they are up to 80, 100, or even the Millennium Village we planned with the Dome was over 80.

Chairman

437. Why did you not go for a tougher target then, if you, like me, are amazed?

(*Mr Prescott*) I think it is a matter of political judgments on these at the end of the day. I think that is a very fair point.

438. You mean you got turned over?

(*Mr Prescott*) If I were to say, "I am going to go to 150", the *Evening Standard* would be screaming out, "Stop the press. Prescott is going for more concrete in the south east." We have to have an intelligent debate about it. Taking it to 30 is a start in the right direction and you can reassure people that you can still build houses in the south east without their sons and daughters being told, "We have no places to build, go and live up somewhere where there is plenty of land and space." That would undermine communities, to my mind. You could well argue that case but we have decided in the south east, in order partly to avoid the argument we are taking more land, if you are asking to do this—and by the way it is not just numbers, you have to change the design of houses and make them attractive, there is no point just cramming them in—you can within those bounds, and even greater if you want, get very good quality housing and good communities. Hopefully by just lifting it up five, which has caused enough controversy, people will start talking about whether it is the right and proper direction.

Christine Russell

439. What are you going to do with those local authorities who carry on granting planning consents for less than 30 units per hectare?

(*Mr Prescott*) They will not get it.

440. You will call them in?

(*Mr Prescott*) Yes, I will call them. They just will not get it. I hope they get the message. Don't forget, in the south east, even when I did the plan, Monitor and Manage, which we explained to your Committee before, which was a better way than Predict and Build, everybody had different views as to how many houses we should build but we said, "Let's plan, monitor and manage", and if you are failing to achieve those targets we can interfere later, but that is the target you have to work towards. Now there are many thousands short on what is being built on the managed programme. I already indicated in a statement to the House that I would expect them to come back on target and expect them to deliver.

441. What are you going to do in your own constituency when authorities like the East Riding want to undermine, if you like, the attempts by Hull to renew their housing market?

(*Mr Prescott*) This is a real problem, is it not? If you look at the movement in cities, taking Hull as an example which has a real problem, housing problems are because of the declining population. We have thousands of houses which are empty—and nobody wants the right to buy, I might add. Why is that? It is not because they have moved to London for jobs but a lot of people in these cities have moved out of the immediate city area into the adjacent suburban area. That is exactly what has happened in the East Riding. You have to ask yourselves why. They are making a judgment that the education system, some people say, is better outside than in Hull, and I think they are absolutely right and we have to address ourselves to that. Inner city living and crime has created problems and they want a better life outside. It is not solely about going to live in the countryside, it is about wanting to do better and get the quality of life which people are judging is outside. What we have to do is reverse that if we can and make our cities much more attractive than they are at the moment.

442. Back down south, how are you going to ensure that the new communities which are being produced, in Milton Keynes, in the Thames Gateway, will be real, sustainable communities with the full range of community facilities and will not just become dormitories for London?

(*Mr Prescott*) I think you have to plan in the kind of infrastructure we are talking about. Jobs is an important part, education and health facilities are others. If you look at the demands which will come from the growth in these areas, there will be a considerable increase in the number of schools, hospitals and resources which are needed, and also the economic development so people can have jobs. Let us take Milton Keynes, if anybody goes to Milton Keynes and looks at it, it is a new town, a very nice town, its density was something like 10 or 12 when they built it, it is out of the slums and into the green field areas, and from that point it was a major step forward. Now our job is to define what sustainability means and how we bring those together and encourage people to develop the community itself. It is not only Milton Keynes, if you look at the number of towns around it—Bedford, Corby, all those—you are developing into a growth community which might sustain its own economic development rather than the smaller versions we have there at present.

Mr Clelland

443. Would it not be better if we concentrated more effort on encouraging business and commercial development in the north instead of continually overheating the south? Would that not relieve the housing problems with the south becoming over-congested and uncomfortable for the people who live there, whereas in the north we have lots of capacity? Why do we not do more about that?

(*Mr Prescott*) I think the people in Hull might say something like that. We have thousands of houses in Hull, why don't we bring people from the south east

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[Continued

[Mr Clelland Cont]

and take them into Hull and say, “You should be happy, you have a house in Hull”. To that extent, people do want to live where they want to live. If you were born in the area, you might feel you want to live in the south east rather than the north east. The bigger question is, should we actually stop the growth in the south east and somehow have it transferred to the north east? That argument is as old as the arguments on regional economics. Do you take the work to workers or workers to work? Let me give you one example I had to deal with on planning—if you look at Vodafone who were planning to develop in—I forget the town but in the south east—

Chairman

444. Swindon, I think.

(*Mr Prescott*) Yes, that is exactly where it was. They were developing in about 50 different areas and they were developing at such speed they wanted a big building concentrated in one place, and they said, “We can either do it here where all our people live, or if we don’t, we will go down the road to Slough, but we are not picking the south east.” Or they might even pick France. You can say, “Don’t go there, go to the north east” but they say “No”. You would have to be prepared to direct industry in that manner, which we have not been prepared to do up to now. You can persuade if you like, ask them to go, and in fact the north east has developed a great deal from the persuading of capital from abroad. I have never felt that by inhibiting growth in the south east it will necessarily lead to further growth in the north east but it is a matter of judgment.

Christine Russell

445. A final question about the rather controversial planning application by Wellcome outside Cambridge. Was it not irresponsible to allow that huge extension to go ahead, knowing jolly well that most people will have to commute to work by car as the public transport links are virtually non-existent?

(*Mr Prescott*) I am in a difficulty in commenting on that because it is a planning decision and I can only tell you what every minister in my position has to do, I cannot give the reasons why they did or did not. There are real problems, there is no doubt about it, and Cambridge has been a massive growth area. Do you say sorry to the university, to the development, that high technology should not take place there and we should not assist it when the town plan at that time had industry on one side and housing on the other? Certain negotiations went on and they came to a final conclusion. I found similar arguments when I came to Newcastle, when they wanted to develop at the airport. There was a big company wanting to develop there. They are outside the town, they wanted to be near the airport—and this is one of the real location issues—lucky enough the public transport system went very close to the airport, do you then say, “No, develop in Newcastle because we have to make sure you develop the inner city? Here you are developing on greenfield sites outside.” The authority came to an agreement which was to say,

“Yes, you can build so many houses there but you have a planning requirement to build also within Newcastle”, so in a way we tried to get a balance between them. In that case, public transport did fit in, but in Cambridge it did not, and that is a problem for us. At the end of the day, for these modern new industries—and they call them cluster industries—being near airports or universities or other high technology is an important consideration you have to take into account.

Mr Streeter

446. If we can turn our thoughts to Government targets now, given all of the targets have been thrown overboard in the last few months, is it fair for us to assume that the Government, including your own Department, has effectively given up on targets?

(*Mr Prescott*) You tell me the ones I have given up on.

447. Your own Department has changed many of the targets in relation to decent homes.

(*Mr Prescott*) Let’s take decent homes—

448. Are you going to meet the existing target number seven to bring all social housing into decent condition by the year 2010?

(*Mr Prescott*) We are on target, yes.

449. How do you measure that?

(*Mr Prescott*) By setting a target of how many houses will be decent homes by 2010, then we look at the expenditures of the local authorities—and I think this caused a bit of controversy and it is a very interesting point. If you look at the Autumn Report, it says, “Yes, we have achieved our target by 2004, but if you want to achieve it by 2010 and we look at the expenditure patterns of local authorities, if they continue in that expenditure pattern and put more money into one area rather than another, there is a danger we will not achieve it by 2010.” It is one thing to say there is a danger, but you cannot construe from that we will not hit the target. If anything, I would say that the Department was a little bit too honest in saying that. We are on target, we intend to be on target in 2010 and we will keep badgering local authorities to make sure their expenditure patterns meet the agreements we have on our targets between them and ourselves.

450. Do you agree that all targets would be measurable? How will you measure things like “Promote better policy integration nationally”, “Achieve a better balance between housing availability and the demand for housing” and so on? How will you measure those things?

(*Mr Prescott*) I think that it is very important to get a proper measure into these things. If I could take the New Deal developments and some of the area-based initiatives, we have begun to take some money off them or to top-slice, if we can, their resources, to make sure that we can make proper measurements of these. In some cases it had not been achieved; in some cases, particularly like New Deal areas, they move with different speeds, because we are into different kinds of partnerships and different kinds of ways of making decisions, therefore we felt that we would need to assess how they are achieving those targets on a proper information basis to make a judgement on

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[Continued

[Mr Streeter Cont]

it. So we have done it in that way. In other areas—I think there is one about the growth in the regions, for example—we can give you what the growth is in the economy, but there are many other measurements we want from it, so we are now looking at how you can have a far more defined, effective measurement during this process, to improve the accountability of the measurements and also to be adjudged by it. Mavis has been actively involved in some of these things. I do not know whether she wants to comment further on the reviews that have been going on on some of the criteria where perhaps it is not as clear as it should be.

(*Ms McDonald*) If I may, perhaps I can go back to the decent homes target. What we are doing, I think, is better risk assessment of whether we are on target. That means that we go back and visit the plans at the local level, and on the decent homes we have been doing some work with the Treasury on what the ground rules are for the various options available for local authorities to improve their stock, and see whether we need to make adjustments to those to make it easier for those houses to be improved. Some of the results of that review will be implemented at the time of the DPM's announcement next week. That is an example.

Mr Bercow

451. Deputy Prime Minister, you struck a perky and self-confident note in answering Mr Streeter on Public Service Agreements.

(*Mr Prescott*) That is because I knew the answer I was going to give.

452. Indeed, and that is very reassuring. I hope that you will be equally perky, self-confident and accurate in your responses to my follow-up question. Could I ask you, in the light of what you have just said, how you explain the three following facts: first of all, the Department of Transport's change in its target, and obvious reduction in its target, from attempting to reduce congestion by 6% by 2010 to accepting instead a lesser target of an increase of between 11 and 20% by 2010? Secondly, how do you reconcile what you have just said to Mr Streeter with the view of the head of the Prime Minister's Delivery Unit that on the present approach the Department of Health will not meet the Government's target that no one waits more than six months for in-patient admission by 2005? Thirdly, how do you reconcile what you have said with the decision of the Home Office recently to drop its existing target for the removal of failed asylum seekers?

(*Mr Prescott*) Let me take the second one, because in a way they are related. I think it is Mr Barber who actually made these comments. What he was saying in reviewing this—indeed, as I have tried to say about decent homes—is that you do review them and you see on the projections whether you are likely to achieve them. That is why we have set up that unit to do that. That brings to the attention of Secretaries of State and Government that if you really want to set these targets and achieve these targets then you have to do something more actually to make sure they are on line and they are delivering. In fact I have certain departments where we have what you might call floor limits, in that we want the departments to spend so

much of their total packages—I am sure you have discussed this here—on certain programmes. There are small parts of departments, and you have to use a lot of extra political pressures on Secretaries of State to say, “Hey, hang on, your mainstream programmes aren't meeting these floor targets for something else,” which is another department, or “We're sharing the target.” So the real point is that we must review it and we must have proper criteria to make judgements. That is ongoing, and we are reviewing targets. It may well be said, of course, that we have so many damned targets that to a certain extent perhaps there are too many, but this is something you learn. Targets have a role to play. Sometimes I think we should take them as indicative, rather than about whether they are a failure or a success. My view has tended to be, when we argued in the early days about these targets, that I am afraid the press will not be very complimentary if you fail by 1 or 2%. What is successful improvement in achieving 90% of the target becomes a failure because you did not get 100%. So I am reviewing these things. That is what Barber has done in regard to the health one. With regard to the transport one, that is a classic case where Alistair comes along, looks how far it has developed and sees what the measurement of congestion is, though he did also make it clear—as I was aware when I was in the department—that there was not a very clear way of measuring congestion, you could do it two or three ways. We chose one in that 1990 target. Further, I set up a group to look at congestion targets. That has reported to the Secretary of State and said, “Look, on this basis, this is a fairer way of doing it, and if the measure is going to mean you're going to have far greater congestion than you thought, and in a quicker time limit to the target that you set for yourself, you accept this fairer measure is going to show you failed.” Like any Secretary of State, you want to say, “There's no possible way in all these projections that I'm going to achieve it.” So to that extent, with the special increase in the economy that we have seen for so many years, it has had its consequential effects in the growth of the motor vehicle and more people at work. All those are proper arguments, but at the end of the day, if you look at the measure of congestion we inherited, they could not achieve it. He rightly came along and said, “I'm sorry, I can't achieve that, therefore this is what I think I can do, and I will adjust my expenditures in order to meet that new requirement on congestion.” I think that is a fair way of doing it. It does not mean you have to look and see if you are admitting to failure. Looking five, six, 10 years, it is not always easy. Even private companies have great difficulties in being able to project so many years ahead, but if they do not achieve it nobody holds them up to the light, it is only Government where that happens. That, I think, is the same with asylum. I am not too informed on that one, and I do not think I can give you an adequate answer on that, but if you wish me to pursue it I will pursue it and send you a proper reply. I cannot give you a good answer on that particular point. I can give you a proper answer in writing.

453. That is fine. Can I follow up on that, Deputy Prime Minister. If there is not to be an ever-increasing cynicism about these Public Service

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[Mr Bercow Cont]

Agreement targets—a cynicism which has recently and eloquently been voiced by one of your own Cabinet colleagues—would you not agree with the broad proposition that they need to be both specific and measurable? You might need to go further and say that they need to measure up against your own yardstick of being SMART (specific, measurable, achievable, relevant, timed)? In that context, again picking up on what Mr Streeter asked you, can I enquire of you what is the quantitative yardstick against which you measure progress on Targets one, two and five: PSA floor targets, regional growth rates by comparison with each other and the availability of relative demand for housing?

(*Mr Prescott*) Again, we are onto the targets and how effective they are. I think at the early stages sometimes you get them right, sometimes you get them wrong. I think it is fair to come along and say, “For these specific reasons, I haven’t achieved it.” Then you can put yourself at the mercy of public opinion as to whether this was admitted failure of policy or real difficulties of actually achieving those objectives. They should be seen as some things that guide you to achieve objectives, rather than a measure of total failure or success, as I said to you before about if you achieve 80 or 90% of the target. A good one is poverty. The argument was, how many children have been taken out of poverty? Depending on how you use different criteria, you could get from half million to one million to one and a half million, depending on how you use them. At the end of the day, though, the fact that five or six years before that period the actual increase of kids in poverty was quite tremendous, reversing that and getting half million out should be a success, but because we have defined it in the way we have, we find now that we do not reach our targets on that. I will not reiterate that, because I think the point is well made on that. When you come to our own targets on floor targets again, whether it is regional government or not, I mentioned before that we are not too clear really that we have the best way of defining the regional government ones. I think we have said in the autumn report that we are now doing more work to see how you can have better strands of investment to give us the kind of better regional measurements than we have at the moment. I suspect that applies also on the floor targets, so we have to see how that is going to work out. The success of achieving something on the floor targets depends on your own colleagues in other departments, and for me to press them in areas where I have the joint responsibility. If you take New Deal areas, there is a lot dependent on how much Government’s mainstream programmes are effectively—namely, how much I might be able to get them out of floor targets as well, when Secretaries of State are concentrating on their main activities and the small part might not carry the same political amount of priority. My job is to make sure that it does, and you will be able to see whether we are successful in that or not when we are reporting later on floor targets.

Chairman

454. Do you really feel that something like social inclusion can be measured? Is not this the problem, that the targets are very difficult to measure?

(*Mr Prescott*) I think they are. Well they may be more difficult, but that should not stop us trying to do it. When you look at social inclusion areas, we do talk about the reduction in crime, we are talking about people going back to school, we are talking about employment. In various ways we have measured those in different ways for different departments. I am trying to think of one really difficult one. I cannot bring one immediately to mind. You can measure employment, you can measure jobs, you can measure reduction in crime, people who do not go to school, all those sorts of things, poverty. All these things are measurable and we have been measuring them for ages.

455. There was one other point you made, which was this temptation to set targets low so you can achieve them and please the newspapers, rather than set targets which are really forcing the department to strive. Which one do you prefer?

(*Mr Prescott*) We cannot be accused of the first one. We are forever setting more ambitious targets than we can ever acquire, quite frankly, sometimes. I do not want to go the other way. I think targets enable people who are involved and have some responsibility to aim for that, to make sure they have some measure that they are trying to achieve it. My complaint is that sometimes you can achieve 90% and you should see that as a success. If people say, “No, you haven’t achieved that”—there are a number of criteria where this has happened—the press then treat that as failure. That is why I was smiling when I saw this about the decent homes to begin with. When I saw this I said, “What’s my department doing on availability?”

456. We will come back to that.

(*Mr Prescott*) I know, but the department in that case put out a notice, and it was a fair notice as they saw it, but I knew how the press would define that, and they did it that way. Therefore, I thought it was quite wrong. It is not in the interest of intelligent debate simply to say, “That’s failure” four years in, when the four-year programme is still on target and the rest is to play for.

Mr Bercow

457. I think there is a real danger that a lot of people of all political persuasions and of none will gradually come to regard these targets as in effect, if not by design, fraud on the public, and if you are not careful there is a danger of a sort of wilful self-deception by Ministers. You are someone who is regarded as strikingly candid, Deputy Prime Minister. Given that you would quite understandably and justifiably boast and claim credit where you are successful in meeting your targets, could you give an insight into the private thoughts of the Deputy Prime Minister today, by telling us in relation to which targets do you think performance has been weaker than you hoped or even worse?

(*Mr Prescott*) You mentioned one about congestion. Obviously I set the target for the congestion one, and I was concerned we did not get it. Should I feel bad about it, if all the other factors influence that criterion over the next four or five years? I should say no, I am sorry, that was our best

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[Mr Bercow Cont]

estimate at the time. We were working towards it. I have to say now there were other factors—I think everybody has been back in work for a long period of time or something, or the economy—all these things are proper things to take into account, and I will judge it against that. If you have an impossible target—and obviously I cannot think of one at the moment, because I always think targets are realistic—

458. I am sure you will write to me when you do think of one.

(*Mr Prescott*) I have been looking at the housing figures of late, with the communities statement. I have been looking at that and saying to myself that everybody has failed to produce housing, social housing has fallen by 1% every year since 1982, Labour Governments and two Tory Governments, so we have failed to tackle that problem. There are a number of reasons for it, and I will obviously say something perhaps next week about that, but I have to look at it and say to myself, “Well blimey, I didn’t do any better either, did I?” I might argue the reality of the reasons for that or not, but I am sure people do not need reminding, I look at the figures which still continue to decline. I will give you a reason why, and I will next week, but I do not find it totally satisfactory to do that. It is for me to try to find a better way of doing it, and I think that is the argument. Targets help us to achieve that, but if you just set a target and do not find the policies to back it up, do not be failed if you do not actually achieve it. I have my Permanent Secretary on my right saying that you should achieve it. I think the obvious one is that we set the target for brownfield. I must say, when we did set that I had some difficulties in my mind as to whether we would achieve that, because it depends upon so many things. Actually we achieved it four or five years before the date for which we set the target. You can come back and say, “Ah, but is that because the amount of housing is falling, the public is going up and the amount you build on brownfield is going up, so the proportion’s greater?” There may be some reasons for it, but the targets have been useful in focussing people’s minds that we do want to see nearly two-thirds of housing built on brownfield sites. In some cases that is a very expensive option, as you know, but in fact we did achieve it. Were there any more we achieved? Rough sleepers. There is a stack here. You have them in our report anyway. Some we achieve and some we do not, but if you look at that report in the autumn all we saw in the press was the one about whether we were failing on decent homes; there was no credit given to all the others which in fact have been successful.

Chairman: We wanted to spend a few more seconds on decent homes.

Christine Russell

459. Is not this going to be the point, that the decent homes point is in fact going to prove the most challenging one for you?

(*Mr Prescott*) Let us take that one again. That is very important. There are a number of issues that are rather connected in a way. If you take the decent homes, we have said that it depends on local authority expenditures. We gave them money from

the capital receipts, we gave them monies for refurbishing and all those things that we gave. If they come along and say, “Ah, but we’re going to use the money for something else,” I have a difficulty, because I feel I want to reduce the amount of ring-fenced expenditure on local authorities. I have said in this Committee time and time again that I want to give more of these resources, reverse the trend, so that we do have local authorities exercising more discretion. If their discretion is that they do not want to put it into housing and they want to put it into something else, then I may well have some difficulties. My job is to continue to argue for them, and indeed to make sure that the resources I bring along in the communities statement next week shove the priority in that direction to achieve that.

460. I think your department has come up with a figure of 100 housing authorities out of 343 that are not going to meet their targets.

(*Mr Prescott*) Down to 97 now, to give you the latest figure.

461. Down to 97. The question I want to ask you is, what percentage of the overall figure of non-decent homes can be found in those 97 authorities, do you know?

(*Mr Prescott*) I do not think it is greatly out of proportion. As you know, a housing authority, comparing Birmingham and somewhere else, or Chester, for example, can vary quite considerably. Of course, a lot may depend also, on decent homes, on the controversial question of the ALMO and private money and whether you actually move to take those. For example, resources can come from Government or from other areas that we have decided, whether it is in fact in the ALMOs or in some kind of private financing in that. The success of that, of course, is very important in achieving those targets. If you look at Birmingham, Birmingham has a target for itself. It rejected any idea of working towards a kind of ALMO situation. Now we are faced with the question, is their programme dependent on expenditure from their money or new forms of financing? That is one heck of a big programme in Birmingham and, as you know, the authority there has now decided to set up a special inquiry, which I think has just completed, to look at how they might deal with the financing of Birmingham’s requirements for that. If they do not achieve that, that is one big whack. Chester will be a lot less if it does not achieve it, but we have to keep pressing.

462. I think if any official has done their arithmetic as to what the percentage is, we would like to know that.

(*Mr Prescott*) We will send you a letter, if you like. We will do that.

463. Can I move on to ask you about this 2004 milestone?

(*Mr Prescott*) On decent homes?

464. Yes. That appears to have been either jettisoned or reduced substantially. Is that because it proved unachievable? Why did it prove unachievable?

(*Mr Prescott*) I am not aware that that is the case. My advice is that they are on target for 2004.

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[Christine Russell Cont]

465. It says here, “To meet the 2004 milestone the number of non-decent homes in the social sector should be reduced to around . . .” So you seem to have come up with a figure originally and it has now been reduced.

(*Mr Prescott*) I am not sure that is the case actually. I did not say that. Can I write to you and the Committee and give you the exact position on that.

Chairman

466. Can I take you on to this question of performance review and what went on with the local authorities. Of course, Westminster Hour actually decided that the department was weak, according to its experts. Do you disagree with that?

(*Mr Prescott*) Who?

467. The Westminster Hour—the BBC—did this whole question when they were introducing the Comprehensive Spending Review. They got their panel of 12 experts who came up with the view of the department.

(*Mr Prescott*) I do not bother commenting on media stories. I do not know whether my Permanent Secretary would like to comment on that. They speculate all the time. They add nothing to the fund of knowledge or even debate.

(*Ms McDonald*) Their methodology has the agreement of the Audit Commission.

468. If you are going to have it for local authorities, is there not an argument that you should have some form of external inspection actually for central government and departments, to try to satisfy people out there, some of whom were very upset by the local authority assessment—

(*Mr Prescott*) By the audit assessment of the local authorities, yes.

469.—that you are not being audited in the same way?

(*Mr Prescott*) Perhaps we have not grasped the question properly, but the audit is the outside body, is it not, conducting that? It must now give its assessment of the local authorities. There are a number of local authorities contesting those judgements. At the end of the day, is it that you do not think the Audit Commission is an outside body?

470. No.

(*Mr Prescott*) To that extent, I think one of the changes I have made on housing is to make sure that the housing inspection is done by the auditor, not back with the housing corporation. You know they maybe felt a little bit sensitive about that in the housing corporation, but I did that because I thought it was better done in one body and I think the audit body is the body.

471. But who should be monitoring the effectiveness of the department? Should it be a select committee, or should somebody else be doing it?

(*Mr Prescott*) Our effectiveness?

472. Yes.

(*Mr Prescott*) You do it pretty well here in your own inquiries, I am bound to say. If anybody else comes along there will be no time to talk to them. I think that is the proper accountability of the House and here. We do go through accountant system for

what we produce. Maybe Mavis could say something about this. It is not as if we just have the House of Commons, there are all sorts of audit controls on us.

(*Ms McDonald*) We obviously have this select committee and we have the PAC. Over time we have had various programmes promoted centrally through the Cabinet Office about the efficiency of departments. Andrew Turnbull is currently discussing with Permanent Secretaries taking forward an approach as to how we perform as whole departments and how we are perceived by the centre, getting a dialogue going with a programme agreed between the centre and departments about where we are seen as weak by them and where we should seek to improve our internal skills and capacity. Some of that will draw on some of the approach adopted by the Audit Commission in developing the CPA methodology, but I do not think he has any plans at the moment to do quite the same thing as we did with local government.

Mr Streeter

473. Deputy Prime Minister, you mentioned earlier in your responses that the way you try to get other government departments to achieve their floor targets is by political pressure. Are there any actual systems in place, or is it just political pressure? What do you do if those departments fail to meet those floor targets?

(*Mr Prescott*) Yes, it is a very good question. We do have a Cabinet committee, of course, where all departments are represented in that. We look at those goals and remind them what their objectives are. Then, of course, there are the bodies that are set up inside government under maybe Barber or other bodies that go around, to make sure that in their departmental expenditure and their programmes they are meeting those obligations. We review that regularly in the Cabinet committee with all the Secretaries of State there. So when I say “political pressure”, it is not not to agree with them on the whole. They have to come into a Cabinet committee and explain whether they are behind or not, and constant contacts go on between officials reminding departments that they have this obligation. Where there is a failure, that will come out in the Cabinet committee and we will deal with it then. Do you say there is something else I have to add, Mavis?

(*Ms McDonald*) No, I was just going to add that one of the things we have is a Permanent Secretaries level committee as well on that target, and we have also just introduced a baseline system of measuring, on a six-monthly basis against a number of the key indicators that go to make up the floor targets, what is happening in individual local authorities, and we can take that down to all levels geographically.

474. With regard to your relationship with local government, are you concerned, as some of us on this Committee are, about the amount of ring-fencing or “passporting” that has gone on in recent years in relation to specific funding and delivery by local government? Your Minister—if I may say so, your excellent Minister—Nick Raynsford did tell us that you are going to step back from ring-fencing, but other government departments do not seem to have the same approach. Is there anything you are trying

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to do to stop other government departments continuing to place those kinds of pressures on local government?

(*Mr Prescott*) We are a department, of course, that is very much involved with other departments when it comes to local authority expenditure, whether it is care expenditure, whether it is education, all of them want to make sure their programmes are ring-fenced and some secretaries of state are more aggressive about it than others and are motivated by their targets and usually argue the case "If I have not got control of it they might not decide to put the money in the way I do and, therefore, I will have failed to achieve those targets". That mitigates against discretion that I think should be with local authorities and it has continued to grow. Therefore, I think in the White Paper the previous secretary of state made it clear that it was our policy to reduce the amount of ring-fencing. My Minister, Nick Raynsford, who has done a tremendous job in this area, gets a lot of pressures from different departments, and has been able to show in these latest rounds that he has reduced the amounts of funding that are fixed to ring-fencing and will continue to try and do more of it. I think it is the first time we have reversed the flow, if you like, whereas before it has been increasing. Now we are beginning to show that it is actually reducing. Mind you, I will wait and see what happens on targets when it comes to discretion because local authorities still have difficulties deciding where money is going to go. A good example would be the care expenditure which is a very real problem out in our communities. However much money you might give to them, at the end of the day it is the local authorities that will be making many of those decisions, although in many cases it is the Department of Health that will be providing lots of the money, so it is a real problem.

Mr Bercow

475. Where other departments fail to meet their floor targets, despite the efforts of your department to "help" them do so, what sanctions for failure do you enjoy and, if you do not, who does?

(*Mr Prescott*) The Prime Minister.

476. Are we clear that in so far as the relationship is, to go back to the term used at the start, that of a cross-cutting relationship between you and the other departments, failure by that department despite exhortation, pressure, argument, at the end of it you, yourself, however furious, incandescent, you might be, you, Deputy Prime Minister, the second most senior member of the government—

(*Mr Prescott*) Can you say that again, it sounds rather nice.

477.—can do nothing about it.

(*Mr Prescott*) I do not want any speculation in the press now about that.

478. This is an important point.

(*Mr Prescott*) Absolutely important.

479. Are you seriously telling us that it would require you to go to the Prime Minister, who has a number of issues on his agenda, and say "Prime Minister, I have done everything I can, I have

criticised, I have hollered, I have used carrot and stick, they simply will not co-operate no matter what we do about it"?

(*Mr Prescott*) I can see how you properly arrive at that conclusion on the answers I have given, but I have left out one very important fact.

480. Good.

(*Mr Prescott*) That is that I will always say that these are government targets, not departmental targets, and clearly that is so, but in a much more powerful way because the Prime Minister has his own assessments where he calls us all in and we go through these targets with him. That is why he has got Mr Barber dealing with those kinds of assessments and giving him how far we are achieving it or not. Having said "delivery, delivery, delivery", we have set the actual criteria, if you like, for when we come to the election and people are going to point to that, so it is very, very much on the Prime Minister's mind. Therefore, he has established for a while now his own body that checks what departments are doing and where we fail to get it I can certainly say to him, as can anyone else, "We are not going to achieve these targets", his own people will be telling him that, and this is a Prime Minister who is pretty hands on about these matters.

481. Ah.

(*Mr Prescott*) That is a pretty powerful incentive to ministers, as you can well imagine.

482. I do not dispute it in that case but it does, if I may say so, beg the obvious question in view of the importance that you attach to his role and his great power, when and to whom has he applied a sanction?

(*Mr Prescott*) When and who?

483. When and to whom? To which department has the Prime Minister applied a sanction for non-delivery?

(*Mr Prescott*) I think there are considerations that he takes when he takes into account how effective ministers have been at the appropriate time when he makes changes. I think that is the biggest sanction in government, is it not? I am just glad I am elected by the party.

Mr O'Brien

484. On the question of allocations by the government, in the financial settlement there was reference made to passporting where the department expected the local authorities to infuse finances into two particular departments, education and social services. To do that it meant that the gearing was really substantial, four to one in the case of local authorities. Have you looked at this question again on this issue of passporting and the result of gearing so that local authorities do not have to levy high council taxes to meet the gearing procedures set by the department?

(*Mr Prescott*) I think it is a very real problem and, as you know, Nick Raynsford has been doing an awful lot of work on that. I can remember much of the argument when I was previously Secretary of State for local authority regions, etc., about the real problem of passporting that was very important then but it is like the floor, the ceilings, the passporting, how do you try to give equity to local government

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financing in a system that has not been as equitable as it should, and most of these changes have been trying to improve that. All governments have grappled with this argument about how do you distribute money between different local authorities for different functions and they have not all been successful necessarily and there is often an accusation that there is an awful lot of political interference in the process, and we are not free of being accused of it, as I saw in the papers at the weekend. It is a real difficulty and it comes from trying to settle it through reform of local authorities. I cannot give you an adequate answer, it is clearly a complex area. I will write to you if you want, Bill, but I do think Nick has been trying more than any other minister I have known, he is on top of it, he knows what it is about, and is trying to get fairness in it.

485. I do not think there is any doubt about that, the allocation was generous. I would like a response to that.

(Mr Prescott) I will give a response. I cannot give you an adequate one, I am sorry, but I will write.

Dr Pugh

486. Can I take you to the Comprehensive Performance Assessment, a new and somewhat cumbersome new form of assessing local authorities. One view of this is that this states the obvious and where it does not state the obvious the councils who do not think that they are obviously bad are litigating against you. Do you think it has done much good? Do you think that the people of Hull have gained much from knowing that they are a poor council?

(Mr Prescott) Coming from Hull that is obviously a point very much in my mind. They were registered obviously as a poor council. I think it is rather unfortunate in many ways but nevertheless it is one, and the question is whether they can improve by being acknowledged as a poor council. A lot of discussion went on as to whether you are going to disadvantage councils. If you announce that you are going to make new statements in April before the local elections you can quite clearly see that would be politically very difficult, so we felt the announcements should come at the end of year and there should be an audit body. We have made the decision there should be comprehensive assessments. If you want to identify as good, excellent, fair, poor, all those that we have done in the auditors' reports, yes, I think it does bring a kind of discipline to it but I hope it is not suggesting, which I seem to hear sometimes, and I did at the meeting we had with the LGA on the central and local partnerships, that there are 22 excellent, a first league, so what you have got to do is to give the flexibilities and freedoms to the first one. I think, yes, that is a reward, if you like, for being an excellent council but it must be that those councils have some obligation to try and help lift the other ones up to a better state from the poor into fair, from fair into good, and all those kinds of things. Therefore, I think it is good to make those kinds of judgments. I know it is controversial. I found myself in a minority in my own party when it came to identifying schools as poor or bad but I think there is something to be said for that.

487. Could I press you a little bit on the credibility of the assessments.

(Mr Prescott) Yes.

488. On the Merseyside area the one authority that got the highest marks in comprehensive assessment for education has now recorded the farthest decline in its educational performance, that is St Helen's. Confronted with that the local authority is going to say that there are many assessments but they are all pointing in different directions. Is that a concern?

(Mr Prescott) I am a little surprised at that because I think the assessments that are done in this case are taken from Ofsted, are they not, in regard to education.

489. Well, I am surprised.

(Mr Prescott) I think it is Ofsted, is it not?

490. Yes.

(Mr Prescott) In that sense it is not as if the auditor comes along and does it, it actually takes the body that is dealing with it, in this case Ofsted, so if they got it wrong in the audit they got it wrong in education as well. I think their track record is a bit better than that. Talking about education, I have to look at the whole case and can never understand why we are still bottom of the league and what happened when all the efforts were being made. I think that concerns all of us. I do not think we should be hiding it away and finding reasons and saying "We are not good because it is a very poor community" and then you find areas like Knowsley and Liverpool which have got the same areas of deprivation can do better. I think people have got to look seriously and intelligently at the problems and performance assessment helps us do that with all its difficulties.

491. Has your department weighed the opportunity cost to local authorities of having this process inflicted on them, if that is the word? You complained at the start of the meeting about Select Committee inquiries and the demands that places on your department. Have you assessed what sort of demand the Comprehensive Performance Assessment makes on local authorities? There are stories of enormous amounts of officer time being tied up in them.

(Mr Prescott) I think I have said also that we gain a great deal from it and I have picked up one or two of the reports that came from it. I might find it onerous or difficult but we also have a big legislative programme as well. We do learn from it, we do gain from it, and I think that is going to be the same for the local authorities. I know it ties them down. You could say in the case of Hull by sending in the auditor and suspending normal council operations and saying "Right, we have got to improve, these are the conditions", and there are a number of authorities facing that, that is when you have to face the reality, are you going to make a change or continue to decline. I think those that are poor authorities tend to remain poor authorities, not that they move up or down, and therefore the challenge is not necessarily to reward just the excellent ones by greater freedoms, as we do, but at the same time we have an obligation to help and assist those ones that are not in such a good situation to lift themselves out of it.

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[Dr Pugh Cont]

492. You have introduced the Comprehensive Performance Assessment and it has taken a lot of time all round but over a year ago you announced there was going to be a review of central and local government balance of finance and yet nothing has happened there. Does that mean that looking at the balance of central and local funding is not a priority of your department?

(*Mr Prescott*) We are still involved in that. It is still a big issue. Again we are back to ring-fencing, to a certain extent governments have taken more and more money and given less and less of it to the authorities, in that sense, and that has crept in. If you look at the balance between the two it was considerably different to what it is now, and it has changed over the last 20, 25 or 30 years under both governments. As I understood it that is the route that we are still on, part of it was a standing assessment at changes made by Nick Raynsford.

(*Ms McDonald*) Mr Raynsford has said that that review slipped largely apparently because of getting the CPA sorted out and he is planning to announce what the terms of reference will be and who will be engaged with the Office in carrying out the review over the next few weeks.

493. Moving on to a completely different area, the model code for councillors and the new way of enforcing standards, is there not a tendency for this to be a bit heavy-handed and to give the impression there is wholesale corruption in council life? I receive more brochures with a little title saying "Councillors Behaving Badly" than I have councillors in my area. Is that not a worry? There is not, for example, a brochure called "MPs Behaving Badly"!

(*Mr Prescott*) I do not know, it is in the press everyday, and we have our own facilities to check and be accountable, and I think that is the same here. We get an awful lot of attention on some things that do not rate that kind of attention. As far as corruption in public life is concerned one thing we can be sure about in our public life we get more attention compared to many countries that do not have that. We have to deal quite severely with the problems that do arise and I think the House of Commons have been toughening up its act.

494. Do you not share the concern that the image of local government may be put indirectly across to give the impression that there is widespread corruption?

(*Mr Prescott*) I do not think it does give that impression at all about widespread corruption. They are involved in an awful lot of decisions and the fact they should have to declare their interests is because they are involved in decisions more directly than we are and they are asked in public life to declare what their interests are.

495. Why do they need to declare an interest in charitable organisations and not in private clubs?

(*Mr Prescott*) I suppose it is like whether you should declare whether you are a Catholic or a Protestant, you have to draw the line somewhere. We could ask them that but we do not. Are you likely to be more of a Freemason if you are a Protestant rather than a Catholic?

496. Do you think they should be asked that?

(*Mr Prescott*) You have to draw the line.

Chairman

497. You were going to be robust about making councillors declare whether they belonged to masonic lodges or not but the Department appears to have changed its mind on that?

(*Mr Prescott*) It was often said in the previous department that we had more Freemasons there than anywhere else, I do not know how true that was. Then you have to assume somehow because they are Freemasons they are up to all sorts of planning agreements and connections. I do not know whether that was necessarily true but being a secret society did not help either and being amongst the establishment made me feel there was probably something in it as well. That is the kind of prejudice I might have about the matter. I think the registration we have at the moment is a balance, it leaves the obligation to report where there is any conflict of interest or anywhere where a person or friend they know would benefit from that decision it should be declared.

Chris Mole

498. What audited evidence do you have that local government PFI offers better value for money than a more directly funded route? The Audit Commission looking at PFI in schools, for example, has suggested that there is little evidence of design innovation and no clear-cut difference between PFI and traditional schools in construction, running costs, cleaning costs, *et cetera*.

(*Mr Prescott*) My first response is to say that is the early stages of it, and perhaps the early stages are not as good as they could be later on, but I do not want to leave it at that. Secondly, I think a very important part of the argument of PFI has been ignored, which is one that persuaded me in the 1990s to argue the case when we were opposition, there is great demand on public resources and if you can supplement that where it is possible and build buildings, if you like, out of the normal public expenditure role that added to what you have available for public expenditure. If it is even it does not show to be more effective and more efficient and about the same, it does mean that it has the one advantage that you are building more schools now than you would have been doing if you left it to the public expenditure profile. That is the first point I would make. Secondly, in my own constituency I have the first privately financed school. We did argue for that. That is a very good example of advantage. I had a new estate developing on Docks in Hull, developing into a housing estate but the problem was with declining education numbers you had to cross the Dock Road if you lived on this estate to go to school because the Education Authority said, "you have more than enough schools we will not allow you to build another one". We argued, if we could do it by PFI could we do it then. They agreed that. We built a school and people began to live on the estate, because young couples would not unless there was a school. When I opened that—and I think it was the first privately financed one, it would not have normally come from public expenditure, it helped that community grow in a way that it needed to grow because it needed a school I found a very interesting insight

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it had covers on the windows and I thought that is unusual because I had never seen them on state schools. I said to the builder, who had a twenty-five year contract on the school, "Why have you put those in?" He said, "Kids break windows, I have a 25 year maintenance, it is better for me to invest in putting covers instead of repairing the windows every weekend". You could not do that under public expenditure, because one is revenue expenditure, one is public expenditure and it was not possible to do. What I learned from that is there is something stupid about our public financing. Secondly, you supplement public expenditure by building the school and the community grew because of it. I think that is a plus, whether it is more efficient or effective, yes, I would prefer that it would be but at the end of the day it was a plus of investment in education in the school that would not have come by the normal public expenditure route.

499. You pose all sorts of interesting questions about whether a change in resource accounting might resolve some of those problems you just described. You would accept in principle then that local authorities are going to be paying more to borrow the capital than they would if they went to the PWLB?

(*Mr Prescott*) Of course. I have always accepted that. Governments can always borrow cheapest, whether they can build the cheapest is another matter, and those elements of efficiency have to be taken into account. I believe in some of the estimates in the early ones but they were badly planned. I do not know whether the others will be different, I hope they will be. I do accept they will probably cost you more, but it is hoped to be balanced out by efficiencies in the way that has been suggested.

500. You would accept that the separate special funding you have for local authority PFI projects effectively skews the value-for-money decision-making that councils are taking in favour of this?

(*Mr Prescott*) It depends what you want in public assets. I was being asked before what makes a community and I said it is clearly not just the building and the housing, it could be hospitals, schools, etc. If you look at the tremendous demands that are going to come with the infrastructure in some of our new growth areas it is necessary we find the extra money for that when money is quite committed at the present stage. We know in development values it is possible, another school just opened in Hull where they developed and built a new school for the community, it has not cost the community anything. There are different ways you can raise those resources. Anything that leads to a replacement of old schools, in this case it was a 100 year old school, quicker than the public expenditure profile is to be welcomed, otherwise the ones that pay for that, that does not go in the accountant's book, is the kid sitting in the school with the leaking roof and the toilet outside. It is certainly an improvement for them. That is the sort of thing I want to see in social welfare expenditure.

Mr O'Brien

501. Can I put to you, Deputy Prime Minister, the question of regeneration initiatives. In the past local government has been the prime mover in this, in my case in small urban districts and small urban towns where there has been a run down at the centre of the town because of the transfer of trade from them. What is the Department doing to try and bring some interest back into the urban towns so that we can build up these local communities we referred to?

(*Mr Prescott*) These kind of initiatives are causing a lot of problems, their growth has been quite phenomenal. All governments and all ministers like to announce initiative, they get all of these initiatives announced all over the world and different areas so when you go to some area you find there are a tremendous amount of initiatives. The problem is they are small in themselves but when you put the amounts of money together they are quite considerable. We have been trying to reduce the numbers. In one case we set up the Regional Coordination Unit to look at these area-based initiatives and we have reduced them by 40 down to something, I cannot remember the figure.

502. What about accountability?

(*Mr Prescott*) Forty to 23. I am just coming precisely to that. I acknowledge the problem. When I was at the Urban Summit looking at the areas up there they were really getting quite uptight about the different funds that were available that nobody could co-ordinate for everybody's benefit. It is true that when they are done that way they are less accountable and I think there should be an argument for greater accountability. The local authorities in their special partnership schemes which we have developed, because we have developed New Deal Programmes where the money is given to the New Deal and the local authorities really are an accountable body but how they spend the money we have given more and more to the New Deal areas to do that and we have found difficulties with councillors who say "I do not work in groups like that, why should they be making decisions rather than us", and that is a challenge to a lot of the traditional thinking about accountability. I think in the local strategic partnerships that we have developed where more stakeholders than simply the councils are involved, the councils are a very important part of it and that is how we keep the accountability and encourage people to make more decisions on things that affect them.

503. On the issue of the RDAs, money goes to the RDAs and this is allocated down.

(*Mr Prescott*) Yes.

504. And the largest cities and the largest towns seem to bring pressure to receive the lion's share of the distribution. Can you say something to follow up what you have just said about allowing local communities, smaller urban areas, to have a say in their own destiny?

(*Mr Prescott*) I think we have to be very careful with regions. Sometimes the argument is that you decentralise to regional bodies and what you are effectively doing is regionalising in regions in the name of decentralisation, and that is a bit of a quandary sometimes. I think the resources that are

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given by the regional bodies should be more accountable in those regions, hence why we are giving the argument for regional government or the regional assemblies in which something like 70% of the members are local authorities. Indeed, on housing, as you well know, I shall be making some announcements in the Community Bills about how we put housing expenditure into the regions which becomes much more accountable to regional level but, if you like, less accountable to the local level. It is to get this proper balance. We are aware of the problem and we will do what we can to see if we get the proper balance.

Chairman

505. I hope we are not going to get any more new initiatives or these specially set up vehicles to deal with that after your comments today.

(*Mr Prescott*) If you go on the Pathfinders from your area and other areas you would like us to be doing something about the low demand areas, and I will make some statement about that and the urban regeneration bodies or different bodies that are involved in an attempt to bring together the various groups and stakeholders in making decisions.

Chairman: I think we ought to move on to the fire dispute if that is all right with you.

Chris Mole

506. We are looking to try and implement Professor Bain's recommendations but there have been a number—seven or eight—of major reviews done over the last 20 years or so. Why were there never any changes made as a result of those recommendations?

(*Mr Prescott*) Why were there not?

507. Yes.

(*Mr Prescott*) Because, as Bain points out, basically he is not recommending anything that has not been recommended by a number of bodies, including section 19, which I see an awful lot in the press about, going for judicial review. That criticism would carry a bit more sense, I think, if the FBU had been actively involved in the Bain Inquiry and consultation but chose not to be. They were involved in the others and effectively what has happened, and it is the accusation of Bain and I think borne out by the events, is that all these things have been opposed by the FBU in the main and they have been very successful in opposing them down at the brigade level. In some cases where the union has agreed to implement them nationally the brigade has refused to do so and this is one of the problems I find at the moment with Gold Commander, you can make an agreement with the FBU but in certain areas they refuse to carry it out.

508. One of the conclusions was that modernisation is long overdue. Your PSA target for 1998 anticipated 2% a year efficiency savings in the fire service and your Autumn Report says that you are "on course to achieve this target". How do you square the fact that they need to modernise and yet they have been saving 2% a year over the last few years?

(*Mr Prescott*) I think it is an agreement about using vehicles and techniques. I am not saying the FBU has been against making some changes. Indeed, they have often argued the case for modernisation. We have been able to change agreements between brigades to get that 2% and so far it has been successful. If you want to look at the more fundamental changes that Bain proposes in the modernisation, then I am afraid it does effectively begin to argue that the FBU have got other things to do before they can actually achieve that. Some are where you do not save money, defibrillators on fire engines, some do it and some do not. Some agree with the central control systems, some do not. That is right through the system. That is one of the big challenges in the industry, that in some cases you can get a national agreement but you cannot always be guaranteed to get it carried out by the brigades.

509. How do you know that the fire service is achieving that 2% a year when there is a question as to whether you know that local government is achieving it because the Annual Report for 2001 says that the fire service is achieving it through best value and yet it also says that the methodology used for measuring the efficiency savings for local government is still being developed? What is going on there?

(*Mr Prescott*) Mavis, you have done work on this.

(*Ms McDonald*) At the moment the fire service—I expect we will have to write and give a fuller answer on this—is not included in the work that we are doing on the local authority methodology to measure the improvement overall that we are required to in the way we formulated PSA targets. That is what we refer to in terms of trying to get an agreed methodology with local government about how we show that. We do have the underlying best value performance indicators which against individual services are able to measure our individual improvements or figures below target. This is trying to get one crunch figure that measures efficiency across the board, and that is more difficult.

510. A specific thing on targets. You used to have the PSA targets to reduce arson and one to increase the diversity of employment in the fire service and they have not currently been met. I think the targets have been dropped. Will you continue reporting against that until they are met?

(*Mr Prescott*) I think we will be doing something more than that. If we are going to implement Bain, and we have committed ourselves to implementing the Bain proposals, there will be a considerable change. I think the FBU know that, hence the reason they do not want to discuss it.

Dr Pugh

511. Deputy Prime Minister, you put to me that the government would like to see the repeal of section 19 and the net effect of that would be that fire stations could be closed without the normal and somewhat cumbersome consultation arrangements simply by a decision of the chief fire officer. Can you comment on that?

(*Mr Prescott*) I think if you take section 19, it has been recommended by a number of the bodies that have been talked about and all it does is take the

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power away from me to make the final decision. What it does not do is take completely away my rights to be able to call in something which is given in another part of the Act. The real problem with section 19 is that it is used as a part of assessing whether a fire station should be opened here or opened there and under those circumstances I am letting the decision be made at the local level, not by me. One of the problems to a certain extent, and this is admitted by the FBU, is they say that their overtime ban has saved something like 4,000 jobs and when you look at where stations are positioned at the present time and look at the past practices, when people want to readjust where stations go you have to make an area assessment and that area assessment at the moment lays down that you do property quicker than you do lives and we say perhaps there should be something assessed about that, not that property is not important but perhaps lives are. Under those circumstances we have taken the view that section 19 is an important change that is necessary to make and, in fact, simply takes the power away from me and leaves it with the local authorities who are forced to consult on this matter and I have powers in other directions should I wish to use them.

512. In a nutshell, the consultation arrangements remain as before with your power to involve yourself in the process?

(*Mr Prescott*) Except if there is a disagreement they cannot then demand it be sent to me, that adds an awful lot more time to the system, which is part of the tactic that has led to any changes. Let me just make the point that when they want to make changes from one area to another in the main it has rather been if you believe that the town has declined a little bit and has moved in another direction and you want to change, I am told what they really demand then is not that you readjust the fire station, you build another one and you re-equip it, and I assume that has had the effect of increasing the amounts of jobs that are in the industry. At the same time, as Bain points out, there is no reason whatsoever to have any enforced redundancy in any of the changes that are proposed.

Chris Mole

513. You just mentioned the shift from property based assessment to people based assessment and I think we can all understand why that might be, but the insurers have come out over the weekend and suggested that this may mean big increases in insurance premiums for household property. What is your view about that?

(*Mr Prescott*) I am rather surprised about that. I wish they were as quick to tell us why they will not insure people in flood situations, but there you are that is the insurance industry. A letter was supposed to have been sent to me, I have not received a letter, I have only read about it in the press. I will listen to any comments they have to make about that. It is a fact of life that under the present area assessments and risk assessments we do require that you have to be quicker getting to a building than you have to get to a house with human beings. It may be right but I think we should at least assess it.

Chairman

514. We had better let you go off to deal with the fire dispute.

(*Mr Prescott*) I would sooner stay here, I think.

515. We have a long list of questions, we will send some of them to you. Thank you very much.

(*Ms McDonald*) I would like to apologise, if I may, because I inadvertently misled the committee with the answer I gave about the balance of funding review. We did announce we were setting up a review at the end of last week, I think we should write to the committee and set out what the terms are.

Chairman: I think we were aware of that. Our concern was that it was promised almost six months ago and it has taken a long time. Thank you very much.

Mr Cummings

516. The DETR has lost its environmental functions becoming DTLR in June 2001 and then again that Department split into the ODPM and Department of Transport in 2002, could you tell the committee how have these two fundamental changes within the Department within a year of each other effected staff morale?

(*Ms McDonald*) Could I also add some other changes that took place as part of that?

517. Please do.

(*Ms McDonald*) There were two critical ones, in June 2001 the Fire Service moved over from the Home Office to join the then DTLR, which meant when the office was set up last June the Fire Service was a relatively new part of the Department.

Chairman

518. You were pleased to receive that, were you not?

(*Ms McDonald*) Of course. When the new office was set up some staff and work and responsibilities moved over from the Cabinet Office to the new Office of the Deputy Prime Minister, including responsibility for the Social Exclusion Unit. We also brought back with us the responsibility for the government offices. The total changes were quite mixed. I think what it meant in terms of the morale of the new Department was that we and ministers had to very quickly establish what we thought the key priorities were for the new office and to give pretty strong remit to a joint ministerial and official team in setting the agenda to drive those priorities forward. It was, to some extent, happenstance that it was towards the end of the period of the Spending Review and we were able to focus very quickly on establishing a set of objectives and priorities, which I believe you have seen in the materials mentioned before. It gives that coherence to the agenda for the Office over the remainder of the year and as we move into the new Spending Review period.

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Mr Cummings

519. You are quite happy with the way the transition took place?

(*Ms McDonald*) There is a lot of potentially lost down-time if you are not careful in the practicalities of unpicking various support mechanisms in the Department. My colleague at Transport and also in DEFRA and I agreed we would get together and sort that out very fairly quickly, and indeed we have established regular meetings between us because there are still some joint obligations and we decided that we do need to work together very closely.

520. Obviously your new Department will have a new set of objectives, have you reviewed your old activities against the new objectives? How has Department's workload changed as a result?

(*Ms McDonald*) We have done two things. We have looked at the existing targets and previous Spending Review PSAs and tried to make sure that we both align those that continue within the new PSAs, and we have already made a commitment that we will carry on monitoring and reporting on the existing PSAs until they reach the end of their natural life. If it would be helpful we have been working on a bit of chart ourselves to show the cascade effects right down through it, which we can let the committee have to see where the linkages are between new ones as we move into the next April. During the business planning round, which we are in the middle of now, we have asked the senior staff responsible to look and see whether they need to adjust the priorities given to individual staff in terms of what they are focusing and working on so that we make sure that we have the resources and the skills in the right place to take the agenda forward across until the end of this year and into the start of the Spending Review period.

521. Do you see the need for any substantial change?

(*Ms McDonald*) There are some areas, in particular those which the Deputy Prime Minister will be covering when he makes the community plan announcement next week, which will be about the restatement of ministers' approach to some of the priorities in relation to sustainable communities and managing growth and our low demand.

Mr Cummings: Thank you.

Mr Betts

522. I want to come on to the issue of targets, the Department has many facets and many targets but it seems to me the Public Service Agreement targets are the most important ones. Is that true?

(*Ms McDonald*) The PSA targets have very much become a kind of top level statement of the key targets to meet objectives. Under the new system that we are moving in to, which associates with each of those targets a much more detailed delivery plan to achieve the target, we also have a number of service delivery agreements which will have more fine tuned targets which are part of the planned programmes to move forward. The committee may have already seen some of those we have worked up already and we will be developing those further on some of the PSAs once we announced the community plan next week.

We do not see ourselves only operating at that high level, we actually see a better degree of planning for and managing delivery against the targets.

523. The reality surely is that some of the very big issues we have are seemingly a political target, greater freedom for local government does not appear as a PSA target at all?

(*Ms McDonald*) Within the target about improving local government performance—

524. Greater freedom for local government.

(*Ms McDonald*)—one of the things we would say as part of improving performance you have to provide greater freedoms and flexibilities for local government as part of the overall package of the performance improvement programme, and we have already achieved some of those things through the proposals in the Local Government Bill.

525. Is there not an inconsistency there, you just said that PSA targets are the most important ones, clearly the issue of greater freedom for local government is a very important policy of the Government yet if you do not have a target how do you begin to monitor whether you are successful? Do you think it is something that you cannot have a target for, you cannot monitor or you do not need to?

(*Ms McDonald*) The fact that it is not in the PSA does not mean it cannot be articulated as part of either the SDA or internally within the delivery plan that we are currently working up.

526. The PSA is the most important target, why is it not an important policy for government?

(*Ms McDonald*) Because the PSAs are implying too high a level generality to encapsulate all of the things you might be trying to achieve under those targets. That is why the framework allows for you to be more specific at the SDA.

527. You have so many targets, you have a forest of them, you can always point out there is some that you have hit on the grounds that nobody can remember what the rest of them are. I understand that are 105 commitments in the National Strategy for Neighbourhood Renewal Action Plan, 105 recommendations in the report of the Urban Task Force, and 121 milestones in the Local Government White Paper Implementation Plan, are there so many that really they become unmanageable and are not real at all?

(*Ms McDonald*) I think the answer is probably yes. As we have got more used to the PSA approach and the service delivery management approach then one of the reasons for some of the changes to targets in the next Spending Review is to try and focus on a smaller number of key priorities.

Chairman

528. You have a new target to reduce the number of targets?

(*Ms McDonald*) I think certainly in some areas. If I can quote another example, one of the things that the Neighbourhood Renewal Unit is doing is looking at the full range of programmes they have to see whether they can consolidate those down for a variety of reasons, one is to help people on the ground understand more clearly what they can do

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with the money and not have to handle so much of this bureaucracy, but partly again it is a question of focus and priority internally within the Neighbourhood Renewal Unit. As we develop the delivery plans then we want people to articulate more clearly what they should focus on and why, not just have a kind of checklist of things that they can tick off. I think the other point that is important here is that what we are trying to do too is develop much better systems of sustained performance indicators so that we can track over time on a regular basis some of the measurements that are needed to show whether we are being successful. We have done one or two things, I have already mentioned our regional outcome indicators, to try and do that. To some extent if you have got a better map of what is going on then it helps you have fewer targets because you are measuring consistently all the time what you are actually achieving and following through where you are failing to meet the high level targets.

Mr Betts

529. Just moving on to one of the targets, the DTLR had a PSA target to establish a database on user satisfaction with its services, both with the department itself and the agencies, and also to set targets for improvements following on from that. Has that actually been done?

(*Ms McDonald*) It is my understanding that the former department chose to focus first on those services which impacted directly on the public which was mainly at that stage the Planning Inspectorate and the Rent Services Agency and did do customer surveys of the service and expectations of satisfaction for those two agencies. What we are trying to do, again, is build more regular customer surveys into each of the delivery plans for the PSAs and we are going to try and establish a base line position for ourselves as a department in terms of what our key stakeholders and customers perceive us to be good at or bad at.

530. Is the answer that you have not got any further than those two agencies?

(*Ms McDonald*) Not in any great detail, no.

531. So the department has no idea what its customers think of them?

(*Ms McDonald*) That is not true. We have quite a significant number of other surveys, for example the English Housing Survey which has a lot of detailed information about what people think about different kinds of housing tenure and local authority performance. We also have best value indicators which include levels of customer satisfaction which we ask local authorities to collect and also customer satisfaction is part of the CPA. In terms of those who are actually delivering services that we are funding we have got a lot more data available as well.

532. There is a lot of emphasis on local government finding out what its customers think about its services but not much about the department finding out what its customers think about its services.

(*Ms McDonald*) That is probably a fair reflection of the current balance. What we would be seeking to do would be to even that out.

533. When will that balance change?

(*Ms McDonald*) As we develop the new delivery plans we will be making sure that we have a base position for each of the areas where we have got the PSAs against which we can measure improvement in customer satisfaction.

534. One year, two years?

(*Ms McDonald*) We will be doing that over the first 12 months of the period when those plans start. In terms of the department, the totality of how the office is seen by its stakeholders, we intend to do that within the next six months.

Dr Pugh

535. There is a target for local government set under best value, I think, that the cost-effectiveness of local government should improve by 2% a year. Your department has no idea how to measure that and do not measure it. What is the point in having that target?

(*Ms McDonald*) I may be repeating myself here. We do have quite a lot of service information for individual local authority services.

536. You cannot tell me which authorities have and which authorities have not this year saved 2% or have become 2% more cost-effective, can you?

(*Ms McDonald*) No, I cannot. I am not saying, however, that within the department we could not give you some answer to that kind of question or that the Audit Commission could not do that.

537. One clear answer would be to say who has done it and who has not but you cannot do that.

(*Ms McDonald*) What we have not got, as I have said before, and we are not denying this, is a methodology for assessing whether in local authority and local government as a whole they have effected that 2% performance improvement.

538. Do you think your own department can improve its cost-effectiveness by 2% per annum?

(*Ms McDonald*) Yes.

539. Good.

(*Ms McDonald*) And we try to do that by feeding 2% efficiency savings into our business planning round. For example, we would know what the costs of pay are going to be, the extent to which they are going to rise, but we would not allocate out budgets that took that into account, we would look for the savings by allocating people cash and asking them to work more efficiently within a total allocation.

540. Do you actually measure that internally within your department already?

(*Ms McDonald*) We do not tend to go back and do a detailed post hoc analysis, we build it into the way in which we allocate resources out.

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[Dr Pugh Cont]

541. Can I just turn to the issue of the local authority constitutions. Your department had a target that all local authorities are to have new constitutions which are “transparent, accountable and efficient”. In what way were the former constitutions not transparent, not accountable and not efficient?

(*Ms McDonald*) I am sorry, I do not think I am going to be able to give you a desperately detailed answer on that.

Chairman

542. Do you want to give us a note?

(*Ms McDonald*) We can give you a note. I am aware of the Committee’s work and the Committee’s report. The introduction of the new constitutional system was brought in by the government after the 1997 election and I think some of the things that were in their mind at that time included things like falling numbers voting for local government and a fair bit of evidence of declining interest by particular groups, such as young people, so in part they were looking to increase the model.

Dr Pugh

543. I do not think anybody realistically suggested that they were not voting because there was something wrong with a local authority’s constitution, were they?

(*Ms McDonald*) I think there was some suggestion they were not voting because they did not have any perception of the real relevance of local government to their own lives. I think some of the issues were to do with the nature and the practical effects in certain authorities of very little change over a long period of time in the local council.

544. Is the Department commissioning research to establish whether things have changed now?

(*Ms McDonald*) It is very early days to evaluate the total impact, we are building-in the evaluation process.

Mr Betts

545. The 2002 Spending Review gave the Department quite a significant increase in spending, have you any idea how much of that is going into higher public sector pay?

(*Ms McDonald*) No.

546. The Department of Health has managed to do an estimate.

(*Ms McDonald*) Quite a significant amount of our spending programmes are capital rather than resource, so they are going into the provision for new housing, like Housing Association approved development programmes. We can give you a split in terms of which programmes are going to be non-resourced and which are going to capital.

547. Is no assessment going to be done?

(*Ms McDonald*) We look in generic terms and we always look when we are reconstructing the local government settlement what the likely allowance for pay has been and where in fact that has been a factor

which has reduced the amount being spent by local government on services other than pay, that is a post hoc assessment. I cannot give you much more detail than that at the moment.

548. The Department of Health calculated 38% of their increase.

(*Ms McDonald*) Are you talking about what they spend through the Social Services Department as opposed to what they spend across the board?

549. The NHS.

(*Ms McDonald*) The NHS spending is direct spending from the Department via the NHS. A lot of our spending is spent through other bodies who have some choices about how they spend that money, so we do not have the same direct line of sight, as it were, as the Department of Health do. People may choose to put more into pay, they may not, in the same way they may choose to put more money into certain services or other services, so we do not necessarily have individual local authority data on each of those.

550. Have you identified any pressure areas that you think may need attention during the period?

(*Ms McDonald*) I think we know in things like shortages of supply, which may put pressure on increases in pay, we know the areas where the local government association as the employers for local government identify where the pressures are coming through when they negotiate the settlements for local government pay with the employees sides. We have a lot of high level information coming through, we do not negotiate those directly ourselves. Under the new PSA system that is being rolled out we do have to look into more detail at some of these issues and draw up a pay and workforce strategy which is designed across public services as a whole to ensure that we have a clearer, forward look fed into our delivery plan about what is likely to happen to pay and in particular what are the capacity constraints caused either by pay or a shortage of skills. I think to be fair the NHS and the Department of Health have done a lot more work on that than some of the rest of us are doing.

Chairman

551. Can I take you on to things like the Neighbourhood Renewal Unit and the Urban Policy Unit. What has been done for them to be better at financial forecasting and programme management?

(*Ms McDonald*) If I may, we are doing some things at the level of the Office across the board and then we have got some specific activities going on on the programmes that are run by those two areas. I think when my colleague, Peter Unwin, came to you he explained that we were carrying out a review of why we seemed to be continuing to underspend quite significantly. We think there are two key reasons. One is the combination of the introduction of resource account budgeting as we changed our accounting system and we probably did not put enough effort into training some of those people who had to run it, so we have got a programme that we are starting to run through now to improve some of the skills training for those people at the front line of managing programmes on a day-to-day basis. We are also looking at the way in which we assign

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[Continued

[Chairman Cont]

responsibility for systems at senior level to make sure that we have enough senior input in the department into this. On the two individual programmes that have been particularly troublesome, the NDC and the RDF, again I think Peter gave you some information. On the NDC we have done some significant re-profiling which will start to come into effect from next April. One of the problems there was that the programme was probably too front loaded with the benefit of hindsight. Given that it was very much about creating local community capacity to run the local neighbourhoods, we did not allow enough time for that to develop before we expected the New Deal for Communities to start spending the money. The re-profiling is designed to take that into account. The extent of the underspend, of course, was increased by the fact that there kept being EYF every year and as the programme was ring-fenced it looked as if it was continually running behind. We have also done quite a lot to work down the chain of supply through our regional offices to make sure that they understand that we must not inhibit spending by undue procedures, right down to helping communities themselves understand more clearly and get help where they need it, what is done to keep the money running through and to get projects and programmes up and away.

552. Are those regions and partnerships that do badly going to lose out in the future?

(Mrs McDonald) Yes. I think, Barbara Roche made it fairly clear at a big conference in November that if people really were not able to demonstrate that they had proper programmes and plans in place to use the resources that were available then they would be reallocated elsewhere.

Mr Cummings

553. Who will fill the vacuum then? I live in a deprived area. Surely it is not correct that we will be deprived of funding because of the incompetence of various agencies?

(Mrs McDonald) No. Our main aim is to help the communities to ensure that they do not get into that position.

Chairman

554. You have just told us that you are going to penalise the poor performers. John's point is that they, the poor performers, are very often from the poorest communities.

(Mrs McDonald) What we will not do is leave money where it is not going to be spent. What we can do is take it back into the overall programme and see whether there is some different way in which we can spend that resource to improve capacity across the board rather than leave it in an individual programme and then maybe we can readjust the balance later on when an individual community—

Mr Cummings

555. Why do you not take direct action against the people responsible for the underspend and making life a misery for many hundreds of thousands of people? What sanctions can you take against the individuals who are responsible?

(Mrs McDonald) The individuals who are responsible are a combination of the New Deal for Communities Board, which involves several members of the community itself as well as the other players in the locality. To some extent the money is better spent helping people to understand how to do project management and so on rather than spending it there and then readjusting the balance later on. Do not forget, we are talking about a really quite long-term programme here.

556. We are talking about areas that have been desperate for support over many, many years. People are living in areas of severe deprivation. That is what we are talking about. I can understand people underspending but the question is quite simple: what are you going to do these people, whether they be civil servants, whether they be from any other agency, to really ensure that the money that they are earning is well earned and that the money they have got to spend is going to be well spent? We are just sick and tired in the area where I live of continual underspend.

(Mrs McDonald) I think there are two different issues here. One is whether those public servants involved in the agencies have been doing enough to ensure that the money is spent and it is our real responsibility to make sure that they are not holding it up in any way and they understand what everybody is seeking to achieve from it. There is then the responsibility of the New Deal for Communities themselves where the boards have been invited to draw up plans and proposals for each of their local areas and some of the underspend has been because people have found it not as easy as in other areas to make decisions about precisely what they want their priorities to be. If we can spend some of the money by running central programmes which help people to understand about project management in the next couple of years, say, and then put back into those areas the money when they are ready to spend, then over the period of the programme we will not be harming what is happening on the ground, we will be helping the local community to ensure it does happen.

Chairman

557. There is some suggestion that in some regional offices in the department-spend there is a bureaucracy that does not speed up and encourage some of these partnerships, are you happy about that?

(Mrs McDonald) No, I am not happy about that. That is part of the programme of improving what we are calling the chain of supply down the line through the regional offices to the community to ensure we have the right skills in place to make that delivery connection.

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[Continued

Chris Mole

558. Before the buck gets passed to much to some of the agencies in the regions are you confident that none of your targets might be producing conflicting requirements on them that actually slow down the process of making decisions about how they implement programmes?

(Mrs McDonald) I think hopefully not. There is always the possibility, and we need to watch that all of the time, that as new targets emerge from across Government they have to be welded in to some of the existing targets. At the level of the New Deal for Communities programme there is a lot of discussion about what that money is to be spent on.

Mr Cummings

559. Would you happen to know why the greatest underspend occurs in the poorest areas?

(Mrs McDonald) I am sorry if I did not explain it very clearly before. I think our real problem here has been that we got a lot of money allocated to us for the early years of the programme and ministers were collectively seeking a rather different kind of programme which did not provide a top-down set of criteria as to what the money had to be spent on but to allow people to come together within the neighbourhood and decide what their priorities were. We did not allow enough time for people to come together and do that and for us to work with them and help them and bring the local authorities and other players on side to develop the programmes to the point at which they started to spend the money, and that is why we have slippage over the period.

560. Why is this happening in the poorest areas, Permanent Secretary?

(Mrs McDonald) Do you mean the poorest NDC areas? They are all from the poorest wards.

Chairman

561. Can I take you on to two less controversial things, the Olympics and the Millennium Dome. As far as the funding for the Olympic bid is concerned how much will come from your Department's expenditure?

(Mrs McDonald) Ministers have yet to decide what they want to do about the Olympics and what the balance of resources for funding will be. I am not in a position to give you a direct answer to that at the moment.

562. You cannot even suggest the sums of money being talked about?

(Mrs McDonald) I think the press has covered some of figures which Tessa Jowell has put in the public domain and those are the ones that we are working to.

563. What about the Dome, what guarantee is there that the money turns up?

(Mrs McDonald) As you know the consortium who made the bid to take over the Dome and establish it as a permanent arena and to develop the rest of the peninsula have sought planning permission now for a package of proposals that

involve commercial and housing regeneration as well as leisure activities round the Dome area itself. To the best of my knowledge the consortium are still very enthusiastic about going ahead with that development and are hoping that the planning permission will come through in the time scale that enables them to get on with it quite quickly. As you know at the Planning Department are the final arbiter. We have to have Chinese walls in the Department about what we say. I am deliberately not on the planning side, I am on the promotional side of the Chinese wall, if I can just explain that.

564. What are the risks that it does not happen?

(Mrs McDonald) I suppose the first risk would be whether the consortium felt unable to accept any of the planning conditions that any of the relevant authorities wanted to put on them or whether some completely external factor changed their view about the returns they might expect from the development. To the best of my knowledge currently there is no reason to suppose that they have changed their minds about the opportunities to be obtained from redeveloping.

565. You have no risk assessment really of what is going to happen?

(Mrs McDonald) Certainly internally we have risk assessments but, as you will appreciate, the actual terms of what is in the deal are commercially confidential, so we are restricted to those things which we can talk about.

566. The cynic in me suggests that when you apply for planning permission for a big scheme you do not always intend to build all of it. How far is that covered in the contracts that exist for this?

(Mrs McDonald) The proposals for the peninsula which are in the public domain through the planning application do cover the whole peninsula. There has been a great deal of discussion with the local authority in Greenwich about what is required there and I think also several of the other key London players, including the Assembly. There is every intention amongst most of the players to see Greenwich developed as part of the broader East London Thames Gateway development over the next few years.

567. Are you satisfied that the least profitable, the least commercial, parts of it are going to be done first rather than possibly at the end if there is enough money left?

(Mrs McDonald) I think the plans include lots of different developments going on over the same time.

568. So you think you are going to achieve everything that is promised rather than part of it?

(Mrs McDonald) It is a long-term project. It will need careful managing by the developers and the risks will need to be reassessed by them as they move along and also the other parties. There will be a continuing interest, of course, in terms of some of the payback to English Partnerships, for example.

569. Are there penalties if some of the things that are promised are not delivered?

(Mrs McDonald) There are quite a lot of details in the plans that have been drawn up which are about the inter-relationships between English

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[Continued

[Chairman Cont]

Partnerships as one of the parties to the deal and one of the other players. I am sorry, I am not in a position to—

570. Perhaps you could let us have a note on the penalties for not completing the whole of the development.

(Mrs McDonald) I will let you have a further note certainly. As part of that note I may have to explain the restrictions of the commercial confidentiality at the moment in terms of what we can say publicly.

Chairman: I understand that. Thank you very much for your evidence.

MEMORANDA

SUBMITTED TO THE OFFICE OF THE DEPUTY PRIME MINISTER COMMITTEE

Memorandum by The Office of The Deputy Prime Minister (ANN 01)

REVISION OF MINERALS PLANNING GUIDANCE NOTE 6

I am responding to your recent inquiry about progress on the commitment on the revision of MPG6 given by Sir Richard Mottram to the Chairman of the Transport, Local Government and the Regions Select Committee on 16 January this year. (*Official Report, Evidence*, page 69 at 645-650).

The discussion on 16 January was about the revision of the national and regional guidelines for aggregate minerals, set out for England in Minerals Planning Guidance Note 6 (MPG6) published in 1994. In early August we issued a consultation paper on this, seeking views by 4 November on new guidelines for the period 2001–16. I attach three paper copies. The text is also available on our website at www.planning.odpm.gov.uk/conindex.htm.

We shall be carefully evaluating the comments received in the consultation period, and will take them into account in issuing an annex to MPG6 which replaces the 1994 guidelines with more appropriate, up-to-date figures. Subject to the issues raised by the consultation, we hope to be able to do this early in 2003.

Looking further ahead, the rest of MPG6 deals largely with national planning policies for mineral extraction which are of wider application than simply to aggregate minerals. Confusingly, much of the text in MPG6 is repeated or referred to in MPG1 (General Considerations), issued in 1996. Sir Richard alluded to this in his evidence (648).

We are therefore also proposing to revise MPG1 into a concise new general statement of mineral planning policies as part of the modernisation and streamlining of the planning system announced by the Deputy Prime Minister on 18 July (*Sustainable Communities: Delivery through Planning*, paras 18–19). Work on this text (to be known as Mineral Planning Statement 1 (MPS1)) is progressing and we aim to consult on it in the first part of 2003, and issue it later that year.

With general policy on mineral planning in place in MPS1, the need to duplicate this in guidance dealing with individual minerals will be removed. As other guidance on these is progressively reviewed, texts will be re-cast as technical annexes to MPS1. One of these will deal with aggregates in place of MPG6, and will carry forward the revised national and regional guidelines mentioned above. Further regular revisions of the guidelines can be accommodated by updating this part of a future Aggregates Annex, without needing to disturb the general principles of MPS1 where there is no other need to do so.

Memorandum by The Office of the Deputy Prime Minister (ANN 01(a))

NOTES REQUESTED BY THE COMMITTEE

Thank you for your letter of 1 October. Below are the responses to the questions raised by the Committee at the evidence session of 5 November. I hope these are helpful.

Please contact me if you have any further questions.

Selvin Brown

Q38

ROUGH SLEEPING STREET COUNTS

The full methodology used by local authorities is enclosed (see Appendix 1)

Street counts provide a useful “snapshot” of the numbers of people sleeping rough on a single night. It is recognised that those counted on a single night do not represent all those who may have experienced sleeping rough over the course of a year. Counts are designed to monitor those people who regularly sleep rough on the streets and because they are extremely thorough they are the most robust method for measuring the changing situation on the streets over time.

Methodology originally developed by voluntary sector and has been in use for many years (going back to early 1990s in London).

Despite occasional criticism, independent evaluation has shown consistently that counts are the most effective method for evaluating the changing levels of people sleeping rough.

Counts are run by local authorities and involve voluntary sector organisations, police and other volunteers.

They are just one of the tools by which we can gauge the effectiveness of the strategy on rough sleeping. Other information is also helpful in helping to make sure people are getting the help they need and other methods exist to measure wider forms of homelessness.

While general levels of homelessness have risen year on year, levels of rough sleeping have fallen:

1998—1,850.

1999—1,663.

2000—1,180.

2001—703.

2002—596.

Press reports which have suggested that the figures for the November 2001 London counts were fixed are based on the views of a minority of people—the principle instigators of these allegations are not directly involved either in the strategy to reduce rough sleeping, or in the counts. The independent voluntary agencies who do work hard to help rough sleepers and who conduct the counts have refuted the allegations categorically.

People seen wandering around who look as though they will sleep rough are recorded during counts but not included in the figure unless they are actually bedded down. This is essential to ensure that they are not double-counted. It also avoids including people who spend time on the street during the day but who return to accommodation at night.

Counts can be carried out wherever there may be a rough sleeping problem. This includes rural areas. Experience so far suggests that the methodology works just as well in rural areas as in urban areas. Counts have proved successful in a variety of areas because they are undertaken by homelessness agencies whose workers have knowledge of the most likely sites which people use to sleep rough.

Q47

See Appendices 2, 3 and 4.

Q49 AND Q50

SR2002 Floor Targets and relevant PSAs

NB this list only includes targets which have a specific focus on Neighbourhood Renewal objectives. A full list of departments' PSA targets can be found in the Spending Review 2002 White Paper, on the Treasury's website: www.hm-treasury.gov.uk

DfES

To sustain improvement in primary education by raising standards in English and maths so that by 2004, 85% of 11 year olds achieve level 4 or above, and, by 2006, the number of schools in which fewer than 65% of pupils achieve level 4 or above is significantly reduced. (PSA1)

Transform secondary education by raising standards in English, maths, ICT and Science in Secondary Education so that by 2004 75% of 14 year olds achieve level five or above in English, maths and ICT (70% in science) nationally and by 2007 85% (80% in science), and by 2007, the number of schools where fewer than 60% of 14 year olds achieve level 5 or above is significantly reduced. (PSA2)

Between 2002 and 2006 the proportion of those aged 16 who get qualifications equivalent to five GCSEs at grades A* to C rises by two percentage points each year on average and in all schools at least 20% of pupils achieve this standard by 2004 rising to 25% by 2006. (PSA5)

Increase the percentage of pupils obtaining five or more GCSEs at A*-C, with at least 38% to achieve this standard in every local education authority (LEA) by 2004.

Dh

By achieving agreed local conception reduction targets, reduce the national under-18 conception rate by 15% by 2004 and 50% by 2010, while reducing the level of inequality in rates between the worst fifth of wards and the average by at least a quarter. (PSA9)

Starting with Local Authorities, by 2010 to reduce by at least 10% the gap between the fifth of areas with the lowest life expectancy at birth and the population as a whole. (PSA11)

ODPM

Work with the full range of Government departments and policies to raise the levels of social inclusion, neighbourhood renewal and regional prosperity to promote better policy integration nationally, regionally and locally; in particular to work with departments to help them meet their PSA floor targets for neighbourhood renewal and social inclusion. (*New PSA*) (PSA1)

Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006. (Joint Target with HM Treasury and DTI.) (*SR2000 target rolled forward and amended.*) (PSA2)

By 2010, bring all social housing into decent condition with most of this improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups (*SR2000 target rolled forward and amended.*) (PSA7)

HO

Reduce crime and the fear of crime; improve performance overall, including by reducing the gap between the highest Crime and Disorder Reduction Partnership areas and the best comparable areas; and reduce:

- vehicle crime by 30% from 1998–99 to 2004;
- domestic burglary by 25% from 1998–99 to 2005;
- robbery in the 10 Street Crime Initiative areas by 14% from 1999–2000 to 2005; and maintain that level. (PSA1)

DTI

Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities: (PSA6)

Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006. (*Joint Target with ODPM and HM Treasury.*) (PSA7)

In the three years to 2006, taking account of the economic cycle, increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities. (*Joint Target with DWP.*) (PSA10)

DEFRA

Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2006, and improve the accessibility of services for rural people. (*New target.*) (PSA4)

DWP

Over the three years to Spring 2006, increase the employment rates of disadvantaged areas and groups, taking account of the economic cycle—lone parents, ethnic minorities, people aged 50 and over, those with the lowest qualifications, and the 30 local authority districts with the poorest initial labour market position, and significantly reduce the difference between their employment rates and the overall rate. (*Ethnic minorities part shared with DTI.*) (PSA4)

HMT

Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006. (*Joint Target with ODPM and DTI.*) (*SR2000 target rolled forward and amended.*) (PSA6)

Q56

Preliminary uncleaned results¹ from a survey of all established English LSPs, show that 23% (from a base of 196) have either abolished or significantly reduced meetings of pre-existing partnerships. Of these more than half have rationalised one partnership, a quarter have rationalised two partnerships, and a few have rationalised three partnerships.

¹ Survey of LSPs (not LAs) by OPM for the ODPM conducted in summer 2002. Results are preliminary in that data is currently being cleaned and several late questionnaires are being added. Publication expected in December 2002.

From these preliminary results, the most common types of partnerships to have been rationalised (total numbers rationalised in brackets) include:

- General/other (17).
- Regeneration (12).
- Health (11).
- Environment (7).
- Crime and disorder (6).

The research, however, clearly shows that LSPs have prioritised partnership rationalisation above partnership abolition. Indeed most LSPs see the former as a precursor to the latter.

Nearly all LSPs have made extremely good progress on formalising relationships with associated partnerships such as crime and disorder, local learning and health improvement partnerships. LSPs are progressing well on co-ordinating partnership processes ie sharing systems, responsibilities, plans and targets to reduce bureaucracy and produce better quality outcomes. There is clear evidence that LSPs recognise the need to establish proper processes and internal capacity before considering abolishing partnerships. Indeed the survey finds that 56% of LSPs plan to tackle partnership rationalisation in 2002–03, when further activity on process rationalisation is planned in 73% of LSPs.

Q67

Requirement for Quarterly Forecasting and Reporting on NDC Expenditure for 2002–03

(see appendix 1)

Purpose

1. The purpose of this note is to pull together the requirements for reporting on NDC expenditure and forecasts for 2002–03. These were set out in PN 2/2001 and the implications of resource accounting for 2001–02 year end were included in PN 4.2002.

2. This PN replaces PN 2/2001 and incorporates:

- A revised quarterly proforma to take into account quarterly spend in resource accounting terms as well as cash claimed.
- Requirements at the end of quarter one to account for actual 2001–02 expenditure.
- Requirements each quarter to explain the reasons why, and management action taken, if actual spend that quarter is 10% or more below the partnership's forecast for that quarter.

(A separate note will be sent to all Government Offices to explain how the data provided by NDC partnerships should be entered into the Department's new computer accounting system SAP.)

B. INTRODUCTION

3. PN 6/2002 "NDC Timetable and priorities for 2002–03" stressed the importance for the credibility of the NDC programme with Ministers and Treasury of ensuring that the re-profiled NDC expenditure provision is spent each year.

4. Provision for NDCs in 2002–03 is £171 million compared with the previous figure of £350 million. This is based on the Government Offices' estimate of each NDCs spend, which overall is some 25% below partnership's own estimates on which the 2002–03 funding agreements are based. This figure excludes the additional provision for VAT for partnerships unable to reclaim it via their local authority and the NDC support budget which together bring the total provision to £186 million.

5. Therefore the review in October of spend in the first half of the year and forecasts for the rest of the year is particularly important. This is the one opportunity in the year to increase provision if NDCs are on track to spend their full forecast of expenditure for the year.

C. WAYS TO IMPROVE FORECASTING—MAIN PRINCIPLES

6. As set out in PN 2/2001 a system of quarterly forecast returns is likely to provide better information to GOs than monthly ones. Quarterly forecasts can be linked to actual claims, which are quarterly in arrears, reflowing cash for the rest of the year on the basis of what actually happened in that quarter. Monthly forecasts do not have this link and provide an additional burden on partnerships. Although partnerships are advised to monitor their own progress more frequently internally.

7. Quarterly forecasts should be supplemented at year start and mid-year review by a more detailed project by project breakdown by theme. This provides detailed information for NDC/GO meetings. These meetings allow GOs to get a feel for the level of risk in the forecasts, the degree of any over programming and to

question project spend which looks unrealistic. In a programme such as NDC with a wide variety of projects and circumstances only a project by project assessment can provide a feel for the robustness of the overall programme forecast. From this information GOs can take a view on the realistic level of spend in the year. This is likely to be lower than that proposed by each NDC, as it will allow for some of the constituent projects to abort or slip out of the year. This is a common occurrence in all programmes. The GO figures are then used as the forecasts against which national NDC spend is measured and reported to Treasury. This is what was done for 2002–03 and 2003–04 in the January 2002 re-profiling exercise.

8. There is a natural tendency in forecasting to overestimate spend, as if too low a figure is used and claims at year end exceed this, the partnership or its accountable body would be “out of pocket” until the end of the first quarter of the next year.

9. This has been overcome by:

- (i) allowing GOs to vire provision between NDCs at year end whilst ensuring that over the 10 year period no NDC loses out on its overall provision.
- (ii) agreeing with DTLR Finance that should partnerships be able to spend in excess of the provision for the year extra resources will be made available following the financial review at the end of quarter 2.

10. Although GOs may use a forecast below that of the partnership, the annual funding agreements are based on the NDCs forecasts. This provides an incentive for NDCs to achieve their own forecasts.

D. DETAILED REQUIREMENTS

(i) *Quarterly Returns*

11. These are based on the previous quarterly returns but with the addition of resource accounting figures. (see Appendix 1 and section E below).

12. Partnerships should provide this to GOs by the eleventh working day of the month following the end of a quarter. GOs should then take a view of the returns and complete the minimum and maximum likely spend section and provide it to Andy Rudd in the NDC Programme section by the last working day of that month.

For 2002–03 the deadlines are as follows:

2002–03		<i>NDC partnership return to GO</i>	<i>GO return to NRU NDC Team</i>
End Q1	For 2002–03	15/7/02	26/7/02**
End Q2	For 2002–03	14/10/02*	31/10/02
End Q3	For 2002–03	16/1/03	31/1/03
End Q4	For 2002–03 and 2003–04	17/2/03*	28/2/03

* Appendix 1 and 2 information needed.

**This deadline had previously been 31 July 2002 but as an important internal meeting on the department’s quarter one spend has been set for 30 July 2002, it has had to be brought forward to 26 July 2002.

13. If a partnership finds that their spend in resource accounting terms (see section E) is 10% or more below their forecast for the quarter from their previous quarterly return, a short analysis of why this is the case and what remedial action is being taken in the light of it, will be needed by the NRU. This should also identify any projects, which are or were due to spend £0.5 million or more in 2002–03, which have slipped. GOs will be asked to provide this to NRU by the deadline dates above, either as a statement from the partnership or as a note following a “keeping in touch” meeting or a half yearly project review meeting. The purpose of this is to provide “defensive briefing” for Ministers and help counter allegations that NDC is underspending.

(ii) *Half Yearly Returns and Meetings*

14. In October and February more detailed information should be provided by partnerships to GOs and be followed by meetings to go through the partnership’s forecasts project by project.

15. The information provided should be the usual quarterly return as in Appendix 1 and an extended version of Table E in the delivery plan. Most partnerships have a version of this for their own internal use, which will be fine, provided it includes the following information. Alternatively partnerships could use the format at Appendix 2 if they wish.

Information required for each project within each theme:

- Project name.
- Project description.

- Quarterly cash flow and year total for revenue.
- Quarterly cash flow and year total for capital.
- Quarterly cash flow and year total for the whole project.

(At year start these figures will all be forecasts, for the Q1 return in July, they will be actuals for Q1 and forecasts for the rest of the year etc):

- Action Plan total for the project that year.
- Approved total for the project that year.
- Appraisal date, E if estimated, A if actual.
- Approved date, E if estimated, A if actual.
- GO approval date if relevant, E if estimated, A if actual.
- Comments on progress or other key dates.

These returns should be made to the GO to the same deadlines as the overall quarterly figures in October and February as set out in paragraph 12.

16. A meeting should then take place later that month between the GO and the partnership to go through the figures in detail. This will help inform the GO estimate of spend in each partnership. The October review will be used to take decisions as to whether to adjust each NDCs funding agreement provision for the year up or down to ensure it is adequate and achievable. The GO estimates of spend from this review will also be used to determine whether there is a need to seek additional funding for NDC from the Finance section.

17. At the meeting with each NDC the GO will look at the figures with partnership programme staff to get a feel for:

- Whether the individual project forecasts are realistic given issues that need to be resolved such as staffing, timing of appraisals, or on capital projects acquisition difficulties or planning permission timescale etc.
- The strength of the teams working up proposals under each theme. It is often the case that some teams are better staffed and more experienced than others.
- The degree of overall programme slippage applied by the partnership.
- The possibility of bringing in other schemes if ones identified abort or slip.

18. These meetings are also an opportunity for GOs to assist partnerships, by identifying where a Neighbourhood Renewal Advisor might be able to help assist the partnership on particular issues which are causing delays in programme delivery, or by speaking to local agencies who are not contributing as required to the work of the partnership. It is also an opportunity for GOs and partnerships to discuss how findings from the evaluation and the “what works” agenda has been incorporated into the programme.

It is suggested that this meeting be separate from the Mid Year Review and Annual Review, as it will concentrate on detail. However, information from it will be relevant to be reported at these reviews.

E. RESOURCE ACCOUNTING

20. In 2001–02 the DTLR moved from cash to resource accounting. Under cash accounting expenditure was counted and recorded in DTLR accounts when money was released from the Government’s bank account. Thus in 2000–01 NDC expenditure was recorded once a claim had been received following the end of a quarter and paid through the department’s computerised accounting system.

21. Under resource accounting expenditure is counted in DTLR accounts when the grant recipient carries out the activity which creates an entitlement to grant. Thus in 2002–03 NDC expenditure will be all payments which NDC partners have made between 1 April 2002 and 31 March 2003 even if this has not been claimed from and paid by the GO by 31 March 2003.

22. As NDC accountable bodies are not able to submit claims for each quarter without having received, checked and paid invoices for NDC expenditure, another method is needed to identify total NDC expenditure in resource accounting terms each quarter.

23. NDCs are therefore asked to submit the form attached as Appendix 1 each quarter by the deadlines set out in paragraph 12. This shows the total expenditure incurred by the NDC in that quarter as well as the amount claimed. In some cases this will be the same, but in others where the accountable body does not have all the information it needs to claim the full amount it will be less. Partnerships and accountable bodies will need to work together to complete Appendix 1.

24. By providing both figures we will know the expenditure in resource accounting terms (ie Actual spend) and also in cash terms (ie amount claimed). This will assist us in showing real NDC expenditure even when invoices are late and cannot form part of the claim to the GO.

F. RECONCILING 2001–02 QUARTER 4 CLAIMS AGAINST OUTTURN SPEND AS PART OF THE 2002–03 QUARTER 1 RETURN

25. As the NDC claim for the fourth quarter of 2001–02 has to be submitted by 3 March 2002 it had to include an estimate of spend during March. There is therefore a need to reconcile actual spend in Quarter 4 with the estimated spend and adjust the Quarter 1 payment from the GO up if outturn spend in 2001–02 exceeded the estimate or down if it was lower.

26. Details of how to do this are set out in form FED 1390 and its accompanying guidance, a copy of which is attached as Appendix 3 for ease of use. It should be noted that whilst actual expenditure in 2001–02 must relate to payments made by one of the partners in 2001–02, and there must be evidence that these payments were made in 2001–02, it is fine if the evidence relating to these payments was not received by accountable body until after 1 April 2002.

Q123

Q127

The Local Services Inspectorate Forum, which brings together the main Inspectorates of local government, recently established a working group to measure the amount of inspection activity in local authorities. This will provide the first set of comprehensive and consistent data across Inspectorates and will allow us to track change over time. This information has not existed to date. The work to get baseline data has not yet been completed, but there is some evidence that over the last 12 months some types of inspection activity have increased, in order to inform the overall comprehensive performance assessments (CPA) for all single tier and county councils.

The overall amount of inspection for single tier and county council will fall significantly over the next year, as we introduce a risk-based and proportionate approach, based on the CAP categories. The impact will vary from council to council, with those with the best CPA scores getting the biggest reductions. A programme of inspection activity will be agreed for each council in discussion between the inspectorates and with the council. This will produce a tailored inspection programme that supports each council's needs. It is important to remember that inspection cannot be simply classified as a "burden"—properly targeted it is a vital part of an improvement programme, which councils themselves find of value.

Local authority costs for Best Value inspection by the Audit Commission are met partly by fees and partly by grant from ODPM. Other Inspectorates do not charge fees.

The Commission set its 2002–04 work programmes and combined audit and inspection fee scales on 7 November. It will write shortly to local government bodies advising them of its decision.

Ministers have agreed the Commission's proposal that inspection fees should be increased by 4% over the two-year period (2002–04). The principle reason for the increase is the increasing cost of recruiting and retaining suitably qualified personnel to undertake inspection work.

The effect of the increase on the overall costs to local authorities will depend on the volume of inspection work arising from Best Value work and under the CPA regime during the period. The Commission has estimated that total fees should be reduced by around 12% based on the assumption that authorities that fall within the "excellent" and "good" categories as a result of their CPAs will require less inspection than authorities in the lower performance categories. This is, however, only a provisional estimate at this stage.

Q115

The former Department of the Environment, Transport and the Regions (DETR) commissioned KPMG to examine the lessons to be learnt from the experience of intervention in 1999. The results were published by DETR in two documents in November of that year: *Lessons Learnt From Intervention—The Literature Review* (ISBN 1 85112 338 5) and *Lessons Learnt From Intervention—The Case Studies* (ISBN 1 85112 337 7).

The Office of the Deputy Prime Minister (ODPM) sought views from a wide range of stakeholders on the effectiveness of intervention and its proposed policy in its consultation paper *Tackling Poor Performance in Local Government* published in August 2002 (Product Code 02LG00250). The responses will be made publicly available shortly.

In addition the ODPM has commissioned a major evaluation programme into current intervention by the Institute of Local Government Studies (INLOGOV) at the University of Birmingham. This will evaluate the outcomes of intervention and generate evidence to support future work in the field.

Q222

When discussing the Annual Report it was noted that a target had not been set for the number of days of sick absence for firefighters and control room staff. The average number of days for firefighters and control room staff were requested.

SICK ABSENCE STATISTICS FOR THE FIRE SERVICE

The target set for the reduction in sick absences was “To reduce sickness absence, and sustain improvement thereafter, in the Fire Service by 2005 to a level consistent with or better than those achieved by the best quartile of fire service employers in 1998–99 eg an average of 6.5 shifts for firefighters and 5.4 shifts for control room staff.”

Statistics for 2001–02 were not available at the time of publication of the ODPM Annual Report. The average number of shifts lost due to sick absence for firefighters was 10.0, and for fire control 13.5.

Memorandum by The Office of the Deputy Prime Minister (ANN 01(b))

Please find enclosed the notes requested following the evidence session of 20 November 2002 at which Lord Rooker appeared

Q288

The Committee asked for a note on where we are on updating Planning Policy Guidance. We have always had a rolling programme to update PPGs but we announced in the Planning Green Paper and repeated in the Deputy Prime Minister’s July Statement, that we will seek to reduce the volume of guidance and increase its clarity.

We expect to update most PPGs within two to three years. Some, like PPGs 3, 13, 17 and 25 have only recently been updated; PPGs 6, 15, 16, 21, 22 and 23 are (or will shortly be) under review. Reviews of PPGs 7, 11 and 12 are in prospect, in the two latter cases in consequence of implementing the reforms proposed in the Bill.

Let me make it clear that the term “review” here does not necessarily mean that we will be making any policy changes. In many cases, the updated policy statement will confirm existing policy but we will want to ensure that our guidance is fit for purpose and fully supports our reforms to the planning system.

Q293

BUILDING ON FLOOD PLAINS

In how many cases did local planning authorities re-consult the Environment Agency on cases where they were minded to go against Agency advice?

Of 288 cases approved against the advice of the Environment Agency (out of around 24,000 that they considered), the Agency were re-consulted on 25 cases in 2001–02 (ie 10%). However, as the high-level target report indicates, the principle of re-consultation is a new element that was introduced by PPG 25 partway through the year. It will take time to bed in, and there is already a significant number (49, or 17%, of approvals) of delayed responses to consultation. Re-consultation would introduce further delays that authorities could consider would jeopardise their achievement of targets for decision-making. Since 67% of the approvals had conditions attached for the mitigation of identified flood risks, authorities may, in some cases, have considered that there was no need to re-consult the Agency. However, the Agency reports that for over half of the approvals, conditions failed to overcome the flood-risk objections. We will consider carefully the extent to which re-consultation is reported in future high-level target reports, and whether further action is needed.

Which three cases involved the highest number of housing units?

The three applications approved against Environment Agency advice with the largest number of residential units were for:

- 139 dwellings on a site in Boston, Lincolnshire;
- 114 one-and two-bedroom flats and penthouse apartments over semi-basement parking in Bristol; and

- 55 dwellings, garages and formation of access in Sedgemoor, Somerset.

In all three cases, the Agency's objection was on the grounds that no flood risk assessment had been submitted in accordance with the advice in PPG 25. We do not have the information to judge whether such an assessment would have resulted in the Agency's objection being withdrawn. The reasons given by the local planning authority for over-ruling Agency advice were reported by the Agency as economic (need for jobs/business) in the case of Boston and an unspecified "Other" reason in the cases of Bristol and Sedgemoor.

Which three local authorities over-rode Environment Agency advice on the most cases last year?

The authority that approved most applications against the advice of the Environment Agency was South Holland District Council in Lincolnshire, which approved two major applications and 27 minor applications. The major applications were for:

- agricultural development—extension to existing glasshouse; and
- offices/light industrial development—new 40,000 square feet storage/office facility.

In both cases the objection was based on the lack of a flood-risk assessment as advised in PPG 25 and no reason was provided for over-ruling Agency advice.

The minor developments were almost all single-dwelling or householder developments. Objection in all cases was based on the lack of a flood-risk assessment and in all but six cases, where no reasons was provided, the authority's reason for over-ruling Agency advice was that the objection was received outside the consultation period.

Two other authorities, Spelthorne and Runnymede District Councils (Surrey, in the Thames Valley) over-ruled the agency in 13 cases.

Spelthorne had six major cases comprising:

- demolition of existing dwelling and erection of larger replacement dwelling;
- redevelopment of football stadium;
- demolition of existing building and erection of four dwellings;
- detached dwelling;
- extension to marina with living accommodation; and
- demolition to existing buildings and erection of four dwellings.

Reasons for objection were the impact on flood-water storage in all cases and risk of flooding (to/on the development) in the last four cases. Reasons for over-ruling Agency advice were that a previous permission set a precedent, except for the third case, where the reason stated was Other—replacing commercial premises with residential.

Spelthorne also had seven minor applications, five extensions, one conversion of agricultural building to office use and one conversion of garage to habitable accommodation. Reasons for objection were impact on flood-water storage in all cases plus risk of flooding (to/on the development) for the garage conversion. Reasons for over-ruling were that previous permission set a precedent in all cases.

Runnymede approved 13 minor developments against Agency advice. These included four single dwelling, seven extensions/ conservatories, a social centre and a certificate of lawfulness for existing use for storage of materials and equipment. Objections in all cases were on the risk of flooding (to/on the development). Reasons for over-ruling Agency advice were "Social" (need for facilities) in the case of the social centre, the precedent of previous permission for one of the dwellings and unspecified "Other" reasons in all other cases.

How does the fact the majority of the 24,000 applications for development on flood plains were approved without objection fit with the overall presumption against building on the flood plain?

There is no overall presumption against development on the flood plain (as defined by the Environment Agency's indicative flood plain maps). Care has to be used in the use of this term. It is the area defined by the Agency on their indicative maps as at 1% risk of river flooding (the 100 year return period) or at 0.5% risk of coastal flooding (the 200 year return period)—and therefore twice as rigorous, reflecting the higher potential hazards should tidal flooding occur). This term must not be confused with the functional flood plains or washlands in a river basin, where water needs to flow freely outside normal watercourses and rivers in time of flood. It is in these areas that PPG25 states built development should be wholly exceptional, and limited to essential transport and utility infrastructure that has to be so located.

Without this essential distinction, applying a presumption against development in the whole of the defined flood risk areas would prevent any development taking place in many areas, creating extensive and permanent blight. It would have excluded recent development in large parts of London, including Tate Modern, the Greenwich Dome and Portcullis House, as well as and development in the city of Kingston upon Hull, and many other town centres. Roughly 10% of the land area of England, its population and its present housing stock are already in these defined areas. Almost the whole of the area between Lincoln and Cambridge is

affected. This is not an issue raised simply by the location of new development, but by the cumulative pattern of settlement and built development in England since Roman times.

In response to these realities, the policy in PPG 25 is risk-based. It gives priority to development in lower-risk areas. In higher-risk areas, the potential effects of flooding have to be taken into account and the priority is to concentrate development in those areas that are already developed—and often defended to an adequate standard—and to ensure that a minimum standard of defence is provided for such development. Undeveloped and sparsely developed areas are generally unsuitable for major new developments, but even here it is recognised that some development has to be located there, particularly in the large areas of eastern England and in some areas elsewhere, where virtually all the land is in the high-risk zone. However, where the flood plain is unobstructed and undefended and functions naturally to accommodate excess water in times of flood, built development should be wholly exceptional. This is in line with the views expressed by the ETR Select Committee in its December 2000 report and the Government's overall flood management strategy, which seeks to prevent inappropriate development in areas vulnerable to flooding.

The Agency considered about 24,000 applications on flood-risk grounds in 2001–02. Many of these would have been in areas where a proper appreciation of the risks indicated that there was no bar to the development proceeding—eg it was not at risk of flooding and did not increase risk elsewhere. This could arise because it was outside the high-risk zone or was adequately defended. In addition, a large proportion of these applications would have been for householder developments such as extensions, conservatories or garages, where there would be no increase in risk of flooding as a result of the development. It would thus be perfectly reasonable for a flood-risk assessment to conclude that those developments should proceed.

301

In 1999, the Department at that time funded the Planning Officers Society, with the Local Government Association, and other organisations, to draw up a good practice guide on planning and best value. What has happened to that report?

The Planning Officers Society's (POS) *Guide to Best Value and Planning* was first published in loose leaf format in May 2000. The Guide, part funded by the then DTLR, provided detailed advice relevant to all planners on issues relating to Best Value and the requirements of the regime in an easy to use, accessible format. This included case studies and practical examples of how Best Value principles have been applied.

In the light of experience gained from implementing Best Value and after extensive consultation with stakeholders, a revised version again part-funded by ODPM, was officially launched by Tony McNulty last July. Unlike the first guide, it is a web-based document rather than a paper publication, this means it is available to anyone with internet access. It also means the Guide can be rapidly updated to draw in any emerging issues. Recent updates cover the introduction of Comprehensive Performance Assessments and the progress of e-planning. The guide can be found at the POS website.

(www.planningofficers.org.uk)

The Society has also produced a series of papers defining an aspirational comparison of what the best planning service should be like, known as the *Moving Towards Excellence* matrices. These papers, which are also part-funded by the ODPM, derive from the Audit Commission's benchmark of a first rate service. There are currently four matrices in this series focussing on Development Control, Planning Policy, Minerals and Waste Planning and Design and Conservation respectively. POS are currently working to consolidate these matrices into a single document before looking to update the matrices in response to the planning reform agenda next year.

We are happy to work with our stakeholders on these worthwhile projects. POSs membership, consisting almost exclusively of former and existing Chief Planners, are in an unique position to provide informed, relevant and practical advice.

Q314

Whether or not long-term benefits have been achieved as a result of the European Structural Funds (Q314)

The simple answer is that we do not know for certain, the quantum of long-term benefits—bearing in mind that, in the broadest terms, Structural Funds interventions bring benefits that may be intangible. However, there are tangible end-products associated with support from the Funds. These can take the form of long-term additions to national infrastructure, such as investment in sites and facilities for industry and business; capital works associated with vocational training; infrastructure projects which aid regional economic development; tourism and cultural projects; environmental protection and improvement measures which are linked to regional economic development. Some interesting examples are mentioned at Annex A.

In any event, the results and outputs of Structural Fund-supported projects are measured. Regular reports are made to the European Commission, and the contents are considered both here and in Brussels. However, this process gives a less than precise assessment of the long-term benefit of Structural Funds, since overall

figures for the number of infrastructure projects completed or people employed does not accurately reflect the specific impact of EU funding.

In order to use Structural Funds, there is a requirement for match funding to come from domestic sources. This means that to attribute certain outcomes to Structural Funds alone, the various strands of funding that go into any one project would have to be disentangled and their effects identified.

Structural Funds experts have differing views of the long-term benefit of this EU funding. A DTI/ODPM-commissioned study concluded in June this year that a robust assessment of the impact of Structural Funds would be very difficult. However, in an effort to try to shed light on this question, the DTI and ODPM are in the process of commissioning further research into the added benefits and costs accruing from Structural Funds. It is expected that this work will be completed in July next year.

BACKGROUND

Further to the observation that Structural Funds experts have differing views of the long-term benefit of this EU funding: some assert that there are both tangible and intangible benefits, such as larger and more successful projects or improved partnership working. Others assert that Structural Funds provide additional finance but bring with them disadvantages such as diverting funding away from other priorities.

It should be borne in mind that Structural Funds eligibility maps have been redrawn for the post-1994–99 (ie 2000–06) programmes, leading also to transitional regions where eligibility is planned to taper off. This is supportive of the view that structural funds have been of benefit in many regions.)

The European Commissioner are conducting ex-post evaluations of Objective 1 and 2 programmes across the EU, and this includes Member State evaluations for some of the programmes. The final versions have yet to be published, but they will be publicly available.

Annex A

EUROPEAN STRUCTURAL FUNDS: SOME ACHIEVEMENTS

Between 1994–99 the UK received nearly £9 billion in European Structural Funds. These supported a huge range of projects across the country. Here are some examples.

NORTH EAST

Helping to develop the North East Micro-Electronic Institute—Centre for Advanced Industries in North Tyneside. This a project to support companies involved in advanced engineering across the region.

NORTH WEST

Helping to build the Lowry Centre in Salford Quays. This houses theatres, art galleries and conference facilities, and was built on derelict land. A further EU grant was used to extend the Metrolink network to Salford Quays and Eccles, which is helping to relieve traffic congestion and reduce pollution. In Cumbria, Nenthead Mine Heritage Centre received ERDF funding to improve the historic buildings and landscape of one of the country's lead mining areas, encouraging tourists to explore the natural and industrial heritage of the Northern Uplands.

YORKSHIRE AND HUMBERSIDE

European funding helped to convert a redundant steel mill into MAGNA, a hands-on science adventure centre, near Sheffield.

EAST MIDLANDS

European Structural Funds helped to convert three historic textile mills in North Derbyshire to provide accommodation for 100 businesses, in an area formerly dependent on coal mining and textiles.

WEST MIDLANDS

European funding helped to build the Midland Metro system. This is a rapid transit system to improve access to employment for disadvantaged areas and reduce traffic congestion.

EASTERN ENGLAND

The Regional Centre for the Advancement of Manufacturing and Technology (AMT) in Essex received EU funding, to help local small businesses become more competitive. The AMT has already helped over 300 companies, creating or safeguarding more than 200 jobs.

SOUTH EAST

The Thanet area received £14 million in European funding between 1997–99, to help develop enterprise, improve access to jobs and training and expand tourism.

SOUTH WEST

Organisations in Dorset have received EU funding for training projects. The Exmoor Leader project received funds to help local people develop small-scale projects to improve local tourism, agriculture and business.

Q 326

Estimates for the Gypsy/Traveller population in the United Kingdom range between 90,000 and 120,000. The majority are in England. There are uncertainties partly because of different possible definitions, but mainly because of an almost total lack of information about the numbers of Gypsies and Other Travellers who live in houses or flats.

An unknown number of Gypsies and Travellers—perhaps around half—live in houses. At the other end of the scale, some live in caravans and travel all year round with no settled base, moving between unauthorised “encampments”

Our statistics for July 2002 showed 14,200 Gypsy Caravans. The statistics also show there were approximately 8,960 families made up of 18,300 adults and 12,100 children.

These statistics are very crude because of the difficulty in collecting the data—in fact often these are educated guesses on the part of the local authority who collect the data.

We are aware of the short comings of the data we collect and will be commissioning some research in the new year to look at what statistics we collect, how we collect it and how we can improve both the type of data we collect and how it is collected.

Gypsies and Travellers are not the only group of people who live in Caravans for example non-gypsies/travellers living in static caravans or mobile homes.

Q 327

You referred to the Government response to your predecessor Committee’s report into Tall Buildings and asked what was meant by “...One of these is that high rise buildings generally require smaller sites than low rise buildings with big floorplates offering an equivalent amount of space.” The context for the remark, which appears in the Government’s response to recommendation (a), is the perceived benefits of tall buildings as highlighted by proponents.

For example in the memorandum submitted to the Committee by the British Property Federation reference was made to:

“the current manifest demand for big buildings, with some users looking for as much as one million square foot. If such a building were to be accommodated in the traditional seven/eight storey City building, (and sites actually existed in the area to accommodate a building of such a floor plate), it would cover an area of around 15,000 square foot, creating enormous travel distances on each floor and reducing flexibility in arranging adjacencies between departments that work in network.”;

and in the memorandum from the Sellar Property Group:

“A typical requirement would lie between 400,000 square foot and 750,000 square foot. Such requirements can be met either by building tall buildings or lower “groundscrapers” with significantly larger floorplates. The excessive floor areas of many ground scrapers result either in a slab block arrangement such as seen at Croydon, or in a deep plan arrangement depriving most occupants of any contact with the outside world.”

and Montagu Evans referred to:

“a tall building can, in itself significantly enhance the densities of commercial floorspace that can be achieved on a site.”

Q 339

How much do you think small businesses have lost out in the first year, in terms of funds they might not have received and have not done so, in all the areas where grants are available?

During the period 2000–01 a total of £327 million was allocated to measures in Objective 1 and 2 programmes supporting small businesses. However, owing to the long delays in getting the Objective 2 programmes approved by the European Commission, none of them actually spent any money before the end of 2001.

Nevertheless, as the Committee has previously been advised, this money has not been lost, but has been rolled forward into subsequent years. It is therefore incorrect to refer to businesses as losing out. Up to the end of October, some £74 million has been spent in Objective 1 and 2 areas under these business support measures, and it is expected that this rate of spend will accelerate over subsequent years.

BACKGROUND

The 2000–01 ERDF funds recorded as unspent are not lost to the programme. The English Objective 2 programmes were not approved until March 2001. The Commission has agreed that these programmes have until the end of 2003 to spend the allocations for 2000 and 2001.

Thereafter, provided annual spending targets set by the EC are met, ERDF underspend may be carried forward into subsequent years. In the same way, ERDF expenditure allocated by the EC to English regions for the period 2000–06 are available to be spent until the end of December 2008.

EC Regulations impose annual spending targets from the third year following the start of each of these programme using a formula referred to as “N+2”. Failure to meet the target will result in the EC reducing (“decommitting”) the allocated funds by the amount of the shortfall. This is designed to encourage a more even flow of expenditure and full take-up of the available funds. The UK has supported this approach consistently as part of its wider policy of seeking to ensure proper use of Community resources.

The three English Objective 1 programmes have made good progress and met their 2002 N+2 targets for ERDF. Because the Objective 2 programmes were not approved until March 2001, their N+2 target bites for the first time at the end of 2003. No money will be lost before this date.

Mainly because of the late start, spending on these programmes is slow at the moment and progress needs to improve to reach the level necessary to meet the 2003 target. Objective 2 programmes have currently spent between 1.6% and 36% (an average of 9.6%) of their N+2 target for the end of 2003.

EC Regulations impose annual spending targets from the third year following the start of each of these programme using a formula referred to as “N+2”. Failure to meet the target will result in the EC reducing (“decommitting”) the allocated funds by the amount of the shortfall. This is designed to encourage a more even flow of expenditure and full take-up of the available funds. The UK has supported this approach consistently as part of its wider policy of seeking to ensure proper use of Community resources.

Objective 1 and 2 ERDF programmes support a wide variety of measures, including small businesses. The attached table shows the current rate of spend on the small business support measures in Objective 1 and 2 programmes.

NEW TOWNS—POINTS ARISING FROM URBAN AFFAIRS SELECT COMMITTEE

1. At the 20 November meeting of the committee I offered to write to you on two points after seeking further information from officials and English Partnerships.

Sub soil rights

2. The Committee asked about sub-soil rights, and in particular referred to EP having to be consulted whenever a road is being dug up in Harlow. The majority of EP’s sub-soil interests were inherited from development corporations and remains with EP when Local Authorities adopt roads or highways. The Local Authority only adopts sufficient depth to maintain the highway with the sub-soil beneath remaining with EP.

3. Although it is an exaggeration to say that EP must be consulted whenever a road is dug up in Harlow the residual sub-soil rights do require EP to be consulted when highways are proposed for closure and alternative use, for example in town centre pedestrianisation schemes or road closures to aid regeneration projects.

4. EP is keen to divest itself of these minor rights and liabilities and has approached ODPM for a response on this. Managing these responsibilities is problematic and time-consuming for EP who believe matters could be better managed by the relevant Local Authority to the benefit of the local community. Ministers will be considering EP’s letter shortly.

Stock Transfer

5. The Committee asked for confirmation that in Telford the stock transfer was in danger of bankruptcy because of a premium payable to EP every time a home is bought through right to buy. The issue here relates to clawback rather than a “premium” of the sort described. Telford and Wrekin Council purchased the housing from the former Telford Development Corporation at a discounted value (usually about £6,000 per property). When the housing stock subsequently transferred from the Council to the Housing Association (ie, stocktransfer), EP agreed that this did not trigger clawback, the clawback therefore transferred with the housing. When the property is sold under right to buy legislation, the value over and above the purchase price, legal costs and administration costs must be refunded to EP in accordance with HM Treasury requirements.

6. ODPM recently published a Housing Consultation paper suggesting that local authorities could make use of 100% of receipts from housing related assets for regeneration purposes. Similarly, Housing Associations which make use of Housing Corporation funding together with their own capital are able to pool right to buy receipts for re-investment since 1997. Under the Treasury rules it would not be possible to include clawback in these arrangements. However EP and the Housing Corporation would support a change to these arrangements, and indeed, in their Memorandum of Understanding this policy is particularly mentioned as an area where both parties will use best endeavours to facilitate change. We shall be discussing this issue further with Treasury.

David Lunts

Q 256 AND Q 280

It will be made clear to local authorities that there is no presumption in favour of extending retail and housing planning permissions when they expire (Q256); and

Clause 46, sub-sections (3) and (5) of the Planning and Compulsory Purchase Bill prevents an extension to the agreed period of validity without the submission of a new application.

Subsection (3) amends provisions for a developer to apply for permission to develop land without complying with a condition previously attached. It prevents a local planning authority from granting planning permission just to extend the time within which a development which has previously been granted planning permission must be started, or an application for reserved matters must be made. If a developer wishes to extend the time, he or she must submit a new application for planning permission and the local planning authority will need to consider the entire application afresh. Subsection (5) prevents a local planning authority from varying or discharging a condition relating to the period in which listed building or conservation area works must be started.

The transition arrangements for Local Development Plans to Local Development Frameworks (Q280).

Clause 84 of the Planning and Compulsory Purchase Bill introduces Schedule 5, which sets out transitional arrangements. These arrangements concern various plans made under the Town and Country Planning Act 1990. Existing plans will retain development status (ie be “saved”) for three years from the commencement of the relevant provisions of the Bill or until the adoption. Publication or approval of a new policy to replace the relevant plan. Most plans in preparation when the relevant provisions of the Bill are commenced will continue to adoption and will be saved for three years from the date they are adopted. The exception to this is proposals which have not reached statutory or first statutory deposit stage. The preparation of these proposals would cease and, wherever possible, the work undertaken would be adapted to assist in the preparation of local development frameworks.

In addition to this, guidance has been provided to all local planning authorities on the implications for development plans of the Bill and is available on the ODPM website.

LOCAL GOVERNMENT*Council tax records*

Clause 85 of the Local Government Bill currently before Parliament will give local authorities the power to use council tax information for empty homes purposes. Subject to parliamentary approval, This clause would come into effect two months after Royal Assent of the Bill.

Note on Local Government white paper

CPA scores will be refreshed next year. The Audit Commission will be discussing the format for this with stakeholders, and will be putting forward proposals early in 2003.

New performance data available in 2003 will be used in the refresh. CPA categories will not change until the refresh takes place.

Briefing for the ODPM Select Committee**THE PROGRESS OF THE 105 COMMITMENTS SET OUT IN THE NATIONAL STRATEGY
FOR NEIGHBOURHOOD RENEWAL ACTION PLAN**

The Neighbourhood Renewal Unit has been asked to answer whether we are on track to meet all 105 commitments as set out in the National Strategy for Neighbourhood Renewal Action Plan.

BACKGROUND

The National Strategy for Neighbourhood Renewal Action Plan was prepared by the Social Exclusion Unit and published in January 2001. Within this Document, 105 commitments were set out. The commitments are mainly targets for other Government Departments and can be divided into the following these:

- Tackling Worklessness and Supporting Weaker Economies.
- Tackling Crime.
- Improving Skills/Education.
- Tackling Poor Health.
- Tackling Poor Housing and Physical Environment.
- LSPs and Neighbourhood Interventions.
- Government Support/Delivery.

The Neighbourhood Renewal Unit was created in April 2001 to lead on taking the Action Plan forward and is responsible for driving, and monitoring, progress across Government.

Are we on track to meet all 105 commitments of the National Strategy for Neighbourhood Renewal?

Of the 105 commitments (listed in full in Annex B). 14 have been met, one has been rendered obsolete, and 81 are on-track to be met with no problems envisaged. There are, however, outstanding issues with regard to meeting the remaining nine commitments. These are listed, with a summary of the latest progress, in Annex A (together with the commitment rendered obsolete) and the Neighbourhood Renewal Unit will continue to work closely with other departments in order to resolve any issues that may hinder progress towards meeting these commitments.

Annex A

THE NINE COMMITMENTS WITH OUTSTANDING ISSUES THAT ARE BEING RESOLVED (*continued*)

<i>No. Commitment Summary</i>	<i>Summary of Progress</i>	<i>Lead Team</i>
13 New Universal Banking Services (UBS), to be run through the Post Office (PO) network	Contracts are signed between spending departments and PO Ltd, and between PO Ltd and its contractor, for providing a PO card account. Negotiations are continuing with the banks about terms of access to basic accounts through POs, and UBS remains to be finalised.	NRU's Policy Advisors/DWPP
14 Credit Unions to be promoted in deprived areas by the Central Services Organisation (CSO)	The treasury maintains regular contact with the Association of British Credit Unions Ltd and others who are working to establish a CSO Action under this particular Commitment cannot commence until a CSO has been brought into being	NRU's Policy Advisors/HMT
16 Encouragement of Local Strategic Partnerships (LSPs) and Neighbourhood Management pathfinders to experiment with local retail strategies	There has been little progress with regard to this issue but Stage Two Guidance to Neighbourhood Management Pathfinders drew attention to Policy Action Team (PAT) 13 material about local retail strategies, inviting them to consider whether they might be pursued as part of area strategies.	NRU's LSP Team/NRU's Neighbourhood Management Team
34 No school to have fewer than 25% of pupils getting five GCSEs at A*-C and no LEA to have fewer than 38% of pupils reaching this standard (by 2006)	There are still a number of schools and several LEAs not achieving these challenging targets. However, action to support raising GCSE attainment has been extended to all schools facing challenging circumstances. The package of support includes additional funding plus access to advice and good practice.	NRU's Policy Advisors/DfES
67 Baseline assessment of number of dwellings and number and location of wards affected and at risk from low demand and unpopular housing	Research is on-going to explore the feasibility of local authorities and other holders of housing data assembling it at the ward level. This will help establish the extent of low demand problems in their areas and enable tracking of the changes over time. If the feasibility study shows it to be viable, we expect to proceed to complete a baseline assessment in 2003.	NRU's Policy Advisors/ODPM

THE NINE COMMITMENTS WITH OUTSTANDING ISSUES THAT ARE BEING RESOLVED (*Continued*)

<i>No. Commitment Summary</i>	<i>Summary of Progress</i>	<i>Lead Team</i>
79 Air Quality Strategy targets	The current projections with regard to certain pollutants suggest that the targets may not be met. However, the deadlines are not for several years. Already over 100 local authorities have declared Air Quality Management Areas (with a further 60 expected to follow suit shortly) and accompanying air quality action plans should deliver significant benefits.	NRU's Policy Advisors/DEFRA
89 Requirement on LSPs to seek out as well as welcome resident involvement	This commitment will be covered in the LSP Accreditation Guidance, and will be monitored as part of the accreditation process. There is, however, concern about community involvement in certain LSPs.	NRU's LSP Team
91 Support for faith organisations	There have been difficulties in financially supporting faith organisations but the NRU's Community Participation Team will be revising guidance on the Community Empowerment Fund and Community Chests to ensure money gets to faith groups. In addition, the Team is looking to help support a faith-based regeneration network, and will be working with the UPU, who lead on faith issues for the Department. The NDC programme is also beginning to pilot a Faith Communities project in Bradford, Tower Hamlets, and Wolverhampton.	UPU/NRU's Community Participation Team/NRU's NDC Team
101 A People's Panel for deprived neighbourhoods to be considered	The People's Panel has been discarded so the NRU is now considering a suitable alternative.	NRU's Policy Advice Team
87 If Neighbourhood Renewal Fund needs to be withdrawn from an area as a result of poor LSP performance, money will reach the area by other means	<p style="text-align: center;">THE ONE RENDERED OBSOLETE</p> Ministers decided that poor performing LSPs would have their allocations reduced until performance improved rather than withdrawing it entirely. As such this commitment is no longer relevant.	

Annex B—The Table showing the 105 Commitments

Those in bold have been met

<i>No.</i>	<i>Commitment</i>	<i>Commitment met?</i>	<i>Timing</i>
1	To have lower worklessness, better, skills, less crime, better health and better housing and physical environment in all the poorest neighbourhoods and to narrow the gap between England's most deprived neighbourhoods and the rest of the country		10–20 years
2	Targets and more flexible and greater funding for Regional Development Agencies (RDAs) (Around £500 million more per annum by 2004)		2001–04
3	Seamless service to large employers wanting to set up large-scale local enterprise		On-going
4	Target to increase economic performance of every region		2004
5	New Deal for Market Towns		On-going
6	Community Investment Tax Credit		Consultation in progress
7	Community Development Venture Fund		Consultation in progress
8	Index of Inner City Businesses and City Growth Strategies		On-going
9	Business Brokers in some of the 88 most deprived areas	Commitment met	2001
10	Small Business Service (SBS) priority to help enterprise in deprived groups and areas		On-going
11	£96 million Phoenix Fund to help boost enterprise in deprived areas		2000–04
12	Regional venture capital funds in every region		On-going
13	New Universal Banking Services, to be run through the Post Office network		On-going
14	Credit Unions to be promoted in deprived areas by the central services Organisation		On-going
15	£15 million fund to help post offices in deprived urban areas to develop retail facilities		2001–04
16	Encouragement of Local Strategic Partnerships (LSPs) and Neighbourhood Management pathfinders to experiment with local retail strategies		2003
17	Making the New Deal permanent	Commitment met	April 2001
18	Making work pay via Minimum Wage, tax credits and benefit reform		On-going
19	Setting up a Working Age agency from the Employment Service and the working age elements of the Benefits Agency		2001
20	32 Action Teams for Jobs in high unemployment areas		2000
21	Target to increase employment for most disadvantaged groups		2004
22	Improve initial labour market position of 30 areas		2004
23	Innovation Fund, covering 11 inner-city areas, to support community and voluntary organisations in linking people with work		On-going
24	£379 million extra for childcare, targeted on deprived areas		2001–04
25	Promotion of social inclusion to be a key element in Local Transport Plans		On-going
26	£40 million Urban Bus Challenge scheme to help set up bus services to deprived urban areas		2001–04
27	Reduce domestic burglary by 25%, with no local authority area having more than three times the national average rate		2005

<i>No.</i>	<i>Commitment</i>	<i>Commitment met?</i>	<i>Timing</i>
28	Crime and Disorder Reduction Partnerships (CDRPs) to lead on tackling anti-social behaviour (ASB)		On-going
29	CDRPs to have strategies to improve the reporting of racist incidents		On-going
30	£18.5 million to support Neighbourhood Warden schemes, and start new ones		2000–04
31	Major gearing-up of young people's and adults' drug treatment programmes		2001–04
32	Strengthened and rationalised Drug Action Teams to lead fight against drugs		On-going
33	Various targets on reducing drug demand and supply		2001–04/05
34	No school to have fewer than 25% of pupils getting five GCSEs at A*-C and no LEA to have fewer than 38% of pupils reaching this standard		2001–04
35	Extension of Excellence in Cities to cover 2,000 schools		2001–04
36	£32 million from School Improvement Grant to help 500 schools improve their performance		2001–02
37	Special help for the most seriously under-achieving schools		On-going
38	£240 million to finance Study Support. A Study Support entitlement to be set		2001–04
39	National literacy and numeracy target to be set	Commitment met	2001
40	At least £600 million to tackle truancy and school exclusion		2001–04
41	Pupil Support Allowance		2001–04
42	Development of neighbourhood learning centres		2001–04
43	£252 million to establish 6,000 UK online centres by 2002. Every deprived area to have at least one accessible, community-based facility	2002	
44	Every public library to have internet access (where practicable)		2002
45	New Adult Basic Skills National Strategy, to improve the basic skills of 750,000 adults		2001–04
46	£1.4 billion for Sure Start, to reach a third of children in poverty, and help them be ready to thrive at school		1999–2004
47	Connexions Service to be launched in 16 areas from April 2001	Commitment met	2001
48	Halve teenage conceptions by 2010		On-going
49	£450 million Children's Fund to tackle poverty and disadvantage in children and families		2001–04
50	A new Cabinet Committee on children and young people, supported by a new unit in DfEE	Commitment met	On-going
51	Quality protects programme		1999–2004
52	Social inclusion targets in funding agreements between DCMS and sponsored bodies	Commitment met	On-going
53	Ensuring fairer share of National Lottery resources for deprived areas		On-going
54	£750 million Lottery-funded programme to enhance school sports facilities, especially in deprived areas		2001–04
55	12 Creative Partnerships to be set up in deprived areas		2004
56	200 extra Personal Medical Services schemes, mainly in deprived areas	Commitment met	2001–04
57	Modernisation of primary care premises (with £1 billion) especially in deprived areas		2001–04
58	New incentives to recruit and retain good primary care staff in deprived areas	Commitment met	To be confirmed

<i>No.</i>	<i>Commitment</i>	<i>Commitment met?</i>	<i>Timing</i>
59	A free and nationally available translation and interpretation service will be available from all NHS premises via NHS direct		2003
60	Target for reducing smoking during pregnancy and across the board		2010
61	National School Fruit Scheme pilots	Commitment met	On-going
62	NHS Performance Assessment Framework		2001
63	Health inequalities target to be set	Commitment met	2001
64	Extra £1.6 billion for housing, to help achieve target for improving housing (all social housing to be decent by 2010, with 33% improvement by 2004)		2001–04
65	Innovative ways of increasing investment in housing		On-going
66	Extra £872 million for new affordable homes		2001–04
67	Baseline assessment of number of dwellings and number and location of wards affected and at risk from low demand and unpopular housing		March 2002
68	Monitor low demand and abandonment with the aim of achieving a turn round in declining demand		2010
69	Extra £80 million for housing management, from unfreezing of management allowance		2001–04
70	Extra £12 million to enable local authorities to establish tenant participation structures	Commitment met	2001–03
71	Modernisation of financial framework for local authority housing		On-going
72	A wider role for Registered Social Landlords (RSLs)		On-going
73	£11 million to help local authorities pilot choice-based letting systems		2001–04
74	Clearer and more flexible role for local authorities and RSLs in using lettings policies to create sustainable communities		On-going
75	Ensuring tenancies contain “no harassment” clauses		On-going
76	A Finance Act will confirm fiscal measures to be introduced for urban areas	Commitment met	By summer 2001
77	New delivery arrangements for physical change in urban areas (eg Urban Regeneration Companies)		On-going
78	A pilot English Cities fund, to invest in mixed-use development in priority areas		On-going
79	Air quality Strategy targets		2003–08
80	Waste Strategy targets		2003
81	£900 million Neighbourhood Renewal Fund to 88 severely deprived areas		2001–04
82	Local authorities piloting PSAs to work closely with LSPs in developing and delivering local targets		On-going
83	Departments to encourage their local service providers to work with LSPs		On-going
84	Local Neighbourhood Renewal Strategies and LSPs will be judged by GOs partly on the degree of resident involvement		2001–04
85	Where a partnership is failing to form or deliver on commitments, Government Offices for the Regions (GOs) and departments will intervene		On-going
86	GOs to intervene if public sector partners fail to fully engage with LSP		On-going

<i>No.</i>	<i>Commitment</i>	<i>Commitment met?</i>	<i>Timing</i>
87	If Neighbourhood Renewal Fund needs to be withdrawn from an area as a result of poor LSP performance, money will reach the area by other means		2001–04
88	Neighbourhood Management pathfinders	2001–04	
89	Requirement on LSPs to seek out as well as welcome resident involvement		2001–04
90	Community Empowerment Fund		2001–04
91	Support for faith organisations		On-going
92	A Community Task Force	Commitment met	2001
93	Community Chests to promote community self-help and mutual support in 88 severely deprived areas		2001–04
94	Simplified access to funding for community groups		2001
95	Review of resources for core public services in deprived areas		2001
96	A Neighbourhood Renewal Unit (NRU) to be established in DETR	Commitment met	2001
97	Neighbourhood Renewal Teams to be set up in Government Offices for the Regions		2001
98	Clear responsibility for ensuring that neighbourhood renewal benefits ethnic minorities		On-going
99	Learning and development framework for neighbourhood renewal to be developed		2001
100	A knowledge management system for neighbourhood renewal to be developed		2001
101	A People's Panel for deprived neighbourhoods to be considered		2001
102	New powers in Local Government Act to allow rationalisation of plans for local authorities	On-going	
103	A commitment to clarify links between partnerships in future guidance		On-going
104	Rationalisation of area-based initiatives		On-going
105	Development of Neighbourhood Statistics		2003

REGENERATION

This target was interpreted to mean the proportion of successful outcomes from the main regeneration programmes at the time (the SRB and NDC), over the lifetime of those programmes rather than an annual assessment of individual output targets. Monitoring of the overall performance of these programmes is ongoing through long term national evaluation projects.

The SRB is being evaluated on a case study approach based on 20 SRB partnerships under rounds 1 and 2 by the Department of Land Economy in Cambridge University. A mid term report of the evaluation was published in January 2002 and a short paper "Turning Areas Around—The Impact of SRB on the Final Outcomes" was published in October 2002. While these reports do not specifically indicate progress on the proportion of successful outcomes in the SRB programme, the findings do assess the impacts of SRB activities over time on a range of outcomes in the case study areas.

Each NDC Partnership has set its own target outcomes to be achieved by years three, six and 10. By the end of this year, from their three year reviews and from information from the national evaluation we expect to be able to see whether the Round 1 NDC Partnerships have achieved these targets. Round 2 NDC partnerships will not reach this stage until the end of 2003–04.

FINANCE

What does ODPM estimate the costs of introducing Resource Accounting and Budgeting have been?

The expenditure on implementing resource accounting was incurred from within the overall administrative budget over a number of years. Information on expenditure related specifically to these costs is not readily available as there was no specific need to identify, monitor, or report it in isolation. We can identify the four areas where expenditure was incurred:

- (a) Creating the basic framework for planning and monitoring expenditure in resource terms. For this purpose some external expertise was acquired over a period to supplement the Office's own resources.
- (b) Increasing general awareness about resource accounting and budgeting and providing training to key staff. This was done by a mixture of in-house and external expertise over a number of years and by prioritising certain courses within the overall training plan and budget.
- (c) Purchase of new corporate accounting system although this was not specifically required for the move to resource accounting and budgeting. The resource accounting needs were specified within the overall business requirement specifications.
- (d) Improving financial management skills through helping staff to acquire recognised qualifications in accountancy and Finance. This process has been gradually built up over a number of years.

Has the split of DTLR responsibilities between ODPM and the Department for Transport had any adverse effects on the implementation of Resource Accounting and Budgeting within ODPM?

There has been little to no impact in RAB terms on the programme side following the split of responsibilities between ODPM and DfT. Programmes fall either 100% into one department or the other. Some impact has been felt on the administration side and in particular within areas that have been split between ODPM and DfT. SAP, the recently implemented finance system, has had to be reconstructed in a two stage process to enable both ODPM and DfT to budget, monitor spend, forecast and report to Treasury in respect of the split areas. The first stage—to enable us to get through 2002–03—was completed by the end November. Stage 2 will reposition SAP so that it can support both departments in the long term. The stage 2 changes will be completed in readiness for 2003–04.

These system changes have absorbed resource that could otherwise have been helping with the bedding in and development of RAB.

Does ODPM expect to present the 2001–02 Resource Account to Parliament in good time? (considering that the 2000–01 Resource Account for DETR was presented to Parliament on the day of the statutory deadline in January 2002)

The ODPM expects to lay the 2001–02 DTLR's accounts by the statutory deadline and not much before given the significant work involved in dealing with accounting for machinery of government changes and some of the more technical accounting policy changes made by the Highways Agency requiring serious audit considerations by the NAO.

What measures has ODPM taken to ensure that the change from DTLR to ODPM will not hamper progress towards a fully compliant system of internal control by 31 March 2003?

The Office has already taken a number of steps towards a fully compliant system of internal control. These are:

- A non-executive member of the Office Board has been appointed as chair of the Audit and Risk Committee.
- Risk assessment has been an integral part of the new delivery and business planning system.
- The Board will review regularly the corporate level risk assessment that emerges from the delivery and business plans.
- Responsibilities and guidance on risk management has been built into the resource management delegations cascaded down in the Office and in the guidance.
- The Internal Audit will continue to give independent opinions on risk management, governance and control.
- Progress on strategic IT projects is reviewed regularly. Currently this is being carried on jointly with the Department for Transport.

The Office is planning to take further steps during the remainder of 2002–03 financial year. This includes:

- Publication of a formal risk management policy document.

- Review core training and development plans to ensure risk is adequately covered. Promote general awareness and best practice.
- Creation of a live organisation-wide risk register.
- Putting monitoring and reporting procedures in place for Office agencies and sponsored bodies.
- Appointment of a Risk Improvement Manager to promote and champion the spread of values needed to support effective risk management.
- Establishing clear accountability for managing risks at all levels, and developing regular monitoring and reporting mechanisms.

The initiatives outlined above will take time to fully embed in a reorganised Department but we certainly hope to make a good start. Over a longer period the Office will actively take forward the recommendations of the Cabinet Office's Strategy Unit Report. "Risk Improving Government's capability to handle risk and uncertainty". This will be through a two-year programme of change linked into the next Spending Review (2004).

Please send us for (a) RDAs and (b) ERDF:

- total forecast expenditure in the estimates for 2002–03 by quarter;
- total outturn cash expenditure for 2002–03 by quarter (or, where outturn is not available, latest forecast and date of forecast); and
- total outturn accruals expenditure for 2002–03 by quarter (or, where outturn is not available, latest forecast and date of forecast).

(a) *RDAs*

ODPM funding is paid to DTI who as lead sponsors of the RDAs are responsible for the forecast and expenditure of the RDAs' Single Programme global budget. Currently expenditure on RDAs is scored in ODPM full-year accounts as ODPM's proportion of RDAs' global accruals expenditure but this process is under review with Treasury. Under an agreement between Accounting Officers of contributing Departments, DTI invoices ODPM for four quarterly instalments of cash during the financial year. Thus there is an indirect relationship between ODPM's cash payments to DTI and the underlying RDA accruals expenditure.

The total forecast outturn in the ODPM Estimates for 2002–03 is currently £1,369.3 million (full outturn). In cash terms this will be divided equally between the quarters. ODPM's share of RDA accruals expenditure to date has been:

Q1 £44.083 million.

Q2 £195.019 million.

The forecasts of RDAs' global accruals expenditure for Q3 and Q4 and of their forecast accruals outturn for the year are currently being reviewed by DTI and the RDAs—revised forecasts are expected by the end of December 2002. Decisions will then be taken on whether to draw down EYF for the RDAs at the Spring Supplementaries.

(b) *ERDF*

ERDF constitutes a "receipt" to the UK Exchequer from the EC but because the UK is a net contributor to the EU, the fund is managed and accounted for as UK public expenditure. ODPM and other Departments with an interest in ERDF (including DTI, DCMS, DEFRA and DWP) set budgets to provide cumulative "coverage" for the amount of ERDF allocated by the EC to the English regions. By agreement with the other Departments, ODPM accounts for all receipts and all ERDF expenditure via its Vote.

The budgets are based on indicative figures for ERDF grant set out in the financial annexes of the regional Single Programming Documents that are agreed between UK and the EC (approved at Ministerial level) and which set out programme objectives and allocations of resources.

By agreement with the EC ERDF programmes must be managed as a piece over a seven year period (with a further two years to complete spending). The actual take up of resources (and the distribution of those resources between contributing Departments' areas of interest) may therefore vary considerably year on year.

To deal with this the Treasury agreed to ring fence ERDF budgets and to permit them 100% End Year Flexibility (EYF) to allow carry over of unspent amounts to the end of the lifetime of the programmes concerned.

Total gross expenditure in this year's ODPM Estimates is £210.120 million.

The initial quarterly forecasts were as follows:

Q1 £55.572 million.

Q2 £53.554 million.

Q3 £52.094 million.

Q4 £48.900 million.

The latest figures by quarter are:

Q1 actual £33.556 million.

Q2 actual £57.262 million.

Q3 December f'cast £43.402 million.

Q4 December f'cast £55.559 million.

ERDF expenditure is currently accrued on receipt of claims, so cash and accruals expenditure are the same. The method of accruing expenditure is under review.

Could you confirm whether RDAs have had their End Year Flexibility cut to 10% and whether or not this is because of underspends?

As at December 2002 no RDA has lost any EYF entitlement. Government has, however, agreed with RDAs that, subject to Parliamentary approval of Departmental Estimates, from the end of 2002–03 each RDA's entitlement to full 100% EYF during the period of their Corporate Plan will be subject to a ceiling of 10% of their entire annual budget or £20 million, whichever is the greater RDAs will be free to make a case for additional EYF resources over and above this restricted entitlement.

It is prudent to agree EYF arrangements with RDAs that help to avoid a future build up of unlimited resources. The limit on EYF entitlement is also seen as an incentive to RDAs to provide robust expenditure forecasting. The new arrangement will allow RDAs to carry forward substantial resources from year to year whilst still encouraging them to deliver their spending plans.

Memorandum by The Office of the Deputy Prime Minister (ANN 01(c))

At the ODPM Select Committee hearing into the last Departmental Annual Report in November, ODPM promised to provide the Committee with an answer to the following question:

“In 1999, the Department established a target that 95% of regeneration projects should meet their output goals (further to a 1998 PSA target to set a target). Was that target met last year?”

Answer

For the Single Regeneration Budget, the Regional Development Agencies, who operate the programme at regional level, have advised that out of 646 live SRB schemes operating in 2001–02, 639 (ie 99%) achieved satisfactory performance in executing their delivery plans that year.

BACKGROUND

SRB Partnerships Achieving Satisfactory. Performance During 2001–02

<i>Region</i>	<i>Nos of live SRB schemes issued with funding agreements in 2001–02</i>	<i>Nos achieving satisfactory performance *</i>	<i>Nos failing to achieve satisfactory performance **</i>
East of England	44	43	1
East Midlands	33	32	1
LDA	167	166	1
ONE North East	55	55	0
North West DA	109	108	1
South East EDA	64	64	0
South West RDA	42	41	1
Advantage West Midlands	69	68	1
Yorkshire Forward	63	62	1
Total	646	639	7

Notes:

* as defined by SRB Guidance Manual Chapter 5, section 7.

** as defined by SRB Guidance Manual Chapter 5, sections 8 and 9.

Memorandum by The Office of the Deputy Prime Minister (ANN 01(d))

NDC PARTNERSHIPS ACHIEVING SATISFACTORY PERFORMANCE DURING 2001–02

<i>Nos of live schemes issued with funding agreements in 2001–02</i>	<i>Nos achieving good or satisfactory performance *</i>	<i>Nos failing to achieve satisfactory performance *</i>
39	35	3**

* as defined by NDC Programme Note 3 January 2002.

**The Leicester NDC did not have a 2001–02 Annual Review.

NEW DEAL FOR COMMUNITIES—ADDITIONAL INFORMATION

We have developed a new performance management system, with colleagues from District Audit. The NDC Partnerships were much involved in developing the system, which was piloted at the NDC mid year reviews in November 2002. We are set to introduce the system for NDCs at the 2003 Annual Reviews. The new system will be a much more effective tool for identifying areas of weakness and improving performance.

The national NDC evaluation is starting to feed its first results to partnerships. These will provide a major source of evidence about the state of their neighbourhoods and partnership performance (to feed into the performance management system. We will report to Ministers on the evaluation's findings, once we have received an analysis of the results.

NDC Partnerships are making increasing use of Neighbourhood Renewal Advisers (NRAs), to good effect (there have now been over 100 NRA assignments). GOs have been able to deploy NRAs in virtually all of those partnerships needing intensive support. We are currently completing a major exercise to recruit a further pool of NRAs, who will each specialise in one of the key neighbourhood renewal themes. That will significantly strengthen our ability to support NDCs on the quality of what they are doing, on crime, housing, education, etc.

Government Offices have been working with NDCs which received a Band C score in one or more categories, to produce detailed Recovery Plans. Ministers have met each partnership which received an overall Band C, to review their plan. The NRU has also met with GO colleagues to discuss appropriate recovery plan actions and offer NRA support for those Partnerships classified as experiencing difficulties for any particular criteria.

NEIGHBOURHOOD MANAGEMENT PATHFINDERS ACHIEVING SATISFACTORY PERFORMANCE DURING 2001–02

During the period 2001–02 Neighbourhood Management Pathfinders were occupied in developing their Delivery Plans, prior to beginning their implementation, and so it was too early to measure their performance.

NEIGHBOURHOOD WARDENS SCHEMES ACHIEVING SATISFACTORY PERFORMANCE DURING 2001–02

<i>Nos of live schemes issued with funding agreements in 2001–02</i>	<i>Nos achieving satisfactory performance</i>	<i>Nos failing to achieve satisfactory performance</i>
84	83	1*

*Note: There was only one unsatisfactorily performing neighbourhood warden scheme out of 84 schemes and that was in Macclesfield. This scheme has been given extra technical support help and is now performing satisfactorily. The scheme will be mainstreamed by the Housing Association after March 2003, when Government funding will end.

Memorandum by The Office of the Deputy Prime Minister (ANN 01(e))

EXTRACTS FROM CHAPTER 5 OF THE SINGLE REGENERATION BUDGET GUIDANCE MANUAL, March 1999

7. SATISFACTORY PERFORMANCE

7.1 Satisfactory performance means that through the Key Indicators or other information which comes to the attention of RDAs it can be shown that:

- (a) Partnership development, and management (including project appraisal), monitoring and financial control systems are progressing as planned;
- (b) expenditure is on target;

- (c) key quantified outputs and milestones are on target;
- (d) key non-quantified benefits and milestones are achieved on time.

7.2 Satisfactory performance should be accepted as being achieved where, in respect of all Key Indicators of performance, unless other information is received which indicates otherwise:

- (a) Partnership demonstrates compliance with the requirements on effective management (including project appraisal), monitoring and financial control of SRB grant by a target deadline;
- (b) performance on quantified targets (including expenditure) is achieved, or is within 10% of targets, for any quarter;
- (c) performance on all non-quantified targets is achieved to time, or achieved within one calendar month of the target date.

8. UNSATISFACTORY PERFORMANCE

8.1 Unsatisfactory performance is defined as the failure to meet the requirements set out in paragraphs 7.1 and 7.2 for any Key Indicator.

9. RESPONSE TO PERFORMANCE BELOW KEY INDICATOR TARGETS

9.3 Where unsatisfactory performance is serious enough to be seen as significantly threatening to the delivery of a scheme's lifetime outputs or outcomes (eg. failure to meet the Key Indicator on systems, strong evidence that a scheme is failing, or shortfalls on Key Indicators over two successive periods etc.) RDAs will treat this as a breach of the conditions of grant.

Memorandum by The Office of the Deputy Prime Minister (ANN 01(f))

Definition for NDC as requested:

“for 2001–02 the definition of satisfactory is receiving an a or b banding in their annual review. a = good progress b = satisfactory progress but encountering some problems c = experiencing difficulties the gos are responsible for assessing each ndc and the bandings are based on ndc performance on the following criteria:—composition and functioning of the partnership systems progress against the delivery plan in 2001–02 bending main programmes plan for 2002–03 robustness and ability to deliver outcomes”.

Further info can be obtained from ndc programme note 3 which is on the neighbourhood website.

Memorandum by The Office of the Deputy Prime Minister (ANN 01(g))

ANNUAL REPORT AND ESTIMATES

Thank you for your letter of 29 January and e-mail of 3 February requesting further information in relation to the ODPM Select Committee evidence session on 27 January.

Please find below the responses to the questions raised by the Committee.

I hope these are helpful.

Andrew Lock

Q452: The reason for the Home Office dropping its target on removing failed asylum seekers

We have asked officials at the Home Office to provide a separate response to this question.

Q461: What proportion of all non-decent social housing is in the hundred authorities described as being at risk of not meeting the decent homes target

The Autumn Performance Report stated that, as at the end of September, 100 authorities were at risk of not meeting the decent homes target. Any local authority that is not able to meet the target using its own resources or which does not have a place on the ALMO or transfer programme is included in the “at risk” list.

The 100 authorities at risk own 58% of the remaining non-decent stock, as at the end of September 2002.

Government Offices have agreed action plans with all at risk local authorities aimed at securing delivery. Of the 100 local authorities at risk at the end of September, 41 are hoping to pursue transfer or ALMO, meaning that 59 have yet to develop a strategy to deliver. Some of these may be able to deliver within existing resources by refining their investment strategies. The Community Housing Task Force are working with those that have not yet carried out an options appraisal and with those that have decided to go down the transfer or ALMO route but have not yet secured a place on the relevant programme.

By removing some of the current barriers to delivery, the outcome of the recently completed “PSA Plus Review” of the delivery plan for the target (details of this were set out in “Sustainable Communities—building for the future” launched by the Deputy Prime Minister on 5 February) should make it easier for at risk local authorities to come up with strategy to deliver and a report of the Review will be published shortly.

Q465: Why the 2004 milestone for decent homes has been dropped from the 2002 PSA target

We have not dropped the 2004 milestone from the published framework within which we will deliver this target.

In the Spending Review 2002 (SR2002), in line with developments across Whitehall, wording of the headline targets was simplified and excluded milestones as these are now described in detail in the published underlying technical notes and Service Delivery Agreement (SDA).

As such, the “Spending Review 2002 (SR2002) Public Service Agreement (PSA)—Technical Note” published on ODPM’s web site (www.odpm.gov.uk/about/psa/pdf/psa—technote.pdf) states how the milestone set in the 2000 Spending Review of one third reduction in the number of non decent homes will be met. The technical note states that we will have achieved the 2004 milestone “if business plans submitted by local authorities and the regulatory returns from housing associations submitted in July 2004 (stating the number of non decent homes at 1 April 2004) report 1.1 million non decent homes and this is confirmed by the 2004–05 continuous EHCS reporting in October 2005”.

Evidence from local authority plans to date shows we are on track to meet the 2004 milestone.

Q484: What actions your Department is taking to ensure that other Government departments do not impose changes and policies on local government, in particular what actions have been taken to discourage the Departments for Education and Health from “passporting” on allocations made in funding blocks, to local authorities

New policies affecting local government are developed through collective discussion by Ministers, taking account of the full range of the Government’s policy priorities.

Q488-490: Why St Helens has achieved a high CPA score yet it has now recorded the furthest decline in educational performance

The Comprehensive Performance Assessment (CPA) methodology is the responsibility of the Audit Commission, but was developed in consultation with a wide range of stakeholders.

The Audit Commission’s assessments categorise councils as “excellent”, “good”, “fair”, “weak” or “poor” on the basis of a wide range of performance information across education, social services, housing, environment, benefits, use of resources, libraries and leisure and a corporate assessment of the council’s management ability and delivery of improvement. Given the range of services delivered by councils it can be misleading to draw conclusions from a single indicator of performance, and the CPA methodology is intended to provide a rounded view of each council and to underpin improvement planning, building on strengths and addressing weaknesses.

Performance information for education, along with social services, was given increased weighting within the CPA methodology reflecting national priorities. In addition, rules were adopted that prevented councils with low education or social service scores from being assessed any higher than “fair”.

CPA scores will be refreshed annually, and will draw on performance information available following the cut off point for data used in the 2002 CPA assessments. Changes to a council’s performance information following the publication of their CPA score will be reflected in the following year’s assessment.

St Helens were assessed as “good” overall in the CPA results published in December last year. They received a score on their education service block of four. This education score is based on Ofsted’s assessment of the LEA’s education performance. Ofsted’s inspection judgments are made on a three to five year basis with St Helen’s last inspected in Spring 2001. In that inspection Ofsted rated the LEA as “good” in terms of its overall effectiveness. It is not clear why St Helens were described at the ODPM Select Committee hearing on 27 January as having recorded the furthest decline in educational performance.

Q520: The diagram showing how the Department’s various targets sit together

The table at Flag A sets out the evolution of the Office’s SR2002 targets which are covered by previous PSA targets. Two of the Office’s SR2002 targets are entirely new and are not covered by previous PSA targets. These are:

- PSA3, which deals with referenda for regional government; and
- the additional lower tier target in the Office’s Service Delivery Agreement which deals with anti-social behaviour.

Q536: Which local authorities are achieving 2% efficiency savings per annum

The ODPM is currently testing two possible methodologies by which the aggregate level of cost-effectiveness of the whole of local government might be measured. These are set out in the technical note for ODPM PSA target 4. The national performance indicators used to measure aggregate levels of cost-effectiveness cannot be used to measure with accuracy the performance of individual authorities, as they do not take account of local spending priorities and areas.

All local authorities seeking to sign Local PSAs must include a target to stretch their cost-effectiveness performance improvement above 2% per year over the three year period of the agreement. The LPSA agreements set out local performance indicators, which will be used to measure their cost-effectiveness. The first group of authorities to sign LPSAs are about to complete the second year of their agreements. At the end of the period their performance against all the targets will be measured, including the cost-effectiveness target.

Q545-549: The proportion of the increased funding to ODPM announced in the Comprehensive Spending Review 2002, that will be spent on public sector pay increases

SR2002 provided a substantial across the board increase in general revenue grant for local authorities, with average increases of 3.9% a year in real terms over the next three years. The local government settlement for 2003–04 provides an increase of £2.2 billion (5.9%) over the 2002–03 allocation. It is for local government itself to decide pay and conditions for the 1.3 million people working in local government services. The current pay bill is approximately £13.4 billion, and last autumn local authorities negotiated a deal increasing this by 7.8% over two years.

Some key public sector groups of workers, including teachers, who are employed by local authorities, have their pay set by central Government, following recommendations by independent pay review bodies. The estimated teachers paybill for financial year 2003–04 stands at £16.8 billion. Based on this projected value, it has been recommended by the independent pay review body that all teachers receive a 2.9% increase on their salaries for 2003–04.

Q561-562: How much of the funding for any London Olympic bid would come from ODPM's regeneration programmes, via the London Development Agency

No decision has yet been taken to support a bid for the Olympic Games. Following an initial discussion on 30 January, the Cabinet is due to discuss the issue again shortly. The decision will rest on a number of complex issues including financing, infrastructure and the impact of the Games and its legacy on the regeneration of East London and the Thames Gateway. No funding package, or aspect of a package, has yet been agreed.

Q570: The penalties for non-completion of development in the contract with the purchaser of the Millennium Dome

INTRODUCTION

The conditional contract between English Partnerships (EP) and Meridian Delta Ltd (MDL) contains controls, as set out below in broad terms, to ensure that the Dome development and the regeneration of the wider Peninsula progress at a reasonable rate. Full details cannot be publicly disclosed due to commercial confidentiality. However, it is important to point out that all aspects of the transaction and supporting contractual documents are currently being examined in detail by the National Audit Office, who will report to the Public Accounts Committee in due course.

It is also important to recognise that, as announced to Parliament, the existing set of contractual arrangements is conditional upon the grant of satisfactory planning permission and a small number of other matters. The contract provides a framework within which these conditions are to be satisfied but there is always the risk that it will prove impossible to achieve, for instance if a satisfactory planning permission as provided for in the contract is not obtained.

The current position is that a planning application is being considered by the London Borough of Greenwich. As indicated to the Committee before, there is no suggestion that MDL and its partners are anything less than committed to proceeding with the Peninsula deal and development; but if one of the parties did pull out, then the substantial fees and expenses incurred to date by the party in question would have to be written off. This amounts to several millions of pounds of professional fees incurred by MDL and Anschutz Entertainment Group (AEG) so far; expenditure which would be nugatory if the transaction did not proceed.

PARTICULAR CONTROLS

If a satisfactory planning permission cannot be secured, it is possible that either AEG or MDL may decide to withdraw, but that the other party may decide to proceed with the project—in which circumstances the remaining party would have 12 months to find an alternative partner satisfactory to EP. Thereafter EP would have total discretion on the way forward.

In respect of the Dome itself, AEG are required—following satisfaction of the conditions precedent—to commence construction of the Arena to an approved design within 12 months and to complete it in accordance with the agreed programme, investing expenditure of at least £120 million. Before commencement of construction, AEG are required to procure satisfactory completion assurances in the usual way.

Following completion of the construction of the Arena, AEG is obliged to trade from the Arena through a “keep open” clause.

The lease of the “Waterfront”—the remaining space under the Dome not occupied by the Arena—is only granted following practical completion of the Arena. Once development of the Waterfront has been approved by EP, it is to be undertaken and completed diligently. The penalty to AEG/MDL of not doing so is a considerable loss of profit and exposure to long term costs.

In respect of the wider land, outside the Dome, this is the subject of a Land Disposal Agreement with MDL, which provides that the land is always retained freehold by EP, who will grant long leases to developers. Over the course of the development programme EP enters into arrangements previously approved by it with third parties for the development of identified phases or plots. EP will in general terms retain title to the land pending satisfactory development of it and payment of the agreed consideration.

Although the pace of development and ultimate quantum of development will be determined by market forces over the 20 year life of the project, MDL are required to bring forward identified quanta of development over agreed periods of time and in accordance with agreed procedures. Failure to comply with these arrangements will constitute a breach of contract.

What actions has ODPM taken in response to the recommendations of the recent report of the Office of Public Services Reform, in particular in response to your Department's role across Whitehall?

A new Cabinet Sub-Committee, chaired by the Minister for Local Government (GL(D)) has been created. It will assist GL Committee, chaired by the DPM. They will oversee the implementation of the White Paper and develop progressively a more consistent and prioritised approach to local government.

A new senior Committee of officials—chaired by the Cabinet Office (GL(O))—has been set up to look further ahead and identify themes and issues which will affect the Government's approach to local government and arrange for collective consideration by Ministers as appropriate. Early outcomes, approved by Ministers, were the gateway arrangements for ring-fenced grants and additional planning requirements.

Within ODPM recruitment is underway for a new post of Director of Local Government Practice and a team of senior local government practitioners. These posts will significantly increase the Office's available experience of the practical operation of local authorities. They will support engagement with individual authorities following up from the CPA.

The Office has now appointed the Chief Executive of Sheffield as a non-executive Director on its Board. He joins the Director of the Neighbourhood Renewal Unit and four of the Directors of the Government Offices in the Regions as senior members of staff who have been chief officers of local authorities.

A new Local Government Performance Unit has been established to carry forward the work on Comprehensive Performance Assessments under an experienced Director who has had two periods of secondment to local authorities.

In an announcement on 3 September 2002, ODPM committed itself to the long-term repeal of Section 123 of the Local Government Act 1972. In the interim it is consulting on a revised general consent order. However, the draft consent order does not go as far as it could in mitigating the effect and the accompanying letter makes no mention of the intention to repeal Section 123

We would therefore like to know:

whether the intention to repeal Section 123 remains

It remains the Government's intention to amend section 123 when a suitable legislative opportunity arises. However, the issues involved are complex, as section 123 provides the only statutory means by which local authorities, and a wide range of other public bodies, are provided with a power to dispose of land in a wide range of circumstances. A straight repeal would not therefore be feasible, as local authorities and the other bodies affected would thereby be denied of any power to dispose of their land either at open market value or for a lower amount. This means that detailed work first needs to be undertaken to determine all the consequences and to formulate proposals to preserve the other land transaction powers that will still be required.

It will also then be necessary to undertake consultations on the proposals for legislative change, and the outcome of these is by no means certain. For example, there is known to be a feeling in some smaller authorities that they would prefer to have the reassurance of receiving the Secretary of State's consent, especially where a particular disposal may be locally controversial.

whether there is any reason for delay other than shortage of parliamentary time

The amendment of section 123 has been delayed partly because of a shortage of parliamentary time but also because there have been other priorities in relation to modernising the planning system that have required the commitment of staff resources. It was this which led to the decision to prepare a new General Consent as a short-term solution until the staff resources can be found to undertake the detailed work outlined above.

why neither the Local Government nor Planning and Compulsory Purchase Bills have been used for this purpose

Even if it had been possible to undertake all the work and complete the consultations in time, an amendment to Section 123 of the Local Government Act 1972 would have been outside the scope of the Planning and Compulsory Purchase Bill. Lack of time to make the necessary preparations, along with competing claims for space in the Bill, also precluded use of the Local Government Bill.

alternatively, why the Secretary of State does not use his powers under Section 5(1) of the LGA 2000 to repeal Section 123 forthwith

It is not considered that this would be feasible. Section 123 of the Local Government Act 1972 permits a principal council to dispose of land held by them in any manner they wish, so it need not be in connection with the promotion of the area's well-being. This power is therefore wider than the well-being power in section 2(1) of the Local Government Act 2000, which is only wide enough to allow disposals which promote the area's well-being.

Section 123(2) of the 1972 Act provides that the consent of the Secretary of State is required if a disposal is to be for less than the best consideration that can reasonably be obtained. Although the new General Consent has created a link between section 123(2) of the 1972 Act and section 2(1) of the 2000 Act, by permitting disposals at an undervalue which promote the well-being of an area, there is no link between the two sections by virtue of the terms of the sections themselves. Therefore, the pre-conditions for the use of the power in section 5(1) of the 2000 Act, that the enactment to be repealed or amended must prevent or obstruct local authorities from exercising their powers under section 2(1), are not met.

When the European Commission is expected to approve the new funding schemes for historic buildings and derelict land and what actions the UK Government has recently taken to encourage the Commission to make its decision speedily

The Government is doing everything we can to enable the Commission to come to a positive decision on both the heritage and derelict land aid schemes. The Government has responded to requests for further information on both schemes. Officials from ODPM and DTI met the Commission to discuss the derelict land scheme on 4 February.

What account was taken of DTLR's performance over previous years in the Comprehensive Spending Review 2002?

Government takes into account a wide range of factors, including performance, as part of the Spending Review process. It is not possible to disaggregate any single factor.

The Office of the Deputy Prime Minister was created as a free-standing Government department on 29 May 2002 and assumed responsibility for a number of policy areas and Public Service Agreement (PSA) targets previously owned by DTLR. As such, the current position and performance against these targets was one of a wide range of factors taken into account in deciding the amount of resources to be devoted to these policy areas as part of SR2002.

DTLR's other responsibilities have been allocated to the new Department for Transport (DfT) and the Department for Work and Pensions (DWP).

Performance against ex-DTLR targets for which ODPM has inherited responsibility was reported most recently in ODPM's Autumn Performance Report 2002, available on the Office's website at <http://www.odpm.gov.uk/about/aims/pdf/aut—perf.pdf>

In his opening statement, Mr Prescott said that the costs of the fire dispute would have to be met from other ODPM budgets. Could you please clarify which budgets it is intended to use?

If it is intended to use programme underspends to meet the cost of the fire dispute, will this money be “borrowed” from those programmes on the basis that funds will be made available in future years to compensate, or will you be taking funds from programmes permanently?

The costs of providing emergency fire cover during the current dispute are being covered from within the programme resource funding of ODPM.

We estimate the cost to ODPM to the end of January of providing emergency cover for the fire dispute to be about £70 million. Each extra day the military remains ready to provide cover costs up to about £1 million. These figures are necessarily approximate estimates and will remain so until invoices are received and audited. ODPM has a three year spending programme and will be aiming to balance its spending commitments to accord with resources available in the light of events.

FLAG A

SR2002 target	PSA1	PSA2	PSA4	PSA5	PSA6	PSA7	Additional targets in SDA
Target headline	Neighbourhood renewal	Regional growth	Local service improvement	Housing availability and demand	Planning performance	Decent homes	Fire targets
SR2000 PSA targets		Improve the economic performance of all regions, measured by the trend in growth of each region's GDP per capita. Joint target with DTI.	Ensure continuous improvement in the economy, efficiency and effectiveness of local services through improvements in cost effectiveness of at least 2% and ensuring that local government achieves 100% capability in electronic service delivery by 2005.	60% of new housing should by 2008 be provided on previously developed land and through conversion of existing buildings. Brownfield land will be reclaimed at a rate of over 1,100 hectares per annum by 2004 (reclaiming 5% of current previously developed land by 2004 and 17% by 2010). Reduce by April 2002 the number of people sleeping rough by two-thirds compared to June 1998, and keep the number at or below this level thereafter.	Improve the effectiveness of the planning system through follow-up to the modernising planning policy statement, including performance indicators under the new best value regime.	Ensure that all social housing meets set standards of decency by 2010, by reducing the number of households living in social housing that does not meet these standards by a third between 2001 and 2004, with most of the improvements taking place in the most deprived local authority areas as part of a comprehensive regeneration strategy.	Reduce the incidence of accidental fire related deaths in the home by 20% averaged over the five year period to March 2004 compared with the average recorded in the five year period to March 1999.
CSR PSA targets	In partnership with others, deliver over 50 major new single regeneration budget (SRB) projects, with at least one in each of the most deprived local authority areas, and 40 New Deal for Communities projects, combating social exclusion through focused and intensive neighbourhood renewal, and support the Local Government Association's new	Put in place and operate from April 2000 a best value regime, including audit and inspection, which supports continuous improvement in the quality, efficiency and effectiveness of services; requires each council to set targets for improvement over the following five years consistent with or better than the present performance of the top quartile of authorities; and annually improve the efficiency of local authority services overall by 2% or more. Pilot best value during 1999 by working with pilot authorities to develop and spread good practice; encouraging all authorities to develop local performance reviews and plans; and agreeing performance indicators		Seek to ensure that, over the next 10 years, 60% of new homes are built on previously developed land. Work with the Social Exclusion Unit and other departments to reduce the number of people sleeping rough by two-thirds from the current level by 2002.	Improve the effectiveness of the planning system through follow-up to the modernising planning policy statement, including performance indicators under the new best value regime.	In partnership with local authorities, reduce the backlog of council house repairs by at least 250,000, with over 1.5 million council houses benefiting from new investment by 31 March 2002. Work with local government to introduce resource accounting for local authority housing as soon as practicable. Establish a Housing Inspectorate within the Audit	An improvement in fire service efficiency of 2% a year through: increased co-operation and collaboration between fire brigades, including sharing resources, and between them and other emergency services; and the introduction of modern standards of fire cover (subject to the outcome of trials). Reduce the number of fires by 31 March 2002 to a level lower

FLAG A (Continued)

SR2002 target	PSA1	PSA2	PSA4	PSA5	PSA6	PSA7	Additional targets in SDA	
Target headline	Neighbourhood renewal	Regional growth	Local service improvement	Housing availability and demand	Planning performance	Decent homes	Fire targets	
	<p>commitment for regeneration initiatives in 22 pathfinder areas. In 1999, establish targets for the proportion of regeneration projects meeting their output goals.</p>		<p>for 1999–2000 with the Audit Commission. Respond proportionately, using powers of intervention under best value, where there is clear evidence of unsatisfactory performance, or failure to meet statutory duties. Enable joint working and pooling of budgets between local authorities and other public agencies by April 2000, to provide better and more accessible services for local people. Set by April 2000 a series of national indicators within the best value framework as a basis for monitoring the satisfaction of local people with council services and performance. As part of the development of a single pot, introduce a framework for assessing authorities' asset management plans by January 2000 and have plans in place by April 2001; also develop indicators of performance by January 2000, particularly to identify under-utilised and under-performing assets and help plan and implement their disposal. Establish a framework to ensure councils are at the centre of public service locally, and that they are able to take the lead in developing a clear sense of direction for their communities and building up partnerships to ensure the best for local communities. Establish in 1999 a beacon scheme to recognise outstanding performance by councils and to support the sharing and dissemination of good practice. Establish a framework for beacon and other selected councils to be given wider discretion and flexibility to act for the benefit of local people.</p>				<p>Commission to audit the performance of every local housing authority within five years of it being established.</p>	<p>than those currently projected on long-term trends. Reduce fire-related deaths in the home by 20% by 31 March 2003, from an average starting point of 380 a year.</p>