



House of Commons

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

ODPM Annual Report and Accounts 2003

First Report of Session 2003–04

Volume I

*Report, together with formal minutes, oral and
written evidence*

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

The ODPM: Housing, Planning, Local Government and 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 bodies.

Current membership

Mr Andrew Bennett MP (*Labour, Denton and Reddish*) (Chairman) ‡
Mr John Bercow MP (*Conservative, Buckingham*) ‡
Sir Paul Beresford MP (*Conservative, Mole Valley*) ‡
Mr Clive Betts MP (*Labour, Sheffield Attercliffe*) ‡
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Mr Bill O' Brien MP (*Labour, Normanton*) ‡
Mrs Christine Russell MP (*Labour, City of Chester*) ‡ §
Mr Adrian Sanders (*Liberal Democrat, Torbay*) ‡
Mr Gary Streeter MP (*Conservative, South West Devon*) ‡

‡ Member of the Urban Affairs Sub-Committee

§ Chairman of the Urban Affairs Sub-Committee

The following member was also a member of the committee during the parliament.

Dr John Pugh MP (*Liberal Democrat, Southport*) ‡

Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/parliamentary_committees/welsh_affairs_committee.cfm. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Kate Emms (Clerk), Libby Preston (Second Clerk), Ben Kochan (Committee Specialist), Ian Hook (Committee Assistant) and Emma Carey (Secretary).

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Summary

The Committee has found much that it can welcome in the ODPM Annual Report and Accounts 2003, however this report singles out several areas where there is still progress to be made.

2002-2003 has seen several changes for the ODPM in ministers and PSA targets. We are concerned that this has led to inconsistent management and unreliable reporting on the progress in implementing targets. Changes in targets can make it appear that progress has been made more quickly than it actually has. Any changes should be kept to a minimum and in all cases, adequate explanation for the changes should be given.

Targets are becoming increasingly complex posing major challenges in terms of producing meaningful ways to report progress. It is better to have more simpler targets than fewer complex ones. If the targets are too complex devising measures to monitor them is in danger of becoming an end in itself rather than ensuring the effective delivery of public services.

The Annual Report 2002-2003 does not present consistent information which compares spending with targets and objectives within standard time frames. The ODPM met its target to reduce its underspend, however, the target was not challenging enough and we think it should be far more ambitious.

There has been only limited progress in some key ODPM programmes. The lack of progress in reforming the planning system has brought an extended period of uncertainty and could delay some key decisions on new schemes. The programme to promote housing developments in the South East and to tackle low housing demand in the Midlands and the North requires major cross-Government commitments. The ODPM needs to work harder to secure those commitments.

1 Introduction

1. Select 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 2003 of Office of the Deputy Prime Minister (ODPM).² The Office of the Deputy Prime Minister combines activities inherited from Department of Transport, Local Government and the Regions, such as housing, homelessness, urban policy, planning, local and regional government, neighbourhood renewal and the Fire Service with additional responsibilities for social exclusion and regional co-ordination (from the Cabinet Office). This report looks both at the historic performance and future priorities of the functions now undertaken by ODPM.

3. The Committee has found much that it can welcome in the ODPM Annual Report and Accounts 2003, however this report singles out several areas where there is still progress to be made.

4. During this inquiry, the Committee took oral evidence in public from the three Ministers of State:

- Rt Hon Nick Raynsford, MP, Minister for Local and Regional Government
- Rt Hon Lord Rooker, Minister for Regeneration and Regional Development; and
- Keith Hill, Minister for Housing and Planning.

5. We also took evidence from four senior ODPM officials. The inquiry took place over two evidence sessions in July 2003. The transcripts of evidence taken, together with additional memoranda from ODPM, are published alongside this Report.

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

² ODPM, Annual Report 2003, Cm5906, May 2003

2 Consistent Management

6. The 2003 Annual Report (CM 5906) is the first since the ODPM was created in May 2002 and covers the period between May 2002 and March 2003. The new Department meant a new set of ministers took charge. In May 2003, there was a further ministerial reshuffle bringing new policy priorities. The Department's Public Service Agreements have also been reviewed, and three of the seven were replaced in 2002. **With these constant changes there is a danger of inconsistent policy development, management and reporting.**

Public Service Agreement targets

Rolling forward and replacing targets

7. Three ongoing Public Service Agreement (PSA) targets set in 2000 have been 'rolled forward and replaced' by new targets following the Comprehensive Spending Review 2002. These new targets cover:

- *decent homes*; this now includes a new element for vulnerable households in private sector dwellings
- *local government effectiveness and efficiency*; this additionally includes Comprehensive Performance Assessment scores and extends the cost effectiveness element to the end of the current spending review period
- *regional economic performance*; the new target adds more detail to the earlier target.

The Annual Report states that, in each case "In future, ODPM's Annual Reports and Autumn Performance Reports will provide performance information on the SR2002 PSA target."³

8. We question whether a 'new' target was needed in each of these cases. The target dates have remained the same for the decent homes and regional economic performance targets, although the targets have been revised. By amending existing targets and treating them as new ones, the ODPM have, in effect, brought their start dates forward. The ODPM have now decided to disregard the original targets. By reporting only on the new targets, the ODPM will make it appear progress has been made more quickly than it actually has.

9. There seems to have been little progress in achieving the original targets. Much of the progress was in producing indicators and baselines. For these original targets, the lack of any real progress in the period up to 31 March 2003 will now be consigned to history. **To improve accountability, performance data published in ODPM Annual Reports, Autumn Performance Reports and on the Treasury website should explicitly state where current targets have replaced earlier targets and when the original target was agreed and what progress was made in the period between.**

³ Annex D, ODPM Annual Report 2003

10. ODPM should make every effort to ensure that all aspects of the targets it signs up to are sufficiently well thought out that they are unlikely to need early replacement. The tendency with most Government departments since 1998 has been to have fewer targets, but to increase the number of elements in each target and have longer time-frames. It is not always helpful to reduce artificially the number of targets by having a smaller number with many different parts. **Circumstances beyond ODPM's control may mean targets need to be redefined but there should be a presumption against rolling forward and replacing current targets. It is preferable to create an additional PSA target than to roll forward and replace an existing one.**

Achieving Targets

11. There have been considerable delays in developing indicators for the local government cost-effectiveness and regional economic performance targets. There is an on-going difficulty with the proposed indicator for measuring regional economic performance. This target was first agreed in 2000 but there has been little progress in developing measures. The indicators are supposed to be based on the figures for gross value added per head which are being prepared by the Office of National Statistics. The ODPM however has little control over ONS and this work is not being given priority.⁴ Officials have suggested using proxy indicators as an interim measure. **It is unacceptable that we still have such limited indication of what the target is supposed to measure. ODPM should prioritise the development of proxy indicators for the regional economic performance target and continue to apply pressure to the Office of National Statistics to produce timely, complete and reliable data on regional gross value added per head.**

12. The local government cost effectiveness target was originally agreed in 2000. An interim indicator has been developed, but progress will not be measured against this until December 2003.⁵ A final, more robust measure is planned by April 2004. We were told that "It is a very complex area."⁶ But such delays are not acceptable. There are likely to be fewer delays for the Spending Review 2002 targets, partly because they are based on earlier targets. However, the main element of the housing supply and demand target is still incomplete and very little appears to have been decided on the sustainable towns and cities element of this target.⁷ **The Committee is concerned that every aspect of a target's definition should be finalised and published before they come into force. The definition and measurement of performance indicators should also be complete at the same time. ODPM should identify at the earliest possible stage when interim measurements are needed and develop these within the same deadline. In such cases final measurements should always be applied retrospectively.**

⁴ Qq66-71

⁵ Page 106, *ODPM Annual Report 2003*

⁶ Q90

⁷ Qq127-129

Complexity of targets

13. The 1998 Public Service Agreement White Paper said that PSA targets should be ‘SMART’—Specific, Measurable, Achievable, Relevant and Timed.⁸ We received evidence from officials that a number of targets are technically complicated,⁹ highly detailed or difficult to measure.¹⁰ While indicators have now been developed for nearly all the ODPM targets there are still continuing problems relating to over-complexity. For instance, the PSA technical note devotes six pages to the description and measurement of the cost effectiveness element of the local services target, and this is only an interim measure. The ODPM’s corporate strategy and resources director Peter Unwin commented on the complexity of its regional economic performance PSA target. “I am overawed by the technical issues involved.”¹¹ Of particular concern are the targets on regional economic performance, balancing the supply and demand of housing, local government cost effectiveness and sustainability of towns and cities.

14. It can take a considerable amount of time to define complex targets properly and develop performance indicators. While this is happening there are no reports of any real progress and a tendency to report on progress in drawing up plans to achieve the targets rather than on progress actually in achieving them. For instance in this year’s Annual Report, progress on the decent homes target concentrated on the mechanics of how local authorities will report to ODPM and a review of the delivery plan for the target which recommended ways to improve delivery.¹² The PSA targets of the ODPM and its predecessor department have rightly moved away from process towards output and outcome targets. **There is a danger that overly complex targets will result in delays before any actual performance data is produced, meaning that reports of progress will initially focus on descriptions of process. Progress reports on PSA targets should primarily focus on what the targets are meant to measure.**

15. If targets are too complex or wide-ranging there may be no clear and meaningful way to report progress. Evidence from the ODPM has not reassured us that their floor target¹³ and housing supply and demand target¹⁴ can ever be presented in such a way. The floor target is itself based on 14 different targets from other departments; most of these have several different elements. In total there are more than 60 different indicators for this target. Progress will have to be summarised on this target and there is a danger that ODPM’s summaries will be seen, rightly or wrongly, as subjective. The situation is less extreme for the housing supply and demand target where there are eight indicators for the main element, but is it not clear how this data will be used to assess whether ODPM is meeting its targets. **For the 2004 PSA targets ODPM should consider targets that are simpler and easier to understand, even if it results in an increase in their number. ODPM should give more attention to the definition, measurement and presentation of**

⁸ Chapter 1, Public Services for the Future: Modernisation, Reform, Accountability, HM Treasury, December 1998, Cm4181

⁹ Qq66-71 and 87-91 and written answers from ODPM 35-37

¹⁰ Qq127-129

¹¹ Q74

¹² Pages 101-102, ODPM Annual Report 2003

¹³ Written answers from ODPM 4 and 5

¹⁴ Written answers from ODPM 35 and 37

targets before they are agreed. An outline plan for presentation of progress in the Annual Report and Autumn Performance Report should be included in the first version of the Service Delivery Agreement after the targets are agreed. If PSAs are too complex, there is a danger that the overall objective to provide better public services becomes secondary to devising targets and monitoring which becomes an end in itself.

Fire service targets

16. The Fire Service White Paper contains new targets on arson and fire-related deaths in the home.¹⁵ A significant increase in abandoned cars has led to a large increase in deliberate vehicle fires, which, in turn, has meant the original arson target was not achievable.¹⁶ The new target is a reduction to just over 100,000 deliberate fires by 2010, compared to the original target of 55,000 by 2009. In addition, the Fire Service White Paper extends the deadline on the fire-related deaths in the home target by six years. According to the White Paper both targets are 'demanding'. The Annual Report claimed that progress was on course to meet the original fire-related deaths in the home target.¹⁷ The Annual Report does not explain why this target has been changed as it appears that no new data has been published since then.¹⁸ Again, there is a danger that the original targets will be ignored when ODPM publish their next progress report. **We urge the ODPM to outline in the next Autumn Performance Report their reasons for replacing the arson and fire-related deaths in the home targets. Where targets are changed to make them achievable ODPM should, as a matter of course, give a full explanation in the subsequent Annual Report and Autumn Performance Report of why the original targets would not be met.**

¹⁵ *Our Fire and Rescue Service White Paper*, ODPM Pages 71 and 108

¹⁶ Q261

¹⁷ Pages 71 and 108, *ODPM Annual Report 2003*

¹⁸ The Local Government Minister Nick Raynsford did explain to the Committee's inquiry into the Fire Service that the targets had been reviewed because they had been inherited from another department and that they had to reflect changing circumstances. Q461-463

3 Presentation of the Annual Report

17. While there has been some attempt to create a coherent and consistent document in the Annual Report 2003, the result is still not comprehensive, and the reporting is inconsistent. The core content is divided up into three chapters that relate to ODPM's objectives, which are divided into functional sections. Some headings in these sections are included throughout the report, but the type of information included in each varies and some include additional headings at the same 'level'. The use of tables and charts appears arbitrary. There are none on housing and planning, where they could be helpful. Others like figure 3.1 on local government quality add nothing. The local government sections in Chapter 2 'Effective decision making' are confusing; some cover different aspects of local government, while others relate to the subject in general. The section on the Fire Service is set out differently to the rest of the report. It contains target performance data that duplicates much of the progress report in Annex D, and in some cases exceeds it. This inconsistency makes it difficult to find specific pieces of information in the Annual Report. **Information in the 2004 Annual Report should be included under a series of headings that are comprehensive and are used consistently for each section.**

18. The financial information in the Annual Report does not compare spending with targets and objectives. There are no tables in the main body of the report that show how the ODPM's total funding is spent. Such tables are only contained in Annex A. These may meet minimum Treasury standard but nothing is done to help readers to link the Department's activities and achievements with the associated funding. Some but not all the sections include details of spending on specific plans. The time periods covered are inconsistent. Only the section on the fire service includes a table of resources by target. **Next year's Annual Report should contain a table of spending by objective and PSA target over the period of the spending review. Individual chapters should contain consistently presented tables that give more detailed information on spending.**

4 Underspend

19. The Committee's report on last year's Annual Report stated that we would continue to monitor progress on reducing the Department's underspends.¹⁹ The underspend in 2001/02 was 14.2%; this was reduced to 10.5% in 2002-03 and ODPM aim to make an improvement of five percentage points.²⁰ This was said to be a "pretty challenging target."²¹ Underspends are not distributed equally across ODPM programmes. They were particularly significant in certain housing and regeneration programmes.²² We were also told by the director of Corporate Strategy and Resources, Peter Unwin, that:

"Because of the very successful Spending Review Settlement that we got in 2002, the money we have available this year is some 33-34% higher than the amount we spent last year. Spending that is going to be a challenge, and spending it well."²³

20. We welcome the reduction in ODPM's underspend, but it still remains too large. We expect the ODPM to set a more challenging target to reduce underspends in total and set a level that each individual programme area must not exceed. This combined with the view that spending additional funding will be a 'challenge' will not help ODPM achieve the best possible settlement from the 2004 Comprehensive Spending Review.

¹⁹ *Departmental Annual Reports and Estimates 2002*, ODPM: Housing, Planning, Local Government and the Regions Committee, 2002-03, HC 78-I

²⁰ Q292

²¹ Q193

²² Written answer from ODPM 59

²³ Q193

5 Meeting Targets on Planning Reforms

21. The Annual Report sets out the key objective to promote an efficient planning system, however key target dates to deliver these objectives are not being met. Following the Planning Green Paper, published in December 2001, the Government set out proposals for reform of the planning system in *'Sustainable Communities: delivering through planning'* in July 2002 which provided the foundation for the Planning and Compulsory Purchase Bill (currently before Parliament). However, the target dates for reforming the negotiation of planning agreements and revising planning policy guidance are not being achieved.

Planning agreements ('planning gain')

22. The Government has promised for at least the last two years to revise guidelines on the negotiation of planning agreements. The original proposal in the Planning Green Paper was to require developers to make a payment, a tariff, to the local authority if a planning permission was granted. This proposal was dropped following widespread opposition. It then committed itself to streamline the current system to enable the community to share in the benefits arising from development and to make it more transparent and predictable. Eventually, it has put forward alternative proposals which would give developers the option to pay a tariff to fulfil its planning obligation instead of negotiating their contribution.²⁴ Comments have to be made by January 8th 2004 allowing for only eight weeks public consultation, less than the 12 weeks consultation period normally allowed for consultation on Government proposals. **The proposal to introduce a tariff on a voluntary basis requires extensive discussion but having dithered for months, the Government has only allowed a severely limited consultation period.**

Planning Policy Guidance

23. The Planning Green Paper in December 2001²⁵ prioritised the revision of Planning Policy Guidance (PPG) notes 1, 4, 5, 6, 7, 15 and 16, together with Minerals Planning Guidance note 1. These would be reviewed "over the next two years" (i.e. by the end of 2003) and renamed Planning Policy Statements (PPS). In July 2002, *Sustainable Communities: delivering through planning* included a formal commitment by the Department to review all existing national planning policy guidance over the course of the next three years. It anticipated the revision of PPG6 by the end of 2003 and PPGs 15 & 16 by "December 2003/early 2004". The timetable in the Planning Green Paper has already slipped for most priority reviews of PPGs, as they are now due to be published in 2004. So far only PPS 7 on countryside planning has been published in September 2003. The Government published proposals in August 2003 to update PPG 3 on housing and draft versions of PPS12 and 13. It has proposed replacing PPG 21 on tourism with good practice guidance.

24. The original target to review a clutch of priority PPGs by the end of 2003 clearly cannot now be achieved. At the current rate of progress, it seems impractical for the Department

²⁴ Contributing to sustainable communities - a new approach to planning obligations ODPM November 2003

²⁵ Planning: delivering a fundamental change ODPM December 2001

to issue proposals for (let alone formally publish) revised policy for all 25 PPGs and MPG 1 by July 2005, in line with the July 2002 commitment in *Sustainable Communities: delivering through planning*. Even if the policies are revised in that timescale the good practice guidance is likely to follow, completing the totality of the review process only much later.

25. The failure to deliver on commitments to reform the planning system by issuing wholesale revised guidance notes, has led to uncertainty and delays in planning decisions because of impending revisions to policies. We recommend that the Department redoubles its effort to complete the revision of national planning policy, and supporting good practice advice, where necessary, by July 2005. The ODPM would do well formally to withdraw its stated intention to revise the less controversial Planning Policy Guidance Notes.

6 Cross-departmental working to promote housing development

26. The Government has made it a priority to increase the amount of housing built in the South East and to tackle low housing demand mainly in the Midlands and the North which it set out in its strategy document *'Sustainable Communities: Building for the future'*.²⁶ According to the Annual Report 2003, the strategy is part of the ODPM's strategy for meeting its PSA targets. It has set a timetable to deliver on these commitments and acknowledged the importance of several Departments contributing to achieving these objectives.

27. The Committee's inquiry on Sustainable Communities, Housing in the South East, pointed out that the Government had not considered how the physical and social infrastructure including roads, education, health and water required by the additional 1.1 million homes proposed in the South East would be provided over the next 20 years. Our report urged that commitments should be secured from the relevant Government departments to make funding allocations on a long term basis for the necessary infrastructure before the new housing targets are agreed. The Committee's inquiry into the Annual Report returned to this issue. The Ministers promised progress in setting the new house-building targets. Since the inquiry, there has been progress in identifying the house-building potential, but the planning of the infrastructure and the guarantee of funding from several departments has not been progressed. **The new housebuilding targets in the South East cannot be progressed without the funding commitments from all the relevant Government departments.**

28. The ODPM has identified areas of low housing demand and allocated £500m over the next three years for Pathfinder Initiatives in the nine areas where the problem is worst. It has acknowledged that the causes of low demand are multi-faceted and require wide-ranging strategies and contributions from several Government Departments including Transport, Trade & Industry, Work & Pensions and Health. However, Ministers could not demonstrate how the needs of the local economies and the physical isolation of many of the areas suffering low housing demand were being tackled. **ODPM funds are likely to be used to make up the shortfall in allocations by other departments. Other departments should be required to give similar funding priority to areas suffering from low demand.**

²⁶ Sustainable Communities: Building for the Future ODPM February 2003

7 Ordnance Survey

29. Following the Committee's report on Ordnance Survey in June 2002, the Government made a commitment to revise its framework which sets out the organisation's aims, functions, strategic objectives and governance arrangements. The Framework was supposed to be published by the end of 2002 defining the boundaries of its public service and national interest work and its commercial operations.²⁷ The ODPM suggested that the new framework document would be published in the Autumn, but as yet this has not happened. **The Ordnance Survey urgently requires a new Framework to ensure that its data is easily accessible and is widely used. It must give priority to producing this framework.**

²⁷ The report following the second stage of the Quinquennial Review into Ordnance Survey suggested that an enhanced Framework Document would be produced by the end of 2002 [Official Report Column 1014W]. 23 Jul 2002

Conclusions and recommendations

Consistent Management

1. With these constant changes there is a danger of inconsistent policy development, management and reporting. (Paragraph 6)

Public Service Agreements

2. To improve accountability, performance data published in ODPM Annual Reports, Autumn Performance Reports and on the Treasury website should explicitly state where current targets have replaced earlier targets and when the original target was agreed and what progress was made in the period between. (Paragraph 9)
3. Circumstances beyond ODPM's control may mean targets need to be redefined but there should be a presumption against rolling forward and replacing current targets. It is preferable to create an additional PSA target than to roll forward and replace an existing one. (Paragraph 10)

Achieving Targets

4. It is unacceptable that we still have such limited indication of what the target is supposed to measure. ODPM should prioritise the development of proxy indicators for the regional economic performance target and continue to apply pressure to the Office of National Statistics to produce timely, complete and reliable data on regional gross value added per head. (Paragraph 11)
5. The Committee is concerned that every aspect of a target's definition should be finalised and published before they come into force. The definition and measurement of performance indicators should also be complete at the same time. ODPM should identify at the earliest possible stage when interim measurements are needed and develop these within the same deadline. In such cases final measurements should always be applied retrospectively. (Paragraph 12)

Complexity of Targets

6. There is a danger that overly complex targets will result in delays before any actual performance data is produced, meaning that reports of progress will initially focus on descriptions of process. Progress reports on PSA targets should primarily focus on what the targets are meant to measure. (Paragraph 14)
7. For the 2004 PSA targets ODPM should consider targets that are simpler and easier to understand, even if it results in an increase in their number. ODPM should give more attention to the definition, measurement and presentation of targets before they are agreed. An outline plan for presentation of progress in the Annual Report and Autumn Performance Report should be included in the first version of the Service Delivery Agreement after the targets are agreed. If PSAs are too complex, there is a danger that the overall objective to provide better public services becomes

secondary to devising targets and monitoring which becomes an end in itself. (Paragraph 15)

Fire Service Targets

8. We urge the ODPM to outline in the next Autumn Performance Report their reasons for replacing the arson and fire-related deaths in the home targets. Where targets are changed to make them achievable ODPM should, as a matter of course, give a full explanation in the subsequent Annual Report and Autumn Performance Report of why the original targets would not be met. (Paragraph 16)

Presentation of the Annual Report

9. Information in the 2004 Annual Report should be included under a series of headings that are comprehensive and are used consistently for each section. (Paragraph 17)
10. Next year's Annual Report should contain a table of spending by objective and PSA target over the period of the spending review. Individual chapters should contain consistently presented tables that give more detailed information on spending. (Paragraph 18)

Underspend

11. We welcome the reduction in ODPM's underspend, but it still remains too large. We expect the ODPM to set a more challenging target to reduce underspends in total and set a level that each individual programme area must not exceed. This combined with the view that spending additional funding will be a 'challenge' will not help ODPM achieve the best possible settlement from the 2004 Comprehensive Spending Review. (Paragraph 20)

Meeting Targets on Planning Reforms

12. The proposal to introduce a tariff on a voluntary basis requires extensive discussion but having dithered for months, the Government has only allowed a severely limited consultation period. (Paragraph 22)
13. The failure to deliver on commitments to reform the planning system by issuing wholesale revised guidance notes, has led to uncertainty and delays in planning decisions because of impending revisions to policies. We recommend that the Department redoubles its effort to complete the revision of national planning policy, and supporting good practice advice, where necessary, by July 2005. The ODPM would do well formally to withdraw its stated intention to revise the less controversial Planning Policy Guidance Notes. (Paragraph 25)

Cross-departmental working to promote housing development

14. The new housebuilding targets in the South East cannot be progressed without the funding commitments from all the relevant Government departments. (Paragraph 27)
15. ODPM funds are likely to be used to make up the shortfall in allocations by other departments. Other departments should be required to give similar funding priority to areas suffering from low demand. (Paragraph 28)

Ordnance Survey

16. The Ordnance Survey urgently requires a new Framework to ensure that its data is easily accessible and is widely used. It must give priority to producing this framework. (Paragraph 29)

Formal minutes

Tuesday 9 December 2003

Members present:

Mr Andrew Bennett, in the Chair

Mr Clive Betts

Mr Chris Mole

Mr Adrian Sanders

Mrs Christine Russell

The Committee deliberated.

Report (ODPM Annual Report and Accounts 2003), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 29 read and agreed to.

Summary agreed to.

Resolved, That the Report be the First 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.]

Witnesses

Tuesday 1 July 2003

Page

Mrs Mavis McDonald CB, Permanent Secretary and Accounting Officer, **Mr Peter Unwin**, Director, Corporate Strategy and Resources, **Mr Rob Smith**, Director General, Regional Co-ordination Unit, and **Mr Joe Montgomery**, Director General, Neighbourhood Renewal Unit, Office of the Deputy Prime Minister

Ev 1

Tuesday 15 July 2003

Rt Hon Keith Hill, a Member of the House, Minister of State for Housing and Planning, Office of the Deputy Prime Minister

Ev 22

Rt Hon Nick Raynsford, a Member of the House, Minister of State for Local and Regional Government, Office of the Deputy Prime Minister

Ev 22

Rt Hon Lord Rooker, a Member of the House of Lords, Minister of State for Regeneration and Regional Development, Office of the Deputy Prime Minister

Ev 22

List of written evidence

Office of the Deputy Prime Minister (ANN 01)

Ev 39

Oral evidence

Taken before the Office of the Deputy Prime Minister Committee

on Tuesday 1 July 2003

Housing, Planning, Local Government and the Regions Sub-Committee

Members present:

Andrew Bennett, in the Chair

Mr Clive Betts
Mr David Clelland
Mr John Cummings
Chris Mole

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

Witnesses: **Mrs Mavis McDonald CB**, Permanent Secretary and Accounting Officer, **Mr Peter Unwin**, Director, Corporate Strategy and Resources, **Mr Rob Smith**, Director General, Regional Co-ordination Unit, and **Mr Joe Montgomery**, Director General Neighbourhood Renewal Unit, Office of the Deputy Prime Minister, examined.

Q1 Chairman: Good morning. Can I welcome you to the first of our sessions on the annual report and accounts and can I also thank you for the answers to the written questions we have had so far, though I have to say it is a pity that the parliamentary branch did not manage to get them all back to us. No doubt they are working on some of their problems and perhaps we will get a slightly better service in the future. Could I ask you to identify yourself and the rest of the team?

Mrs McDonald: I am the Permanent Secretary at the ODPM. Peter Unwin is the director of Corporate Strategy and Resources. Joe Montgomery is head of the Neighbourhood Renewal Unit and Rob Smith is head of Regional Co-ordination and is responsible for the governance of the regional offices.

Q2 Chairman: Do you want to say anything by way of introduction?

Mrs McDonald: I am happy to go straight into questioning.

Q3 Mr Clelland: I suppose if there is a gold medal for numbers of reorganisations your Department would be up at the top with all the reorganisations you have had to go through. Can you tell us what you are doing to ensure this is not adversely affecting staff morale, and whether you are expecting further changes?

Mrs McDonald: If I can deal with the staff morale point first, it is just over a year, in fact, since the Office was set up bringing together parts of the former DLTR and parts of the Cabinet Office. What we have done is had a consistent programme of trying to create a sense of purpose for the Office and build the new structure around the agenda, and we were helped by that in the fact that when we were set up it was very close to the end of the Spending Review and we had about six weeks to work with ministers on our PSA agreements and negotiate resources for those agreements with the Treasury and that meant we had a quite tight and coherent

agenda to explain to staff early on. We had big staff meeting at which the DPM spoke to explain what he wanted to achieve in the Office and how he saw the various functions coming together, and of course he was well known to a lot of members of staff so he reiterated his commitment to the Civil Service and the support he had enjoyed from the Civil Service. Throughout the year we have worked to build on that agenda. We have had a series of activities within the Office to keep staff up to speed with what we are trying to do. For example, when we published the sustainable communities plan we had a lot of staff briefings open to everybody who wanted to come. We had a business planning round which engaged the staff throughout the Office which was led by the board and was reported to ministers before the end of the year which was about the key priorities to deliver against our PSA targets and what that meant in terms of work and the distribution of resources within the Office, and then we tried, I am not quite sure how successful we were, to roll out the results again through a larger series of staff briefings than we have done before and we created an internal business plan for everybody so they can see where their particular part of the Office fits with everybody else's. We have continued to have a series of staff lunches at board level and we have tried also to engage quite a lot of the senior team in the management of the Office as well so the Audit and Risk Committee, for example, has people from all parts of the Office and the regional offices on it. We had a second staff meeting to mark our first anniversary in the QE2 centre three weeks ago, where we had an exhibition which was laid on by the staff themselves to demonstrate to their colleagues what they did in their particular parts of the Department which I think, if I may say so without sounding unduly immodest, was pretty successful. It was completely voluntary; we had well over 1,000 people turning up from London and the rest of the country; there was a lot of very positive feedback on it; the DPM spoke, there were workshops which

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ministers spoke at; and we do get a strong sense of commitment to the agenda of the Office. It has always been a popular place to work because there is a reality about our agenda that people relate to but we are also just completing a staff survey—they will not like everything about us and probably not the management—which will give us a build-up that we call the baseline so we can see what issues of real concern there are and what else we need to work further on.

Q4 Mr Clelland: What effect has there been on staff turnover in the last few years?

Mrs McDonald: By and large we do not have any sign of a huge exit from the Department.

Q5 Mr Clelland: So in comparison with other departments it is above average, is it?

Mrs McDonald: Yes. Because of the series of reorganisations we have had commitments for people to be able to move back into the Office or to move to the parts of the former DTI and DTLR and the Fire Service, the Home Office, but we have had a lot of people coming back in and a few going but not too many.

Q6 Chairman: Is this business plan you have for internal purposes a public document?

Mrs McDonald: No. It is an internal document.

Q7 Chairman: Is there any reason why the Committee could not see it?

Mrs McDonald: I think if ministers were happy to let you see it you could, but I think I need to ask them.

Q8 Chairman: Presumably it will be available to us under Freedom of Information?

Mrs McDonald: I am quite happy to check back.

Q9 Mr Clelland: How have the re-organisations affected the corporate functions as far as the Department is concerned?

Mrs McDonald: When we were set up last year Rachel Lomax and I decided we did not want to spend ages reorganising a centre. We took a very quick decision about which kind of corporate supports we would need separately and those were largely HR and finance at that time. We needed separate HR and finance functions because of the nature of the relationship with the Treasury on things like pay settlements and pay workforce strategies, and the basic way in which the financial negotiations are handled with Treasury expenditure provision. For the other services we took the view that the bigish user would continue to provide the service and the other department would just pay for it, so effectively we set up cross-contractual agreements which meant by the end of September we had most of that sorted and we said we would look again in a year's time whether we wanted to make any changes. We are just completing that process of review and by and large it seems to have worked well. We need one or two variations but we will continue to buy IT support from DFT and they will buy accounting services from us.

Q10 Mr Clelland: Can you tell us about the last reshuffle? Has this had an effect on continuity in the Department?

Mrs McDonald: It has not had an effect on staff other than that they have needed to brief new ministers, but it has not led to any further re-organisation within the Office itself.

Q11 Mr Clelland: So the Department is now fully integrated, is it?

Mrs McDonald: I think it probably is, yes. There were two key areas, really, that were quite difficult to integrate. One was the Fire Service which had been in the DETR for a year and which was separately located in a building a long way from everybody else and there had been not much interchange of staff with the rest of the Office, and we brought that team closer to everybody else physically and we have managed to get some movement of staff across the boundaries there. The fire dispute was very unfortunate but one of the positive outcomes was that it really focused a lot of people across the Office and I think if you asked Clive Norris, the head of our directorate, he would say that the morale in his team was much better than it was and they feel much more integrated than a year ago.

Q12 Mr Clelland: So there are outstanding issues, for instance, involving pay differentials?

Mrs McDonald: No. We were bringing a small group of people to a larger group of people and the ground rules are basically that you do not disadvantage anybody on a move and you would go with the terms and conditions that the main bulk of staff had got, and we have pretty well completed a negotiation of that with an integration for pay arrangements for the headquarters offices with the unions.

Q13 Chairman: “Pretty well completed”?

Mrs McDonald: The pay is completely sorted. There are some continuing negotiations on the terms and conditions which are to do with leave and sick arrangements and flexible working maternity, but the basic arrangements are all sorted.

Q14 Mr Cummings: Could you tell the Committee why no corporate modernisation targets were set after the Spending Review of 2002?

Mrs McDonald: We were not specifically asked to set such targets.

Q15 Mr Cummings: Would you not normally do that?

Mrs McDonald: We assumed some efficiency targets within the management of the Office. In terms of corporate modernisation which is changing the way we work we are developing a separate programme which is very much more focused on I think three key priorities. One is improve financial management; one is better performance management systems and better systems to help us understand what is going on in real time rather than evaluating programmes after the event; and the third plank is working harder to ensure that the stakeholders we work with—local authorities,

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community groups, a wide range of NGOs—really understand what our agenda is, and that also applies to our colleagues in the rest of Whitehall.

Mr Unwin: We have retained a lot of corporate modernisation targets inherited from previous spending reviews and those are set out in the annual report which you have seen, but in addition we have been looking at issues like financial management and performance management where we were looking for major change and improvement in the Department alongside those earlier targets we inherited.

Q16 Mr Cummings: So do I assume that perhaps you will be setting targets later in the year?

Mr Unwin: Certainly the processes we are going through to improve performance management and financial management involve a big attempt to raise those issues and ensure closer monitoring by the board at all levels.

Q17 Mr Cummings: But will you be setting targets later in the year?

Mr Unwin: I think we will look at targets in the context of the next spending review. That is the time normally when we set targets.

Q18 Mr Cummings: So you have no firm plans to set targets for the rest of the year?

Mr Unwin: We have the targets that we have brought with us from previous spending reviews.

Q19 Mr Cummings: But the question is do you intend doing anything in 2002? Is it yes or no?

Mr Unwin: I am sorry?

Q20 Mr Cummings: Do you intend to set targets during the rest of this year?

Mr Unwin: In 2003? Not additional to those we already have in our annual report which we will continue to report against.

Q21 Mr Cummings: Can you tell the Committee why none of your corporate modernisation targets are income based?

Mr Unwin: Our corporate modernisation targets are ones affecting things like our payment of invoices, our returns on correspondence. On our income-based ones, if you are talking about looking at efficiency and effectiveness of what we get for the money we spend, through the Spending Review we have no allowance for pay increases in the administration costs that go forward so in effect we have approximately a 3% efficiency target incorporated in that that we need to reduce by that amount to keep the same outputs of administration year by year.

Q22 Mr Cummings: Have all the possible objectives been achieved?

Mr Unwin: Against the targets we have at the moment? They are set out in the annual report—

Q23 Mr Cummings: Yes, but I would like to hear what you have to say.

Mr Unwin: They have been broadly achieved, yes.

Q24 Mr Cummings: When you say “broadly”, in percentage terms? 75%? 80%? 40%?

Mr Unwin: For example, on payment of invoices we have generally exceeded our 98% target. We had a slight dip with the introduction of the new accounting system last year but now we are back on track to perform.

Q25 Mr Cummings: So all of the objectives have been achieved, or have not?

Mr Unwin: All our objectives are achieved or on track.

Q26 Christine Russell: What support did the Department give the Deputy Minister for Women last year, and now that the Deputy Minister for Women is no longer a member of the ODPM team what impact will have that on the Department?

Mrs McDonald: We gave her the support of a private office which covered all her ministerial functions based in the Office, but the official team supporting her Women’s duties was based in DTI.

Q27 Christine Russell: So you did not have any designated civil servants in ODPM?

Mrs McDonald: No, other than her private office.

Q28 Christine Russell: Who you have now had to redeploy doing other duties?

Mrs McDonald: No. The Women’s unit staff who were in the Cabinet Office when we were set up moved to DTI, and Patricia Hewitt as Secretary of State took over at Cabinet level responsibility for Women in the equality issues.

Q29 Chris Mole: What role do Bob Kerslake and Vanessa Lawrence play in the management of your Department?

Mrs McDonald: They are both non executive directors on my management board and, as such, they attend all the board meetings they can.

Q30 Chris Mole: How often is that?

Mrs McDonald: That is once a month and we have extra ministerial board meetings about once a quarter, once every three or four months, and they come to those as well. Bob Kerslake chairs the Audit and Risk Committee for me, and they are basically just members of the management team, and they bring different sets of experience to bear to help us round the table, and they have proved invaluable.

Q31 Chris Mole: What procedures do you have to deal with any potential conflicts of interest they may have at any time?

Mrs McDonald: The kind of procedures that one would normally have that declare an interest, and not participating in any discussion which might immediately affect either of their organisations. In practice, those very rarely come to the board because largely we are focusing on the management of the Office and the achievements within.

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Q32 Chairman: You say they rarely come but there are regular and frequent complaints from local government about the heavy hand of government bureaucracy on them, so surely some of those issues do come up fairly frequently, do they not, in terms of managing decisions, how quickly decisions are made and those sorts of issues?

Mrs McDonald: We would have discussions about how our role in relation to local government should develop generally, but if there were any specific issues about Sheffield, say, for example, whether they were going to be a partner in the voting pilot or something, we would not expect to discuss those at the board and we would not expect Bob to take part in any discussion if it were to come to the board.

Q33 Chairman: But in terms of turning things round generally, which is a complaint frequently from local government—that it takes a long time for things to be turned round, which surely is a management issue, as a general principle he might well be involved in the discussion?

Mrs McDonald: I think in that case we would be drawing on Bob's breadth of experience to help us understand how local government responded to some of the actions we took, and that seems to me to be perfectly legitimate and one of the reasons for having people with that range of experience on our board.

Q34 Mr Clelland: How many civil servants have moved from the south east to less prosperous areas of the country?

Mrs McDonald: I do not know the answer to that. Within the Office itself—

Q35 Mr Clelland: In your Department, then?

Mrs McDonald: Within the Office people will tend to live and work in the areas where we have the regional offices or our agency, and we have some movement backwards and forwards between London and the other office but not all that much.

Q36 Mr Clelland: I am referring to relocation from the centre to the regions. Is there a positive policy on this in your Department? Are you leading by example?

Mrs McDonald: Basically our principle is, when we are developing new activities or extending activities that we have already got a responsibility for, then our first choice would be to look to see whether the regional office was the proper front-end arm, and we would build up the function in the regional office in the way in which we have done with the new civil emergency responsibilities, but in relation to our main programmes and the development of those we work very much through those offices in the first instance.

Q37 Mr Clelland: Have you examined, for instance, what proportion of staff who are located centrally could be relocated to the regions?

Mrs McDonald: Like every other Department we are having a revisiting of that as part of the Michael Lyons' exercise, of which the Office is a co-sponsor

with the Treasury, and what we will look at is whether there are any more back-end functions that we can move out, but about a third of the staff are in London, a third in the regional offices and another third in the agencies or offices out of London.

Q38 Mr Clelland: It does not sound particularly positive for a Department which has regional responsibilities and is responsible for trying to help disband regional disparities and improve the regions. I would have thought you would be more positive about trying to relocate staff into the regions than you seem to be?

Mrs McDonald: There are some things you have to do because of the place where you are. For example, a lot of the headquarters activity tends to focus around ministers and the House, a lot of our programme management, our housing management, is out in the regional offices—our detailed programme management; the Neighbourhood Renewal Programme is in the regional offices, so we try to devolve down in that way very consistently. If we can find anything else that could usefully go to the regional offices as part of this exercise then we will do that.

Q39 Mr Clelland: You say if you can find anything else but it does not sound as if you are looking for it. You might stumble across it.

Mrs McDonald: It is partly because over the last two and a half years the Regional Co-ordination Unit have had a remit which is to look at what central government functions can be located and co-located in the regional offices to bring together a much greater sense of the impact of the whole of government activities in regions in particular places, so we have been behind a lot of shift there—not just with our Department but others. Rob can give you more details.

Mr Smith: Many of the functions that were originally being carried out by the government offices in 2000 were moving to other institutions in the regions, so a lot of the work around the Post 16 agenda went to the Learning and Skills Councils so there were new posts in the regions for learning and skills—

Q40 Mr Clelland: But that was not a relocation; that was a new body set up.

Mr Smith: Yes, but then staffing in the government offices was maintained and even increased because new functions came from—

Q41 Mr Clelland: But it was not increased by people being moved from the centre out. It was recruiting locally.

Mr Smith: We recruited locally but it was increased by tasks moving out from the centre, and the White Paper *Your Region Your Choice* talked about reviewing the balance between the centre and the regions in terms of departmental capacity, and that is now being followed through with the Michael Lyons review. We are talking to a range of departments about the functions they might put into the regions.

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Q42 Chairman: Could you give us a couple of examples?

Mr Smith: Both the Home Office and Defra have increased the numbers of posts they sponsor in the government offices over the last two years, and in Defra Chris Haskins is looking at the whole of the Defra out-reach operation currently and that may well lead to further responsibilities going to government offices. We are talking to Chris Haskins about his review.

Q43 Chairman: That is moving someone else's Department. We are interested in action for the people from this Department being moved.

Mr Smith: We represent nine government departments in terms of government offices so we are talking about all those departments, but I think across the ODPM business, certainly in terms of delivering a range of fairly new activity including some of the new PSA activities, for example on sustainable communities and the Neighbourhood Renewal Agenda, there is more business in the government offices as a result of the ODPM's work than there was when we started.

Q44 Mr Clelland: I appreciate that and that is not really the question and in the regions obviously that is appreciated, but we thought that the policy was that the government were looking at relocating a lot of jobs which are done in the centre which could be done elsewhere, particularly because of new technology and IT and everything else. Everything does not have to be located here, and I am not interested in just your Department. It does not sound to me as though there is a mass exodus going on here—just little bits and pieces where you find them.

Mrs McDonald: By and large we have not had lots of people going, and we would not expect that. We would expect posts to be created or moved from London to the regional offices or to other locations within regions, and then there would be a degree of local recruitment or transfer between government agencies, other government departments, for example, like Customs & Excise and Revenue which might be beginning to think about whether they retrench so we can move people across, but we are talking to Michael Lyons about the creation of jobs rather than the movement of people.

Q45 Mr Streeter: Coming in on this, is there not a difference between moving people to the regions where there is a function to be done regionally, on the one hand, and looking to relocate groups of civil servants who happen to carry a function serving the national picture or effort and putting them, rather than in expensive London, into cheaper Birmingham or wherever? It sounds to me as though that second element you are just not looking at at all.

Mrs McDonald: We are; we just have not finished it yet. Just in terms of the context of the Office, then ministers have agreed that the priority should be to build on the regional office machinery and the other players that are currently in the regions—partly because they are so heavily engaged already in

the management of our programmes and the development of our agenda with us. We are looking at back office functions like everybody else is to see whether some of that could be moved.

Q46 Mr Streeter: But you are not expecting staff to move, is what you said a moment ago?

Mrs McDonald: Not in terms of creating new functions in the regional offices because that creates local opportunities for local employment as well. So we are creating a new task rather than recruit somebody in London and send them out; we would look to extend the pool in the regional office.

Q47 Mr Streeter: When will you report back on the second item, Michael Lyons?

Mrs McDonald: We will have to report to Michael Lyons by the end of July, and his interim report will be produced for the Chancellor in the autumn—a pre budget report.

Q48 Mr Clelland: Coming back to London and out of the regions, is there any evidence that the shortage of affordable housing in the south east is affecting the ability of your Department to recruit staff?

Mrs McDonald: We are not seeing any shortage of recruits when we advertise for post so to that extent, no. We do know that for some of the most junior staff, if they do not already live in London, they say it is very difficult for them to find places and largely they tend to be looking to share flats and so on in a kind of student existence, but we have some evidence and are collecting other evidence on the wider public sector effect of particularly the recent rise in house prices over the last couple of years.

Q49 Mr Clelland: So is there a case for classing civil servants as key workers so they can get some help with an assistance?

Mrs McDonald: If you were doing it on income levels then certainly there would be, but I think ministers have said that their priority is key public service providers like teachers and Health Service workers.

Q50 Chris Mole: How much do you spend on e-business delivery, and how many of your services are currently available on-line?

Mr Unwin: We spend about £16 million capital on e-business and about £4 million of our budget is spent on e-business. We are moving to the government target of having all services on-line by 2005, and we have met our interim targets on that basis.

Q51 Chris Mole: You have met your interim targets?

Mr Unwin: Yes.

Q52 Chris Mole: You report that local government through their IAG statements are saying they are 95% of the way there and hope to be 100%. Are you in broadly the same position?

Mr Unwin: Broadly, yes. We do not deliver as many direct services obviously as local government. Big issues like the planning portal is one of our major

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schemes but a lot of our services are through local government, and that is why local government on-line is such an important part of our overall e-business strategy.

Q53 Chris Mole: So you are helping them with that progress with assistance in investment?

Mr Unwin: Yes.

Q54 Chris Mole: And how much are you helping them with?

Mr Unwin: They have their money through general grant that they can spend. We help them through performance unit and other elements.

Q55 Chairman: Could you give us an example of one of the local authorities that is best?

Mr Unwin: I could not but I can let you have some details on individual local authority performance.

Q56 Chairman: You would be less willing to tell us the worst?

Mr Unwin: I can certainly give you some examples of good practice, yes.

Q57 Chris Mole: Are you confident they are going to achieve targets such as those around the availability of planning services and services associated with house buying?

Mr Unwin: Certainly the planning portal is going well at the moment. I think 160 local authorities have taken that initiative up so far, so we would hope that is on-track.

Q58 Chris Mole: When will you be able to do Parliamentary Questions and MPs' correspondence on-line?

Mrs McDonald: When we have compatible systems with the House I think is the answer to that. We handle all of that electronically within the Department and we need a system that would enable us to send new material in-House.

Q59 Chairman: So if MPs send their letters in electronically then you can deal with them in exactly the same way as if they are sent with a quill pen?

Mrs McDonald: Yes, and they would be subject to the same targets in relation to response times.

Q60 Chairman: Would you welcome that?

Mrs McDonald: We are very used now to dealing with significant incoming post coming through e-mail, so I think it would just be quite a normal business.

Q61 Chairman: I asked you whether you would welcome it! Running two systems, a paper-based and an electronic system, does complicate things a little bit.

Mrs McDonald: We have to scan everything that comes in on paper into our system to process it so it would save us time and money if things were coming in electronically and we could just send them on.

Q62 Mr Cummings: The Committee's report into last year's annual report expressed concerns that there was no clear hierarchy of targets within your Department. Why has it not been possible to produce an annual report in which the aims and objectives and targets all fit together in some form of hierarchy?

Mrs McDonald: This report is perhaps more complicated than I hope next year's report will be because we were reporting on the targets set in SR 2000 but we were also trying to develop the new PSA targets which did not come into effect on 1 April this year but drove quite a lot of our activities over the latter part of last year, so that possibly made the report itself complicated, and next year we will focus simply on the PSAs and Fire, which as you know we are treating as if it were PSA, so I hope that will be clearer, but we do not have a hierarchy in terms of any one of the targets having greater priority than the other target.

Q63 Mr Cummings: Why not?

Mrs McDonald: Because they reflect the range of responsibilities and functions that the Deputy Prime Minister has as the head of the Office, and the responsibilities we have are to make sure that each of those is dealt with properly and they are not tradeable-off. They are very different and they do interact quite significantly, and delivery on, say, something like local government improvement is critical, or delivering on PSA 5 which is the match of housing supply and demand because a lot of it is about improvement in local authority planning services, so there are interactions that matter but there is not one that is more important than all the others.

Q64 Mr Cummings: Would it be fair for the Committee to assume that there is a tension between the bottom-up targets and priorities developed by individual units within your Department and the top-down targets imposed in last year's Spending Review?

Mrs McDonald: No. When we do the business planning round then we ask the individual units within the office to look at the PSAs as the starting point and that does set their priority and then to set the more detailed objectives for their teams of individuals within that framework, and we at board level would want to question hard somebody who had a set of activities and targets which did not contribute to that PSA, so we are not asking within the Office for staff to set a whole different set of activities that do not fit within this framework, which is set by government and ministers collectively.

Q65 Mr Cummings: Then how do the public service agreements targets feed into the work programme and the annual appraisal for individual staff?

Mrs McDonald: Each member of staff agrees with our line manager a set of individual objectives at the start of the year within the framework of the overall objective for their unit and the system requires people to talk to each other throughout the year and

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have a mid-year report, and at the end of the year they are asked to assess themselves the extent to which they have met those objectives and targets and that forms the basis of the annual assessment and appraisal and feeds into the pay review.

Mr Unwin: You talk about the top-down and bottom-up approach and I would just say that, in the Spending Review which took place just after the creation of ODPM, the line of the units is involved in the Spending Review both in terms of negotiating for the amount of money and in terms of discussing the PSA targets and advising ministers on the final decisions to be taken on the PSA targets, so there is not quite the sharp divide between top-end/bottom-up, and in the business planning round we have just had each unit business plan has to set out its activities and say how they are contributing to the PSA targets, and that is then cascaded down to the individual objectives.

Q66 Mr O'Brien: Can I press you on the individual economic performance targets and the fact that the 2000 PSA target is joint between Treasury and DTI, and is going to extend over a period of time and years? Why are there no performance milestones for your regional economic performance target? Why are we not getting regular reports?

Mrs McDonald: Rob is responsible for and works with the three departments on the delivery plan for that target.

Mr Smith: There are some milestones in the sense that the first part of planning for the target is around identifying a set of the key issues which feed into improving regional economic progress and the question of the growth gap differential, and to take those issues in the autumn through to the next Spending Review to see what can be done around key instruments and policies to make a change for the future. Another workstream is producing both measures of economic prosperity and proxies for those measures which would allow us to do some interim reporting before the final figures around GVA per head, which are very difficult on a regional basis and depend on an economic cycle to be identified. So we are working to produce results which too would be able to measure on the way to 2012.

Q67 Mr O'Brien: Does that include annual reports on the gross value added per head in each region, or is it something else?

Mr Smith: The difficulty is it is hard to produce those annual reports on gross value added because of the time lags and some of the measurement issues involved—indeed, I think the Office of National Statistics is having to look at the way it calculates that regional data and there is also a review going on of regional data, so we are hoping there may be other things we can look at like employment statistics, and some of the educational attainment statistics which might act as proxies for how the regions are doing, because we cannot put all our eggs in the GVA basket.

Q68 Mr O'Brien: So I take it you have had discussions with the Office of National Statistics on this issue?

Mr Smith: Indeed. The Treasury work very closely with them on this.

Q69 Mr O'Brien: Do they see any problems in reporting annually?

Mr Smith: I think at the moment they are still working on trying to get the figures for the year 2000 out, so it may be we can report annually but there is a very significant time lag and you cannot look at those figures—

Q70 Mr O'Brien: What are the problems?

Mr Smith: The problems are about the nature of the regional data and exactly how you calculate it. It is a technically complicated—

Q71 Mr O'Brien: Are you saying there is different data for different regions?

Mr Smith: There is an issue about the consistency of data across all regions.

Q72 Chairman: You are being fairly cautious. I assume that is because the Office of National Statistics landed you in it as far as the standard spending assessment is concerned in the census figures. You have not really much confidence in their ability to calculate the gross value added for the regions?

Mr Smith: It would certainly not be for me to suggest that there is any lack of confidence in the experts at the Office of National Statistics. They are the people with the expertise in this area.

Q73 Chairman: It is quite difficult for me to get on the record the tone of your voice at that point! It was ironic, I gather.

Mr Smith: I was not trying to be ironic. Genuinely I have a generalist background and I have looked across this area and it does seem to me it is a highly technically fraught area. There are many people with qualifications in all of this working on these issues. It does seem to me that, as I said, we need to look at other measures apart from gross value added per head because of some of the difficulties involved with GVA per head.

Q74 Chairman: So as a generalist you have not been convinced?

Mr Smith: As a generalist I am overawed by the technical issues involved but I fully support the great deal of work that is going to be needed to get really accurate gross value added data on a regional basis.

Mrs McDonald: I think it is fair to say in the meantime we can use already published data which we get on a much more up-to-date, more regular, time series and look at the regional variations in, say, take-up of benefit and employment, and we have put together for internal use a series of statistics which we would update every six months just doing a regional local breakdown on the data that is published, and we have developed that to you to pick

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up on some of the neighbourhood renewal figures we need as well. So we are looking for proxies in the meantime.

Q75 Chairman: That is even less trust, is it not, if you have to find your own proxies?

Mrs McDonald: I think one of the things we are finding more generally is we have traditionally worked where we collected and evaluated post hoc and we need a much more up-to-date real-time series to manage performance better. It is not just true of this PSA but it is true of a number of our PSAs that we need to switch after the event evaluation to what is going on as it is going on.

Q76 Mr Streeter: What pressure are you putting on the ONS to re-run some of the census data which is troubling some of the regions, particularly Manchester and Plymouth and other places? Are you putting them under enormous pressure to come up with solutions?

Mrs McDonald: What Gus O'Donnell and I have asked them to do is look at what the census data is used for and what methods there are of getting more up-to-date data on things like population which is a big driver, say, for grant distribution systems in between the full censuses and whether there are legitimate and reliable means of having a much more regular update on some of those key pieces of information, and that work is going on at the moment.

Q77 Mr Betts: But in some cases, like Sheffield, they have simply lost the data—they have actually lost it—which has made a significant difference to things like the local government financial settlement in terms of the estimates they had to do about how many forms would have been returned if they had managed to keep hold of them. Are you not pressing them to try and rectify those sorts of reports?

Mrs McDonald: We have had a lot of discussions with them about the implications of the data that came through for the local government system but one of the things, as I said, that we are really looking at is whether they can do more more frequently so you do not get that big time lag.

Q78 Chairman: I understand that, but what about correcting the total chaos that they created really for your Department over the standard spending assessment, because they came up with such fictitious figures for the population of places like Manchester, Plymouth, Sheffield—elsewhere?

Mrs McDonald: We have been working with them and the individual local authorities to try and understand what happened and what we could do about it, and we have also used the floors and ceilings arrangement within the grant distribution framework to try and ensure that what were viewed as some of the worst anomalies for local authorities did not have a huge, in-the-air, swing effect on the amount of grant level. I am not aware of any specific issues on Sheffield but I am happy to take that away if you want me to.

Q79 Mr O'Brien: Finally, on this particular point, the region where my constituency is situated, Humber, is due to have a referendum on the future of regional government in that area. If we are saying that the Department cannot report on the gross added value per head in that region, then it is not going to be a signal for people in Yorkshire to say "This is what we want". You have not encouraged us at all on this particular issue but we are going to have frequent or regular reports on the progress of those value added in the region. Why can we not get better progress reports?

Mr Smith: Firstly, as we have implied, there is a huge amount of work going on to try to get more accurate, more reliable, gross value added reports more regularly. There is an issue about their relation to the economic cycle which makes the understanding of those more difficult because you cannot get an absolute accurate comparison until you know where you are in the economic cycle which you cannot know until the end of the cycle—

Q80 Chairman: I understand, if you are looking at the graph fluctuating, that that is perfectly valid but at the moment we cannot even get one point on the graph, can we?

Mr Smith: We are working very hard to that effect. One other point which I think is important: for understanding the issue of regional differentials is that we are also looking at other measures because I think gross value added per head gives you one insight into the issue but there are others like income per head, like adding issues around retail prices in the regions, issues around congestion, which give a slightly fuller picture.

Q81 Chairman: And are the Office of National Statistics collecting that, or are you having to do it yourselves because you cannot trust them?

Mr Smith: The ONS are collecting that and there is work in hand with the Treasury on the whole range of regional economic statistics at present.

Q82 Mr O'Brien: Moving on to local service targets, the local service target agreed in 2002 says that there should be progressive improvement in authorities' comprehensive performance assessment scores. How much will be needed to improve each year for authorities to come up to standard?

Mrs McDonald: I am tempted to say "Pass" on that one!

Q83 Chairman: Wait a minute. You may say you are tempted to pass but you are not allowing the local authorities to pass, are you? You are demanding these improvements and admitting it is very difficult to find them.

Mrs McDonald: Yes. It is quite difficult to find an indicator that is simple to understand which matches the commitment we made in the PSA target on local government improvement, and we have been working with the LGA on that and hope to have something available fairly shortly. But again what we have got are other measures which we can develop which are simpler and easier to understand

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so, on the back of the CPA process, we are looking to see an absolute increase in the volume of authorities which are good or excellent year-on-year over time, and that I think is a reasonably simple measure to assess and the refresh judgments are done by the Audit Commission not us, so we have an open and agreed methodology and an independent assessor there able to make that judgment for us. We started the role out of the CPA to district authorities as well so we will be able to develop that baseline too, but the work we are looking at is around the best value performance indicators and the way you can use that comparability of data to show that improvement over time.

Q84 Chairman: Perhaps you can help us with this reference to “according to the service delivery agreement decisions will be taken shortly on the extent of these changes”. What is meant by “shortly”?

Mr Unwin: On the extent of which changes, sorry?

Q85 Chairman: The special delivery agreement?

Mr Unwin: The service delivery agreement is updated as delivery plans change because, as you know, delivery plans are living documents which are updated as they are monitored and tracked, and as those updates take place then they will be added to the service delivery agreement.

Q86 Chairman: When were they last updated?

Mr Unwin: The service delivery agreement was published in November. PSA 5, which because of the communities plan was delayed until the communities plan was published in February, I think will be updated in about October of this year once we have made progress on that delivery plan.

Q87 Mr O'Brien: Is there a reason why the percentile method was chosen to measure the cost effectiveness aspect of the local service PSAs?

Mrs McDonald: That was negotiated with the Treasury some time ago and we have been working to find some effective way which both we and local government feel comfortable with.

Q88 Chairman: So what you are doing is pleading “Not Guilty” because the Treasury imposed it and you do not have to make it work?

Mrs McDonald: That kind of percentage increase is a fairly well recognised way of doing something. It was a question of what is the database we use against which to judge that overall improvement when what we have got is a lot of detailed information about a lot of individual services. Until we had the CPA process we did not have anything that pulled together some kind of corporate assessment as well as individual service targets, so we are trying to build both of those into something which everybody accepts is a good indicator of overall efficiency.

Q89 Chris Mole: The districts in Suffolk were more than happy to sign up to a local PSA which Nick Raynsford put his name to with a series of stretched targets including one of housing for elderly people

going to deliver improved local services. The abolition of the local authority social housing grant has completely undermined local attempts to achieve that PSA target. How are you going to handle that because at the minute, effectively, you have a contract with them that you cannot deliver on your half of the bargain?

Mrs McDonald: Ministers made it quite clear that they wanted to change the system of local authority social housing grant because (a) it did not work evenly across all local authorities depending whether you were debt-free or not and (b) we were spending the same money twice, but what they have introduced is transitional arrangements over the next couple of years to ensure that schemes that were agreed and were in the pipeline were funded, and we are in the process, with the Housing Corporation, of doing that now. There was a significant increase in the number of schemes that were bid for in the last year once we had announced that the scheme was going to be stopped, but we have arrangements in place to pick up those which are ready to go.

Q90 Mr O'Brien: The question of measuring the efficiency targets is an issue that has been considered over a period of time. Why is it taking nearly four years to come up with a robust measure of the cost of effectiveness of local authorities? We were advised that the PSA technical note of the new measure is expected to be introduced but it is going to take four years before we get a robust system in? Why so long?

Mr Unwin: It is a very complex area, as you will have seen from the technical note with the indicators set out there, and we have set out in the technical note an interim measure. We have said we will move towards the final measure by April 2004, and obviously it is a methodology that it is important to get right which is seen to be fair to local authorities, and that takes time.

Q91 Mr O'Brien: Who is involved with the change in the way of measuring? Is it just your Department, or others?

Mr Unwin: Our departments are in the lead and I can send you a note on this with more detail, but they consult other departments and I would imagine talk to the LGA as well.

Q92 Mr O'Brien: So your letter will have an explanatory note?

Mr Unwin: Yes

Q93 Chris Mole: Does the assumption of 2% go across the totality of local government spending?

Mr Unwin: It is 2% cost effectiveness, yes.

Q94 Chris Mole: So that is 2% across schools and those services that are delivered through partners such as the voluntary sector, who very much feel their noses are being put out of joint if local councils ask them to find a 2% saving each year?

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Mrs McDonald: It is a measure of cost effectiveness of the performance of the local authority as a whole; it is not translated across into each individual service. Individual services have different kinds of targets set by—

Q95 Chris Mole: If it applies to the budget as a whole and you cannot make savings on certain elements, then it is more than 2% on core elements of the budget?

Mrs McDonald: Well, it might be about increased productivity and not savings. It is not a savings measure; it is an efficiency measure.

Q96 Chris Mole: So that is the message to give the voluntary sector, is it, who get a grant every year from the council—that they have to make 2% productivity as well?

Mrs McDonald: I think you are not comparing like with like, if I may say so. The measure was there to be designed to support our programme of working with local government to improve the performance of local government as a whole. It is not there to second-guess what might be required for social services and what choices local authorities might make in terms of passing off grant to—

Q97 Chris Mole: But then the Treasury go on to build 2% into the local government funding stream?

Mrs McDonald: The Treasury talk about what they want the totality of the money to be about year-on-year when they are negotiating with the Department and other departments what the totals available for the grant should be.

Q98 Chris Mole: You are telling them you are working with local government to deliver 2% savings across the totality of local government budgets, and the Treasury then build that into the support for local government?

Mrs McDonald: We are talking about 2% efficiency improvement and cost effectiveness, which is not necessarily about savings. It might be about e-delivery of services and the speed with which you deliver the service.

Q99 Chris Mole: Which the council can do if it is its own services, but if it is with a partner whose capital investment in electronic service delivery they do not control then they have no ability to influence that.

Mr Unwin: But if it is looking at the outcomes that the local authority has achieved and the outlets and some of those outcomes they will have achieved directly and others they will achieve through partnerships, what it is saying is that overall those outputs measured against the inputs should be 2% of productivity, which does not mean 2% savings; it could mean 2% higher outputs.

Q100 Chairman: But the pressure is they are getting 2% less money, so it is not a choice for them as to whether they increase the outputs but a question of having to make do with less money?

Mr Unwin: They are not necessarily getting less money. The revenue support grant has gone up significantly in real terms over the past few years.

Chairman: But in all the statements about it it says “This is the figure plus this which is expected for efficiency savings”?

Chris Mole: It is part of the settlement.

Q101 Mr Betts: Moving on to housing, in the annual report the strand of the target looking at the performance of local housing authorities and British social landlords has been effectively invalidated because the best value indicators have been changed and cannot be used as a basis for it. Why did that happen?

Mrs McDonald: I am not quite sure I understand the point you are making. We have continued to use the housing inspectorate in the Audit Commission—

Q102 Mr Betts: Your report says, “In its current form, this target is no longer valid, as changes have been made to local authority BVPIs”.

Mrs McDonald: I am unsighted on this one. What I am assured of is that we have not asked the Housing Inspectorate to stop inspecting local authority management performance, and they are continuing to do so.

Q103 Mr Betts: But there is no target now—you say the target is invalid. It is your report.

Mrs McDonald: I cannot see how the target can be invalid; it may be a bad choice of words on our part. It can only mean that the data has shifted so you cannot measure in the same kind of way. I think we better take this one away, but I do want to reassure you that we have not stopped the process of the Housing Inspectorate and the Audit Commission inspecting local housing authorities and, indeed, they have taken responsibility over from the Housing Corporation to inspect RSLs as well.

Q104 Mr Betts: So you are going to have a look at exactly what that phrase means?

Mrs McDonald: Yes, we will. I think it probably means we cannot continue the series in the way we did before.

Mr Unwin: We say here that we are looking for a new service delivery indicator, but we can give you a note.

Q105 Mr Betts: When will that be in place?

Mr Unwin: I cannot tell you on the spot. We can let you know.

Q106 Mr Betts: Because without one then effectively improvement performance or worsening performance cannot be measured, can it?

Mrs McDonald: Except that the Audit Commission system gives a star rating, so we will continue to have the star rating series against local authority performance year on year.

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Q107 Mr Betts: But there is no role measure?

Mrs McDonald: That is the overall assessment outcome that the housing inspector allocates to an individual local authority against the various groupings they have within the inspection.

Mr Unwin: It is tied to the development of the CPA methodology for districts so at that stage I would imagine we would be coming forward with a new indicator.

Q108 Chairman: You have been pressing local authorities to move to a choice-based lettings policy yet really there is no way of measuring whether their performance has improved or gone off as a result of this change, is there?

Mrs McDonald: We would still have data on things like voids and turn round times in terms of re-lets so within an individual local authority you could test—and that is what the pilots were doing—the extent to which the choice-based letting systems were successful or not.

Q109 Chairman: What is the point of having targets where every so often, instead of changing the target, you change the method which is really what has happened here so you invalidate the target? The cynic would say “Well, what you have said is you are not going to achieve the target so let’s muddy the water by changing it”.

Mrs McDonald: Some of these changes, as Peter says, are partly because the development of the comprehensive performance assessment process has introduced different discussions and different thinking about the way in which you measure overall performance at local authority level rather than just the hard-edged indicators of the kind of things as a good landlord you want to know, but we have not removed all of those by any stretch of the imagination.

Q110 Chairman: Is not the logic to say, “Well, we think these targets are not very good ones, we will have some different ones, but at least continue with the old measures so you can see the old system going ahead and the new system”, whereas what you are doing is invalidating the continuing series of figures, are you not?

Mrs McDonald: We will give you a note on the detail of this. I am very clear that not all of the kind of figures we were talking about which illustrate performance have been done away with in this methodological change because they are basic indicators which local authorities and RSLs are required to report on to their tenants on a regular basis to show what kind of service they are getting from the local authority or the RSL.

Q111 Mr Betts: One of the issues that came up with the Draft Housing Bill is the issue of the health and safety rating system. Clearly there has been quite a bit of discussion about the operation of this system and when we came to look at it version 2 of the guidance is not there and it has been a long time in

preparation. Why has it taken so long to prepare it and can you make any judgment about how the system will operate without it?

Mrs McDonald: We will have to let you have a note on that. I just do not have a detailed answer at my fingertips for this.

Q112 Mr Betts: But it is a draft Bill. It is a key part of it, the guidance. You cannot make any sense out of the proposals without the guidance, and the Department have published the Bill and nobody knows anything about it?

Mrs McDonald: I will make sure that we pick up on that point and come back to you on it.

Q113 Christine Russell: The sustainable communities plan was published back in February and ministers at the time indicated that a special unit would be set up within the Department to oversee the delivery of the plan. Where are you with the creation of that unit?

Mrs McDonald: We have created the unit within the Department and we are almost at a point of completing the appointment of a new head for that unit. We went out to competition for that and we have set up within the unit a performance management office responsible for the development of PSA 5 and PSA 5 delivery plan, but we have also set up a monthly performance management system for ministers across all the commitments we have made in the plan, and we report on all of those monthly on a traffic-light based system.

Q114 Christine Russell: Where do the staff come from that are in the Unit? Have they come from other units, other departments, or have you had staff coming in from outside?

Mrs McDonald: We have had staff coming from within the Department and from within other departments. Some of the staff in that Unit were appointed from outside—the Head of the Policy Unit, for example, which is part of it. David Lunts, a well known expert in urban policy, was appointed last summer and he is part of that.

Q115 Christine Russell: Is there going to be any undermining of the existing departments as a result of staff moving into the new Unit?

Mrs McDonald: No. We manage the Department as a whole place, as it were. People do not own staff within their grouping. We collectively at the Board would take an overview on the structures and the distribution of staff, and in setting up something new like this some of the posts would be advertised so people could apply for them, and some of them would be managed moves.

Q116 Christine Russell: How is the new Unit going to relate to existing units like Mr Montgomery’s Neighbourhood Renewal Unit, for instance?

Mrs McDonald: The Performance Office is responsible for the delivery of the whole plan. The Neighbourhood Renewal Programmes are absolutely key in most of the Market Renewal Pathfinder Areas. What the Neighbourhood

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Renewal Unit can demonstrate in terms of resource commitment and output will be monitored as part of the progress on Market Pathfinders. Similarly, the Local Government Improvement Programmes which are relevant, say, towards planning and create capacity we will pick up and monitor as part of that.

Q117 Christine Russell: Finally, can I ask you when you anticipate that the new population projections are going to be published?

Mrs McDonald: I do not know. There is a regular time frame for them as a series which is about every four years. I do not know when the next one is due.

Q118 Chairman: It is very fundamental, is it not, because the last set of figures were based on the old pre-2001 census information. If the population of quite a lot of the inner cities has significantly gone down, *if*, presumably the demand for housing will vary very considerably, will it not?

Mrs McDonald: We have some census data in relation to the Sustainable Communities Plan, and those projections on which we were basing the underpinning of the plan have not found anything that suggests we should be changing the directions that are in the plan as a result of that analysis. A lot of the data about some of the cities that we are getting are showing some shifts back into places like Leeds and Manchester.

Q119 Chairman: Not in the census figures, it is not?

Mrs McDonald: We are not just using the census figures,

Q120 Mr Betts: What assumptions does the Sustainable Communities Plan make about the housing market over the next ten years?

Mrs McDonald: The assumptions it makes are, on the basis of the household projections and performance against RPG9 figures, that there is likely to be a shortfall in London and the south-east; in that, in other areas the market needs a sub-regional balancing effect so that areas of low demand are helped to become sustainable and that we try to avoid the creation of very hot hot spots around the periphery of some of the bigger cities with people moving out and putting pressure on the periphery of the cities.

Q121 Mr Betts: How sensitive are your spending plans to possible changes in the housing market, from changes in economic growth, to changes in interest rates or even if the Chancellor has his way and looks at a substantial restructuring of how the housing market operates?

Mrs McDonald: There is really a supply problem and the market response to changes in interest rates has proved to be consistently buoyant, in that it tends to increase demand in those areas where supply is under pressure, and you get a boom in prices of the kind we saw 18 months ago which has now flattened out a lot. We still have mismatches in the types of properties that are available within the private sector market.

Q122 Mr Streeter: A lot of government decisions have been made in the last few years, even before the Sustainable Communities Plan, based on the demographic assumptions we have been referring to this morning. Presumably those are compiled, in part at least, by the ONS with your Department. We have already all agreed in this room this morning that there have been serious question marks over some of the data produced by the ONS in the 2001 census. What confidence do you really have on those demographic assumptions? A lot of decisions for the future are predicated upon them being accurate. What on earth are we going to do if we find out in five years' time that things have changed?

Mrs McDonald: We use population figures, but a lot of the analysis is more sensitive than just the core population figures. The best basis of confidence we have is that this series has been going for a number of decades and the reality has always overshot the projection.

Q123 Mr Streeter: They are compiled by the ONS, is that right?

Mrs McDonald: The series is produced by the ONS.

Q124 Mr Streeter: You are confident in these figures?

Mrs McDonald: They are subject to a range balance but the sense of direction is consistent.

Q125 Mr Betts: Can I take you back to the issue I alluded to before, the Chancellor's test for economic convergence and the desire to get the housing market in this country operating more like that on the continent of Europe. Are you involved in those sorts of discussions? Is that likely to have any influence at all, or any implications for your forecasts and your spending plans?

Mrs McDonald: We are involved in the review that Kate Barker is doing. We are not directly involved in the review David Miles is doing but, of course, the whole of our commitment on PSA5, which is about helping cope with shortage of supply in the south-east, is seen as a critical part of that agenda.

Q126 Mr Betts: In terms of the sensitivity to the population forecasts, when the 2001 census eventually produced these figures it showed a quite significant smaller number of households and a smaller population than had been assumed. How do you take that into account? Did that affect your decisions at all?

Mrs McDonald: As I said, the trend direction is not significantly affected over time by that data. The issues about household formation have been constant now for quite a while in terms of small households. There is very little evidence that that means less demand or, indeed, that there is a great desire for smaller units for single person households. In the south east one of the things that is consistent is the growth in immigration as well—not necessarily through the rest of the country but from Europe, economic migration.

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Q127 Mr O'Brien: In your Annual Report on page 48 you introduce the question of urban policy. Given the objective of targets you refer to the Regional Development Agencies, English Partnership and Coalfield Regeneration, but nearly a year after the target was set for the question of sustainability of towns and cities, no performance indicators or targets on the sustainability of towns and cities have been published. Why was the sustainability of towns and cities included as part of the PSA target when there is no hope of having any meaningful measures before the next Spending Review? Or is it your aim to roll this forward and replace it with a Spending Review in the 2004 target?

Mrs McDonald: The Sustainable Communities Plan did give a broad definition to which we had got our significant consensus from a number of players as to what might be a sustainable community. Some of those factors are susceptible to some of the quality of life indicators that are already collected by Defra when they pull together some of the factors that we are looking at. What we are trying to see is whether some of those indicators we are already putting into practice in the Millennium Communities, for example things like water sustainability in Greenwich or installation factors, we can consistently build in to the programmes we are funding for capital development. Over time some of this will depend on our capacity to define what some of the new areas of development proposed in the plain are actually like against a set of objectives. I think probably Greenwich and some of the other Millennium Communities are the best examples we have got for trying to do that in practice.

Q128 Mr O'Brien: Performance targets—can we refer to them in this Report?

Mr Unwin: There are some in the technical note on PSA5. Some of the initial ones coming out are average density and the brown field target. As say, as we develop the Service Delivery Agreement and update the PSA5 element, which we are aiming to do by October, then more of those indicators will come in.

Q129 Chairman: It is not very easy to understand them, is it? Part of the idea of having these targets is surely so that the general public, ministers and MPs can get some idea as to whether we are reaching the targets? Surely you want something a bit like the thermometer outside the church for their restoration appeal, where you can actually see it simply going up? These figures do not in any way give people clarity as to what is happening, do they?

Mr Unwin: I think sustainability of towns and cities is something we can all recognise when we see it, but is quite difficult to measure. That is why we have to think very carefully and work with people before setting out the detailed targets against which to give a thermometer measure that can be understood. Issues like density in the south east where there is a shortage of land and the use of brown field land are measurable targets which people can understand,

and which can be used as proxies for this sort of thing. That is what we are starting with, and we are looking for further indicators to build on that.

Q130 Mr O'Brien: What about Coalfield Regeneration, are there any specific targets we can refer to?

Mr Unwin: The sort of issue one would look at in those areas is the re-use of reclaimed land within the Communities Plan.

Q131 Mr O'Brien: What happens is that we are looking at the meaningful measurement of these programmes. Urban regeneration is a further programme which is a hotch-potch of provision at the present time. No-one knows exactly what the sustainability is going to be within urban regeneration because of the funding being transferred. How can we measure this? In the former mining areas how can we measure what progress is being made with the regeneration?

Mrs McDonald: The English Partnerships who lead on this programme would measure the use of derelict land and jobs.

Q132 Chairman: Just help the Committee. If, when we are doing our Report on this, we are looking to award you three gold stars, which are the things you expect to get the three gold stars for, as far as these targets are concerned?

Mrs McDonald: I think we would expect to get gold stars for the Millennium Communities Programme which specifically feeds into some of the sustainability indicators I mentioned.

Chairman: Do you think a gold star for Allerton Bywater?

Q133 Mr O'Brien: It was supposed to be part of the Millennium 2000 programme and it is still on the drawing board!

Mrs McDonald: Some of that is because of seeking agreement with the local community about how best they want to develop it. That is not the only one. Some of the others are further ahead and have achieved more.

Q134 Mr O'Brien: How many are there in total?

Mrs McDonald: Eight.

Q135 Mr O'Brien: The fact is the one in the Yorkshire region has not even started yet. There may have been problems in consultation or working out the meaningful approach to it, but I think that could have been handled better. As the Chairman said, there are no gold stars for that kind of progress, surely? That is part of the Coalfield Regeneration and that is the point I am making. Here we have 19-odd areas involved in the Coalfield Regeneration and I am looking for examples where we can say this is progress being made. The Urban Regeneration Programme is not helping the situation at all. We are looking for some progress.

Mr Unwin: We understand local frustration but sustainable communities are not built overnight and these things take time.

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Q136 Chairman: I think I had better given up on the other two stars!

Mr Unwin: You asked for three. The other I would put in is the brown field land target.

Q137 Mr Cummings: Could you give the Committee three examples of how the actions of the Regional Co-ordination Units have resulted in a change of approach by other Government departments which take greater account of regional issues?

Mr Smith: I think some of the examples I mentioned earlier, about the way both the Home Office and Defra are now interacting with the regions and are building a regional approach into their policies, and we are also having a regional input into the National Skills Programme, which is going to be announced fairly shortly as a result of a lot of work on skills. I think you will see a regional component to that as pre-figured in the interim document. I think it is very important that skills work gets taken forward with a particular regional focus, and we are working with DfES on that.

Q138 Mr Cummings: If I really wanted to blow the trumpet for the Regional Co-ordination Unit what three examples can I latch onto to prove its worth and to prove its value?

Mr Smith: I think, first of all, the Regional Co-ordination Unit is the corporate centre for the Government Offices. The first real example is the fact that the Government Offices have become very significantly more representative of Government. That has been led by the Regional Co-ordination Unit. In the year 2000 we represented three departments, and now we represent ten. I think that is the biggest single achievement.

Q139 Mr Cummings: What can you point to where the Unit has influenced policy or changed policy?

Mr Smith: By engaging all these ten departments.

Q140 Mr Cummings: Have you got a practical example I can latch on to?

Mrs McDonald: I think the Street Crime Initiative would be a very good example. When there was great concern last summer about the different kinds of street crime and the way it was being handled the RCU went to the Home Office and said, "You should engage us and you should engage the Regional Offices in the way in which you roll out the Street Crime Initiative. Because if you bring to bear the other players that are in the Regional Offices who are managing different programmes, including some of the Office's programmes, alongside the police and some of the other players you want to bring to the table, we will get a much broader synergy and a much wider capacity to address what the real problems are underlying street crime". That was done and the initiative was seen to be successful, as a result of which the Home Office have taken two decisions: firstly, they completely move their staff within the Regional Offices instead of having them co-located; and, secondly, they have started to think about the way in which some of the various

partnerships they have got should be brought together so there are not so many players out there in the field. They are looking at bringing their drug action teams together and community action teams together.

Mr Smith: To give you another concrete example—the bringing together of various funding streams for positive activities for young people which were being funded through a range of different departmental programmes, those have now been brought together in the Government Offices into a single pot.

Q141 Chairman: You have described to us the bureaucratic changes, but you have not answered John's question. What has been achieved as a result of those bureaucratic changes? Has street crime gone down?

Mr Smith: The Street Crime Initiative was, indeed, successful in many regions.

Q142 Chairman: That is the answer then you should have been giving us, is it not! What other ones are there?

Mr Smith: Street crime has gone down, and young people's activities have increased and improved in quality and quantity.

Q143 Mr Cummings: Could I follow this up with Mr Montgomery, who is in charge of Neighbourhood Renewal.

Mr Montgomery: I think the Regional Offices have been invaluable to us in helping to secure community cohesion, particularly in areas of high distress in the aftermath of various troubles. We worked through the Regional Office network to put in place community coordinators on the ground in some of these high distress neighbourhoods in ways that really would not have been possible from the centre.

Q144 Mr Cummings: Can you point to a successful initiative?

Mr Montgomery: I can point to various in Leeds, Bradford and places like that where, frankly, thinking you can coordinate these things from the centre would be a mistake.

Q145 Mr Cummings: Could you tell the Committee why officials in Government departments seem to lack understanding as to how the system for Local Government Finance works?

Mrs McDonald: I do not know that officials in other Government departments do lack comprehension. They do not necessarily always like the way in which the outcomes come out.

Q146 Mr Cummings: What discussions has your Department had with officials in the Department of Education and Skills over the recent debacle over schools funding to enable them better to understand the system?

Mrs McDonald: They have been working together with DfES and the LGA over the last couple of months on education funding and funding for schools.

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Q147 Mr Cummings: Arising out of that, do you believe they have a better understanding of Local Government finance?

Mrs McDonald: I think more people understand that it is very difficult for a system which operates at a national level, distributing on a set of ground rules, to feed money through to not just the Local Authority but on to a school. "What are the other pieces of money", comes into play when funding is getting to schools, and the interactions with the tax effects and the effects on other services that local authorities provide.

Q148 Mr Cummings: Would you like to see more devolution, more powers transferred from the centre to the regions?

Mrs McDonald: As you know, it is the Deputy Prime Minister—

Q149 Mr Cummings: You have a problem with the centre, you said, so how do we get over that problem? Do we not look to giving more authority and powers to the regions?

Mrs McDonald: I am sorry, I think I may be missing a connection. Certainly the Deputy Prime Minister is promoting regional governance and regional centres, as you know.

Mr Cummings: This was just arising out of an answer you gave earlier when you questioned the efficiency of the centre in funding arrangements.

Q150 Chris Mole: Can I ask you specifically whether you were able to advise DfES colleagues on the implications of bringing together the two changes—one the abolition of the school standards fund and its inclusion in general grant support, with the changes to the distribution methodology? Because one of the consequences seems to have been that that caused a redistribution of the Standards Fund that was not necessarily planned or intended in the changes to the general distribution formulae. You had two changes that seem to have interacted in a way that was not anticipated?

Mrs McDonald: We have done a lot of work with DfES. When the main grant settlement was sorted then modelling the changes that were introduced this time was done across Government. That then shows you what the effects are at local authority level. Money going to individual schools comes from that funding stream, but it also comes from things like the Standards Grant where some of the ground rules on the distribution of that grant changed as well. You get various additional effects, which means that the variation at school level was wider than anybody anticipated.

Q151 Mr Cummings: How do you believe the Department of Health's decision to abolish its regional structure squares with the ODPM's regional agenda?

Mrs McDonald: The Department of Health are taking decisions about what they think is the most effective way to run the National Health Service. There are two areas in which we are working closely with them. Firstly, on public health where they are

co-locating with the regional offices and working the regional offices in a more strategic oversight way than they have before; and, secondly, at a PCT level, where there are proposals for much more local engagement than we have seen in some of their earlier models.

Q152 Mr Cummings: We understand that the Department of Health's function taken at regional level will be basically one of public health?

Mrs McDonald: Yes.

Q153 Mr Cummings: That is all that is going to be left in the regions?

Mrs McDonald: In terms of our regional structure, it has largely been public health that we have worked with over time.

Q154 Chairman: Wait a minute, the regional disparities are because health is generally poorer in some of the regions, is it not?

Mrs McDonald: Yes.

Q155 Chairman: That is not just a public health issue. It is a question of the service that is provided by the Health Service in general?

Mrs McDonald: Yes, I agree. I was just answering what I thought was a question about the Health Service structures. In terms of health inequalities, we have a very close relationship because PSA1 has a poor target on health inequalities. In terms of our relationships with how we work with health then we will be looking to use our community-based neighbourhood level programmes to work alongside health at local and neighbourhood area level.

Q156 Chairman: So we have a situation where you are going to be doing everything at the regional level, but the Department of Health, who are coordinating with you, is now going to do everything at the national level. Is that going to work nicely?

Mr Smith: Could I say a word directly on that. I think the Department of Health would say they are pushing powers and responsibility down to primary care level. I think the important element here is in local strategic partnerships. The health element tends to be closely linked in through the Primary Care Trusts and that is where we want the action to be, making sure that when the local strategic partnership looks at health and equality issues—

Q157 Chairman: They can get just what they want and do not have to get permission from the centre?

Mr Smith: They have a reasonable amount of autonomy over the sort of issues that are discussed in local strategic partnerships. Joe might want to talk about some of the places where action has actually happened as a result of their involvement.

Mr Montgomery: Plainly the PCTs will play a major role in delivering health and equality floor targets. We are operating joint seminars with PCTs to get them fully abreast of this and to encourage them to participate fully across the board in local strategic

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partnerships. We expect them to be active and vigorous participants in delivering in some of our poorest neighbourhoods.

Q158 Mr Clelland: Mr Raynsford told the Committee last year that actions had been taken to improve your Department's capacity to promote the role of local government across Whitehall. Can you tell us what steps have been taken over the last 12 months to promote a more consistent and prioritised approach to local government across Whitehall?

Mrs McDonald: We have strengthened across Whitehall the formal committee machinery under the Cabinet Office to deal with not just local government finance issues but with the whole improvement programme. There is an official level committee that replicates the ministerial level committee and they have now taken a very active part in the development of the CPA processes, the methodology, the refreshing of the usury assessment, and we had a very lively discussion about what should be covered and what should be the strategic areas for the Audit Commission to cover in the roll-out of the district CPA. That is at one level. At the other level, we have strengthened our capacity to relate to individual local authorities. We have appointed, to work within the Regional Offices, a series of local authority relationship managers who follow up with individual local authorities on performance improvement plans post-CPA. They have a responsibility which is to bring back issues, not just to ODPM but to the other departments where it is a particular service which might be of interest to another department that is causing problems. If it is something, say, within a Social Services Department then we would go back to Health and we would be looking for support and assistance in Health in finding people to go and work with the local authority on that particular area.

Q159 Mr Clelland: Are there noticeable improvements that have been acknowledged by local government during this process?

Mrs McDonald: If you were to ask the LGA they would say they recognise that Whitehall more generally has understood the scope of the Comprehensive Performance Assessment process to have a much better dialogue about what works and what does not work, and what mechanisms can properly be put in place so Whitehall understand the service improvements without sitting on top of the process too much or creating additional inspectorates.

Q160 Mr Clelland: The 2001 White Paper *Strong Local Leadership: Quality Public Services* said, "All government departments will examine, with the Local Government Association and others, the roles, capabilities and potential of the bodies currently providing support for capacity-building in local government". Can you tell us where we are with this review?

Mrs McDonald: Following the CPA process we have now set up something called an "Innovation Forum" which works with the excellent authorities

and with colleagues across Whitehall to promote best practice in different areas of activity. Again, across the services that local authorities provide, we engage the other government departments in that.

Q161 Mr Clelland: Is the Review complete or is it still ongoing?

Mrs McDonald: It is probably better to think of it as a continuous process really.

Q162 Mr Clelland: How do you assess whether the Improvement and Development Agency is providing good value for money?

Mrs McDonald: I would expect the LGA to want to do that as well as us because they have to make the bit for the top-slicing funding that goes to promote those things. What we have been working on with the IDA together with the LGA is the Innovations Forum that we have set up and how their programmes of support—particularly for members of the local government—fit into that. What we want to do next is to make sure that the IDA, the Audit Commission, the LGA and ourselves have actually pulled together and identified which area it is best for each to lead in, but sharing the baseline information we have got between us in doing so.

Q163 Mr Cummings: The Committee have been informed that your Department is setting up a cross-departmental group of officials to consider liveability issues and public spaces. The Committee also understand that the group was supposed to have been set up last October. Could you tell the Committee, have the members yet been appointed; and when will the group's first meeting be?

Mr Unwin: The paper that was published by Defra last autumn has led to an interdepartmental group working on that which has met on a number of occasions.

Q164 Mr Cummings: Has the group been established officially? For instance, what grade will the members of the group be; how often will the group meet; and has it had its first official meeting?

Mr Unwin: The group I am talking about has met.

Q165 Mr Cummings: Are we talking about the same group?

Mr Unwin: I think we must be because it is looking at the same issue. We are represented on it by David Lunts, the Director in charge of liveability and open policy.

Q166 Mr Cummings: How often will the group meet?

Mr Unwin: They have met, I would say, a couple of times in the last few months going back to last autumn.

Q167 Mr Cummings: Is the group making a success in working across the various departmental boundaries?

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Mr Unwin: Yes, if it is an issue which requires that every department must be involved. Bringing that group together and, indeed, the actual publication of the Green Paper by Defra, has brought that to the fore.

Q168 Mr Cummings: Just to be clear, the group has had its first official meeting and the group has been established?

Mr Unwin: Yes, the group I am talking about, which I am pretty sure is the one you are talking about and if it is not we will let you have a note.

Q169 Chairman: Has it sorted out chewing gum!

Mrs McDonald: We have got a significant number of programmes now, some of which we are running and some of which Defra are running, which are about improving public spaces and the nature of the local environment.

Q170 Chairman: Graffiti?

Mrs McDonald: This is all part of the same set of programmes.

Q171 Chairman: I want to know what it has actually achieved, rather than that it has met?

Mrs McDonald: We have made various announcements over the last three to four months on the money that was available from the Spending Review on improving public open spaces. Some of that has gone to CABE and some of it is being spent with local government. We have been working on schemes which might tie into local PSAs in terms of improvement so we can roll it out more generally rather than just have a particular programme. We have got some Pathfinder work going on with the Office of Public Service Reform about how to set good examples of how you manage public spaces and look for improvement. Those are just starting so we have not got precise results from those yet.

Q172 Mr O'Brien: When I look through the Report I cannot find anything that tells me what is happening with Regional Development Agencies. Why is that? Could it be that responsibility for the RDAs is with the DTI?

Mrs McDonald: The sponsorship responsibility is with the DTI. Some of the programmes the RDA promote we still fund from the ODPM.

Q173 Mr O'Brien: 90% of the funding for RDAs is from your Department. How do we measure value for money? I was looking in here to see what is happening but there is no reference to it. How do we measure value for money?

Mr Unwin: There is a set of targets which the RDAs have which is agreed by us with the DTI. As you know, they now operate under a single pot, and with that single pot they have to work to a set of targets. As a major funder we have a major influence on those targets.

Q174 Mr O'Brien: Can you tell me how much of the funds to the RDAs was spent on enhancing the environment in urban areas rather than promoting regional economies?

Mr Unwin: I cannot give you that now. We can look into it.

Q175 Mr O'Brien: Your Department is providing 90% of the budgets for RDAs. Obviously, if you are providing that money then you should have an input into the policies of the RDAs. In urban areas we are looking for an announcement, particularly in the coalfield areas and the run-down industrial areas, and I was looking in the Report to see what influence the Department had on policies of RDAs, and it would be helpful if you could point them out to me?

Mr Unwin: They have a series of targets and the ones we relate to are sustainable economic performance, regeneration in deprived areas, urban renaissance and physical development, and our money helps to meet that target.

Q176 Mr O'Brien: What influence does your Department have on the spending or the allocation of money for urban renaissance?

Mrs McDonald: The money at the moment does two things: it funds the tail-end of the single regeneration project, which is gradually phasing out; the money that is then released goes into the single capital pot, and then within that single capital pot the RDA is free to take its own views about particular projects in relation to it is main economic development strategy. Those strategies are seen by all the relevant departments and ministers in Whitehall. We relate to the RDAs by regular attendance by our ministers at the RDA-chaired meetings; and, more specifically, we have engaged them in the Office more closely in some of our activities. There will be members of the Regional Housing Board making recommendations about housing funding; they will be engaged in the regional spacial plans when the Planning Bill becomes law. They are partners around the table in quite a lot of activity that is going on.

Q177 Mr O'Brien: It was in the Report I was looking for something. The RDAs are the responsibility of the DTI; the funding comes from the Office of the Deputy Prime Minister and, therefore, one would assume there would be a large impact upon the work of the RDAs from the Office of the Deputy Prime Minister. It is a question of where we find it?

Mr Unwin: Page 50, Chapter 4.

Q178 Mr O'Brien: Regional Development Agency and English Partnership, but it does not tell me what resources have been spent on urban regeneration, or what is spent on revitalising urban areas. I am making the issue that where the money is being allocated there should be some greater impact upon the policies of your Department on the work of the RDAs.

Mrs McDonald: We should take that point away and talk to the DTI about where the fullest picture is presented and how we cross-relate it.

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Q179 Mr Streeter: I have two questions in relation to RDAs. Roughly one-third of civil servants were in the regions, and we know the Government Offices are supposed to work very closely with the RDAs in relation to regional issues. First of all, are you confident that that relationship is working well in some of the regions of this country; and how do you measure it? Or am I wrong to think that there is a relationship?

Mr Smith: There certainly is a relationship both in terms of the Government Office having some responsibilities for sponsoring the RDAs, in terms of their spending and also in terms of appointments. There is a very direct relationship there which goes back into them reporting to the DTI, as we have discussed. Also, in terms of a large number of area programmes, the GOs will be involved as partners with RDAs in terms of ensuring that improvements take place on the ground. There is that relationship as well. To promote that, for example, we have had two away events with the Government Office of Regional Directors and the Chief Executives of the RDAs in order to both make sure that we are on-track in terms of relationships and to discuss new issues that are coming along for the bodies to deal with. There is a close working relationship. How do we measure the closeness and effectiveness of that relationship? Certainly the officials of the DTI I have worked with are very keen to take a view about that closeness and indeed, if there appear to be issues around, to ask us for help in resolving those.

Q180 Mr Streeter: Secondly, maybe some parts of the country will have elected regional assemblies to oversee the work of the RDAs in a few years' time. Maybe they will—maybe they will not. As far as the eye can see there will certainly be some regions who will not have elected regional assemblies. Are you confident that there is proper accountability for the 90% of money you fund into the RDAs? To whom do you really think they are accountable as currently configured?

Mrs McDonald: They are accountable, first and foremost, to the DTI, but within that framework all the departments are contributors to the money they spend from an accounting officer arrangement for shared responsibility with the Permanent Secretary at the DTI. As we have just been identifying the main reporting, as it were, will go through that DTI line to reflect that primary accounting officer responsibility.

Q181 Mr Streeter: Are you satisfied that it is working well, because you are the biggest funder?

Mrs McDonald: Yes, I think so. An example where we pick up issues is concern about underspending and putting joint pressure on them. We have been discussing between us at accounting officer level whether the system we have got is robust enough to be picking up issues early enough, and whether we need to have a wider range of discussions with the RDAs about programme monitoring.

Q182 Christine Russell: Can we move on now to floor targets. Your number one PSA target is to, "Promote better policy integration nationally, regionally and locally; in particular . . . floor targets for neighbourhood renewal and social inclusion". How can you demonstrate to us that that is actually happening?

Mr Montgomery: We work extremely closely with each department on their delivery plans for taking forward their floor targets, working also with the various agencies in their delivery chain to ensure, for example in the case of the Department of Health, that the PCT movement and all of their chief executives are fully aware of what is required; that they are brought into the LSP partnership locally and they appreciate the urgency of the task. We work with departments bilaterally in that way. Also through the Cabinet Committee, DASER, there is interdepartmental co-ordination under the chairmanship of the Deputy Prime Minister. Beyond that we also work through the so-called permanent secretaries group on neighbourhood renewal which meets roughly quarterly, where eight or nine permanent secretaries from the main departments that are relevant to this meet jointly to work through issues, successes, difficulties and challenges in taking forward their particular commitments, but also identifying areas where various departments may need to join together in order to get proper traction on a particularly difficult set of issues.

Q183 Christine Russell: How are you coordinating and ensuring at a local and regional level, where the delivery for, say, social inclusion projects is from non-governmental organisations, that there is integration there?

Mr Montgomery: There are two or three mechanisms we rely on. We have community networks organised by the Government Offices to make sure that the amount of money we have set aside for voluntary and community bodies actually get to that. This money allows them to play a full and active part in delivering neighbourhood renewal. Beyond that, of course, we rely quite heavily on local strategic partnerships which are now starting to pick up pace, because they bring together most of the critical private, public and community-based agencies in a shared enterprise to deliver not only against the floor targets but also against some of the other issues that are germane to neighbourhood renewal that may not be the subject of floor targets—liveability being one such issue.

Q184 Christine Russell: How do you find the response from other departments—you mentioned the Department of Health earlier—when you suspect that they are not actually going to achieve their floor target? How do you go about getting the message through to them?

Mr Montgomery: To be honest, I do not think there is a difficulty now getting the message across to departments about the urgency of this. What there is more of a dialogue about is *how* rather than *whether* they should. It is how.

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Q185 Chairman: That is not quite true, because the Department of Health says they do not want to have any regional floor targets?

Mr Montgomery: The Department of Health is a willing presenter of its strategy for delivering against its floor targets. The permanent secretary group on neighbourhood renewal is very weak. We do not think they have a difficulty buying into the health and equality floor targets; the difficulty is how we do this in some of the areas that are facing a particular challenge with life expectancy differentials being as great as they are.

Q186 Mr Cummings: The Committee have received evidence that Defra is failing to meet its floor target. What advice, assistance or actions can your Department take to ensure that the target is met?

Mr Montgomery: We will review with Defra colleagues their delivery plan for trajectories they are making towards achieving the floor target. It may well be that we will have to encourage them to devote extra resources to this. Part of the difficulty also is making sure that we work through their delivery chain, in working through the various delivery agencies that operate closer to the problem, to make sure there is a proper engagement at that level also.

Q187 Mr Cummings: Have you any practical measures in place which could be called upon immediately?

Mr Montgomery: What we can and do apply is encouragement and the proper degree of pressure, where appropriate, through either the DAYSA Cabinet Committee I mentioned, certainly on the permanent secretaries on neighbourhood renewal and certainly downward through their delivery chain.

Q188 Christine Russell: Underspends—can I ask you whether the outturn level of underspend as a percentage of the total budget has increased or decreased in the last year?

Mrs McDonald: We have just under a 4% improvement, we think, on our final audited outturn for last year. So there has been an improvement but it is not good enough and we are looking to get up to another 5% improvement out of the current year.

Q189 Chairman: Only 5% improvement? Surely it is crazy to go and fight with the Treasury for the money and then, when you get it, not to spend it?

Mrs McDonald: Some of the programmes are planned over more than one year, and we can legitimately use EYF(?). If we have got a start-up programme we may not get the money away fast enough, although we are spending a lot of time this year trying to make sure we do get the money to partners to spend it early enough so that they can use it. There is some legitimate re-profiling and planning you can do; so we would expect to keep some of that flexibility within the management of the overall programmes.

Q190 Christine Russell: Which budget heads are the worst offenders for underspending?

Mr Unwin: The biggest is probably the New Deal for Communities, which we spoke about last autumn. In that case, as we explained then, that was re-profiled significantly during the last Spending Review.

Q191 Chairman: How much underspend is there on the re-profiling?

Mr Unwin: There is virtually no underspend on the re-profiling, but because the discussions took place during the Spending Review the budget remained at the level it was before the re-profiling agreement and so the New Deal for Communities was spent in line with the re-profiling quicker than we expected.

Q192 Christine Russell: What about the RDAs?

Mr Unwin: The RDAs, I am pleased to say, came in about 98–99% of the budget this year.

Q193 Christine Russell: What mechanisms have you put in place to ensure that not only is the money spent quickly but it is also spent prudently?

Mr Unwin: That is a very good question, because in relation to the underspend we are aiming to reduce that by at least 5%. That, I have to say, is a pretty challenging target. Because of the very successful Spending Review Settlement that we got in 2002, the money we have available this year is some 33–34% higher than the amount we spent last year. Spending that is going to be a challenge, and spending it well.

Q194 Chris Mole: You have plainly got too much money!

Mrs McDonald: It has helped us to recognise the priority we have to give to improved financial monitoring. At a board level we are reviewing it monthly. We are reviewing it with ministers in a couple of weeks' time. We are trying to do what I mentioned before which is make sure we get much better real time data, not about the spend but the outputs expected. Trying to get that tighter definition is one of the things we are going to try and ensure, that we know the money is spent well. We have formal project appraisal processes in place that apply across the board for big capital projects etc. The other thing we have done in terms of our own spend is, in common with other departments, we have set up something called a "centre for excellence", and we have pulled in, on a temporary basis at the moment, a head of that unit from the OGC to help us with performance management and project management more generally. It will help tighten up our systems if we get those in place.

Q195 Mr Betts: Can I refer to question 7 which we sent to you, which you have written back to us about, on regional outcome indicators, where you explain the indicators in relation to national indicators but then go on to say there are not any targets. As there are no targets for those indicators, how can we improve the performance of the Regional Co-ordination Unit and regional policy in general?

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Mrs McDonald: Basically what we were trying to do here was use the information that was already collected in order to give us a better, more informed picture at regional level and we can take it down to local authority and board level. In some of those areas departments do have targets, but we did not set this system up in order for them to monitor their progress. They can use it and they have all got access to it. What we were trying to do was to paint better pictures at different levels using already published data.

Q196 Chairman: Do you think your answer to that question, when we read it again, is easy to understand? Perhaps you would like to read it out to us and put the full stops and commas in so that it comes across clearly to us.

Mrs McDonald: Do you want me to read this out to you?

Q197 Chairman: Just convince me. I found it very difficult to understand your answer.

Mrs McDonald: The regional outcome indicators we have selected to put into this series we have created are national indicators that are already collected and published, sometimes by departments, sometimes by the ONS. So they are things like benefit take-up, employment changes and income levels. What we have done with that data is broken it down at regional level; and we can actually break it down at local authority and ward level, where it is collected on that basis. We have not collected it specifically to set a new set of targets; but the data we are using may already be providing individual departments with the material they need to measure whether they are performing against some of their own targets.

Q198 Chairman: That is a very different answer from the one you actually sent to us, is it not?

Mrs McDonald: I am sorry, but that is how I read this. If it is misleading I do apologise. That is what we read it to say.

Q199 Mr Betts: It would be a good idea to have some targets to get an idea of how regional policy is performing.

Mrs McDonald: Yes, and we did discuss earlier what we are trying to do to help with that.

Mr Smith: What we were doing here was to bring together a whole set of what we thought were the most significant government policy areas, so that policy-makers could see how the various trends were regionally across this wide range. I think nearly all of them were already in PSAs both in terms of general departmental PSAs and many of them also have floor targets. One could look at the changes on a regional basis from reporting period to reporting period to see whether those regions which were doing well in terms of the employment outcomes or the crime outcomes or the health ones, were continuing to improve. And whether those regions that were doing less well were actually catching up. It was an attempt to allow people to look at the whole picture.

Q200 Mr Betts: There are targets but they are not actually spelled out?

Mr Smith: There was no attempt to set a whole new series of targets for these things at the regional level, but certainly you can aggregate at the level where the targets have been set by different departments to give a regional picture. It was not so much to say we are now going to have a regional target as well as all our other geographical targets for crime reduction—

Q201 Mr Betts: Would regional targets be a good idea, given that you can monitor how it is going?

Mr Smith: The first step on this has been taken in terms of the Regional Economic Development PSA where there is a set of regional outputs. At the moment ministers have not taken a view that there should be further layers of geographical targets; but they are interested in ensuring that departments look at how their policies are being implemented on a regional basis.

Q202 Mr Betts: Would it not be a good idea also if the public in general could look, because I understand the website and all this information is secreted away inside the government organisation and is not for general public use or scrutiny?

Mrs McDonald: Ministers took the view that this was something new we have just set up and they wanted to see whether they thought it was useful and valuable. We are just about on the second set of the series so we have not really got a time flow yet.

Q203 Chairman: You will have to rely on some hackers to get in for this information!

Mrs McDonald: I am sure we could ask ministers if you could see this on a confidential basis.

Q204 Mr Betts: Is there an intention to publish it eventually then?

Mrs McDonald: Some of it is management information for government, so they may or may not want to.

Q205 Christine Russell: Relating to question 30, can you tell me how much money exactly is coming out of ODPM's regeneration budgets for the London Olympic bid? In your answer you say, "We are also going to provide £15 million to Bidco to prepare and submit the Olympic bid", although no figure is put on how much you are going to give to the London Development Agency to undertake a major programme of acquisition and remediation in the Lower Lea Valley. Have you got a figure for that?

Mrs McDonald: No, this funding is coming through the LDA route as part of the RDA—

Q206 Christine Russell: Yes, but you give money to the LDA, so do you have any idea of the money which you will be given from ODPM to LDA which will be spent on preparation for the Olympic bid?

Mrs McDonald: The LDA are taking judgments about the programme money they now know they have got the spending for, and where they are contributing in preparation of the bid and some of the work they were already working on around

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Stratford and that area from that budget. We have not had any more detailed discussions with them moving on from that point.

Q207 Christine Russell: To date your discussions with them have indicated they already have adequate resources to do this major programme of acquisition and remediation?

Mr Unwin: Yes, that would be part of their normal programme. We have not given them any extra money for this. This would be justified against their programme targets and objectives.

Q208 Christine Russell: If the bid is successful do you fully expect then that someone will come knocking on your door saying, "We want more money out of your Department's budget"?

Mrs McDonald: I think if the bid is successful we would expect there to be some decisions across Government about what was necessary to complete it, and that would involve a wider range of players than ODPM.

Q209 Christine Russell: Are you already giving any thought to how, if the bid were successful, the regeneration benefits were going to be spread over a much wider area of London and the south east?

Mrs McDonald: DCMS have taken the lead in the preparatory cross-benefit work that was done for the bid, which took into account what regeneration benefits would flow from that. Some of that is across London, and some of it is obviously place-based because some of it is physical investment in a particular area.

Q210 Chris Mole: Turning to the Electronic Document and Records Management project, at question 56, and earlier on I touched on how well you were doing at meeting Government targets, you have told us that it was rated "Green" and one stage and "Amber" at another. There is always enormous concern about major cost overruns on IT projects or non-delivery. Why do you not routinely publish this kind of detail in your Annual Report so that people can have confidence that these important projects are making the progress that is expected of them?

Mr Unwin: On this project, first of all, it is still rated "Green", I am pleased to say. At its last gateway the risk rating was a medium risk, and at the moment is on track and on budget. Obviously one would reconsider it and if it would be useful that is something we can take away with us.

Chairman: On that note, may I thank you very much for your evidence and hope that we get the remaining questions answered in written form.

Tuesday 15 July 2003

Members present:

Andrew Bennett, in the Chair

Mr Clive Betts
Mr David Clelland
Mr John Cummings
Chris Mole

Mr Bill O'Brien
Dr John Pugh
Christine Russell

Witnesses: **Rt Hon Keith Hill**, a Member of the House, Minister of State for Housing and Planning, **Rt Hon Nick Raynsford**, a Member of the House, Minister of State for Local and Regional Government, and **Rt Hon Lord Rooker**, a Member of the House of Lords, Minister of State for Regeneration and Regional Development, examined.

Q211 Chairman: Can I welcome you to the final session of the Committee's inquiry into the Annual Report and Estimates and ask you to identify yourselves for the record, please.

Keith Hill: I am Keith Hill, the somewhat new Minister of State for Planning and Housing, the Gateway, Minister for London, the Dome and livability, if that helps!

Lord Rooker: I am Jeff Rooker from the other place, Second Minister of State doing the other growth areas, that is other than the Thames Gateway, the market renewal pathfinders in the housing renewal areas, neighbourhood renewal, social exclusion owners list, government offices and all House of Lords business of course.

Mr Raynsford: I am Nick Raynsford, the somewhat old Minister of State responsible for Regional and Local Government and the Fire Service.

Q212 Chairman: Do any of you want to say anything by way of introduction or are you happy to go straight to questions?

Lord Rooker: I have one thing that I would like to say. I have brought with me a copy for yourself, Chairman, and the Clerk, if the Clerk wants to collect it from me, of the Government's response to the Select Committee's Report on Sustainable Communities. It will be published as a command tomorrow afternoon and, if we had not brought an unofficial draft with us this morning and published it tomorrow, everyone would have screamed blue murder that we had fixed it all to avoid the Select Committee. We are not in that business. We apologise that it is so late; that is the problem of clearing the decisions around other Whitehall departments. It was only cleared yesterday afternoon and it has to be converted to a command paper form, I am told, but I have insisted on bringing in a photocopy, as I say, for yourself and the Clerk.

Chairman: Thank you very much. Can I also point out that we hope to finish prompt at 11.00 because we are seeing the Leader of the House at that point to pursue the question of how long the Housing Bill might be in the next session. So, I am appealing to my colleagues for short, sharp questions and no doubt we will get short, sharp answers.

Q213 Mr Clelland: I am not sure that there is a short, sharp answer to the first question which is about the reshuffle in June, which was the fourth reshuffle in five years involving the department, having started off being the DETR, then the DTLR and now the ODPM and presumably it is unavoidable that there will be some disruption in the department's work. What is your experience of that? Has the disruption been minimised? Is it all over? Has everything settled down now?

Lord Rooker: To be honest, the question of reshuffle is really down to the Prime Minister. There is no secret about it. From my point of view and say Keith's, the Prime Minister wanted a Member of this House to deal with housing, so that means there have been some changes. It means that you have a few more briefings to do to catch up on things. It is not affecting the management of the department. We had other changes as well other than those between myself, say, and Keith joining the department. There is no evidence. We are still answering parliamentary questions, we are turning up at adjournment debates, we are still getting around the country visiting the growth areas and the pathfinders, and we are meeting local governments and other people.

Q214 Mr Clelland: A smooth transition then?

Mr Raynsford: Can I perhaps comment on that because I am the continuity having been right through DETR, DTLR and now ODPM and I have to say that, talking to colleagues in other government departments, there have been more dramatic changes in personnel in a number of other departments. I certainly do not see a problem in terms of the reshuffle. I am delighted that we are continuing to focus very much on our key priorities with renewed energy.

Q215 Mr Clelland: That is fine but there does seem to have been some confusion certainly about ministerial responsibility. The Committee was unable to get a list setting out the detailed responsibilities of each of the ministers. Which minister, for instance, is responsible for social cohesion now?

Lord Rooker: It is probably me in conjunction with the Home Office. Look, let us get this clear. We do not decide these things. You are going to have to ask the Prime Minister about this, the head of the

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department. We do not negotiate. The idea is to make sure that there is as least interruption as possible with the flow of Government decision making and the reaction with Parliament and the public. I cannot account for any difficulties you might have had in finding out what is what. As you fully appreciate, for 24 hours, we were one minister less than we had had previously and that in itself meant that there was a reallocation of responsibilities when we lost the Parliamentary Under-Secretary and then gained one within about 48 hours. That in itself would have caused delay but, as far as I know, there has been no delay in answering questions and obviously no complaints from anybody outside, any appointments and delegations that are coming into the department. Social cohesion is a cross-cutting issue across Whitehall and particularly in our relations with the Home Office and all the work on the ground with neighbourhood renewal and social exclusion.

Q216 Mr Clelland: So there is not a single minister responsible for social cohesion?

Lord Rooker: The lead minister from my time at the Home Office was always the Home Office Minister; it was John Denham following the disturbances when we set up a separate unit and a separate cross-Whitehall Committee of Ministers and that was chaired by John. So, from that point of view, unless something has happened of which I am completely unaware, the lead minister will be a Home Office minister but obviously there are contributions from other departments.

Q217 Mr Clelland: Can I ask the Minister of State for Housing and Planning if he is going to be the minister who finally sees off the Dome and sees the end of the project.

Keith Hill: You do not mean literally see off the Dome, I take it! We are very keen to sustain this huge architectural monument and I am very optimistic about the prospects. We now have a joint project involving both a very major housing development scheme which actually, on the whole site, can lead ultimately to construction of 10,000 houses which is absolutely colossal and of course the Anshultz Entertainment Group have a solid track record of the construction and successful operation of great entertainments-come-supporting complexes in the United States and have taken on the Dome itself. They have plans which are very well advanced for the development of the Dome into an arena which can in part be for sports but also can be for concerts and other forms of entertainment. They are working already quite closely, I am pleased to say, with DCMS in terms of the Olympics bid because they point out that the Dome could be part of what is on offer in terms of sports complexes for the Olympics. I visited the Dome and inspected the site on Wednesday of last week, met with the key players and it is looking good at this moment. As you know, all of the planning permissions have now been agreed to, the Mayor is playing ball, and, as a department, we decided that the application was sustainable and did not need to be called in—that

was announced last week. Things are looking very positive as far as the future of the Dome is concerned.

Q218 Chairman: When is someone going to put the signature on the documentation?

Keith Hill: It depends who has that responsibility. There is a question of powers of attorney and the question of ownership.

Lord Rooker: I was the Dome Minister until Keith took over but the fact is that the shareholder is still Lord Falconer. I operated under a power of attorney as the Dome Minister and Keith operates again under a legal power of attorney, but the name on the share is still Charlie's.

Keith Hill: And that is because I think it is subject to a court case at the moment.

Q219 Chairman: I am not pressing you and I was not particularly probing into who actually had the responsibility for the share, I was just asking when the signature was going to be made by somebody.

Lord Rooker: When all the other issues are complete such as the Section 106. It will be well into next year, as I understand it. I think the date is around March next year when it becomes . . . I have forgotten what the phrase is.

Keith Hill: Operational?

Lord Rooker: That is not the word. There is another *phrase for when the final legal transfer of all of it actually takes place (unconditional)

Q220 Chairman: March next year?

* See Q 245

Lord Rooker: It is around that time. We did not know whether there would be a call in or not because we, as planning ministers, were not dealing with that. There was a Chinese wall for another minister in the department to deal with that, so that would not be known until the last minute, but there still are negotiation between the developer and the local authorities as far as Section 106 is concerned.

Q221 Mr Cummings: A few weeks ago, the Prime Minister indicated that focusing on delivery and targets may have been something of a mistake and he was followed by the Secretary of State for Trade and Industry and her comments were, "You can't deliver good health or safe streets in the way commercial companies can deliver pizzas." In view of these comments, is the ODPM reviewing its attitude towards targets?

Mr Raynsford: If I can say from the perspective of local regional government that we have been, over the last two years or more, trying to refine the targets and reduce the number of, for example, best-value performance indicators while at the same time maintaining continuity on the critical ones that really do help to indicate whether performance is improving or not because we believe that there is a role for targets but that it must be focused on results rather than allowing a proliferation of bureaucracy.

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Q222 Mr Cummings: Are you saying there are too many targets?

Mr Raynsford: We have reduced a number of best-value performance indicators by a very substantial amount and we are now at a level where we think there are a meaningful series of indicators and, in terms of local government, local authorities are free to add additional ones—some do, some put in significant numbers of other targets themselves—and we now think that we have the right focus on delivery which is above all the important thing.

Q223 Mr Cummings: Will you keep an eye on this?

Mr Raynsford: Yes.

Q224 Mr Cummings: Do you intend to monitor?

Mr Raynsford: Very much so and all the time, but there is a tension here. On the one side, we want to reduce bureaucratic burdens and we are doing that in a variety of different ways, not just by looking at targets and performance indicators. Secondly, you do need continuity to be able to measure change over time and, if you are constantly changing the indicators or targets, then you lose that continuity and that is the balance that we try and strike to ensure that there is meaningful data which enables local authorities themselves and ourselves and the Audit Commission to measure change in improvement because that is really what it is all about, trying to give improvement in performance while at the same time not imposing an unreasonable bureaucratic burden.

Q225 Chairman: Would it be unfair to ask you what the target is for reducing targets?

Mr Raynsford: To increase efficiency is the target.

Q226 Mr Cummings: If I can move on to empty homes and perhaps direct this question to Lord Rooker. Can you tell the Committee what proportion of the £500 million which has been allocated for housing market renewal pathfinder projects is to be spent on supporting the local economy and transport projects.

Lord Rooker: The answer to that direct and specific question is that I cannot tell you at the present time simply because that £500 million is over three years and this is year one. We have just announced seven pathfinders £4 million each, that is £28 million, but we had already allocated some money to them, so we have only allocated a small amount of money, about £50 million, this year to get them going and their strategic plans will be arriving on our desks by the end of the year. So, the large amount of the money to be spent, the £0.5 billion, in the market renewal areas will be spent in years two and three of the spending round. Until we have more detailed plans from the pathfinders, I cannot give you a breakdown between what is spent on, as you say, the economy or in recreating the communities because we want it to be jobs led, it is not just a question of housing. It is simply too early to say at the present time what proportion will be spent on one aspect or another.

Q227 Mr Cummings: How long is it going to take before you are in a position to indicate?

Lord Rooker: Not until we come to do allocations for years two and three and obviously we are running one-third of the way through year one at the moment. One pathfinder is more advanced than the others, that is the Manchester one, and we are looking at the moment at their strategic assessment and therefore there will be probably a large allocation to that pathfinder before the end of this year in advance of the others. They are not all going at the same speed, in other words.

Q228 Chairman: That is a good job, is it not, because some of them are crawling along and have even hardly started.

Lord Rooker: There is one that we have not set up, Humberside. I have visited not every area of every pathfinder, but I have almost been in most of them now and there is goodwill on the ground both amongst public and residents and also the local authorities in Liverpool, in Stoke, in Newcastle and Gateshead, Newcastle under Lyme and Birmingham and Sandwell. They are raring to go and they understand that the concept is not a quick fix in five minutes. In some areas, the dereliction has been there for years. When I was in Liverpool the other week, in the pathfinder area there, the dereliction is ten years old and people have become fed up with one scheme after another and nothing has happened. In this case, they can see now things beginning to happen but (a) we have to get value for money and (b) we want it to be sustainable because we are trying to rebuild the community, not just fix odd streets of housing. It is much more important than that, and also of course to learn the lessons to stop other areas of the country becoming, if you like, pathfinder candidates, so that we can learn some early techniques to nip in the bud in other areas of the country to give them the support we need. I know these things look slow but there is an awful lot going on and I would imagine that, by the end of the year, we would have had a good idea for the majority of the pathfinders about their strategic plans for years two and three. Half-a-billion pounds is a lot of money as a global sum but, spread between nine areas, it begins to look a little bit less, but it is intended of course to lever in an enormous amount of private sector money and therefore it is not just £0.5 billion that we are talking about.

Q229 Mr Cummings: Can you confirm to the Committee that funding will be available from the Department of Transport for the transport improvements that the pathfinders have identified which are essential to the redevelopment of their urban areas.

Lord Rooker: Yes, I agree, but just because an issue has been identified does not mean to say that we can simply say that another department will necessarily fund it. That is what the process is about in making sure that we get decisions across departments, whether it is health, education and transport in particular, and some of the infrastructure projects are crucial. As far as many of the pathfinders are

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concerned, shortage of roads does not seem to be a problem, to be honest. It is shortage of jobs, housing and well-maintained areas that is a bit of a problem. There are going to be areas of opening up derelict sites and things like that, but I do not think that the infrastructure is the key issue in the pathfinder areas as opposed to the growth areas.

Q230 Mr Cummings: Can you tell the Committee how the housing market renewal fund can respond quickly to prevent “at risk” neighbourhoods from falling into decline.

Lord Rooker: There are nine pathfinder areas, one of which is not fully designated at the present time, but, of the eight, they are all up and running. They are all well defined on maps, particularly for the area which we are dealing with, plus the knock-on effect of what we might do in the pathfinder area to the adjoining neighbourhoods. We are very conscious of making sure that we look at the total housing market and the jobs market, but particularly the housing market in respect of the knock-on effects. It is true that there will be other parts of the country that say they will be at risk neighbourhoods. I was in the south west recently in Plymouth and Penzance and they have difficulties there proportionately just as great as elsewhere but the total scale is smaller. They are not designated as pathfinders but what we are hoping to do is, from the various schemes and techniques used in the nine pathfinders—and they are all different—we will be able to use the knowledge gained from that in other parts of the country, and the ‘at risk’ areas as you put it, to basically have intervention policies to stop them becoming pathfinder candidates, if you like, to stop a collapse of the market. We are dealing with a phenomena that is quite recent. As I said when I came before the Committee, it is only in the past three years probably where we have had this complete collapse of abandonment of houses on a massive scale—whole streets of houses abandoned for no one single reason. Trying to get to grips with that means that we are going to have to use some new techniques, obviously techniques we can employ elsewhere in the country.

Q231 Mr Betts: Just following up on two points, I think that the issue of transport is a real one in an area like Dearne Valley in South Yorkshire. The problem may in the end be solved by not necessarily getting jobs to the people but getting people to the jobs and transport links are awful in places like Sheffield where jobs will be created. Secondly is the issue of areas that may fall into decline. Negotiations between the four authorities have tended to focus on the very worst areas which are now in decline and my worry partly is about the fringe areas around because, if we concentrate on the very worst areas, in 10 years/20 years time, they may in themselves be the very worst areas and we will not have done anything about this in the meantime.

Lord Rooker: I absolutely agree with you. I was there last week, as you know, and I am not saying that infrastructure and transport is not an issue in the pathfinders but it is nothing like the issue that it

is in the growth areas, put it that way. You are right that if we just concentrate exclusively on the areas of worst deprivation, ignoring even the bordering areas, and do that for year after year after year, then, quite clearly, the areas of decline will simply move to the adjoining areas, which does not help anybody. It also means that other parts of the country that are not designated as pathfinders are still going to need to be able to apply the techniques that we learn in the pathfinders and it may mean some uncomfortable decisions in terms of, if you like, making sure that people are not divided off from communities. I cannot remember the names now of the localities where I was, but particularly parts of Sheffield where there are terrific sites for housing but, if you like, with the railway line and the roads and the way the geography is, people are divided from the jobs. You do need to make these connections. So, we have to look at it in the round. It is quite surprising, if one looks at pathfinder areas on a map, to see how physically large they are. We are not talking about a few hundred square metres here or a few small sub-ward levels. They do run to several square miles and of course they all involve more than one local authority. So, we have the experience of local authorities working in the pathfinder areas and, in all the areas I have been to, I have been surprised at how well the local authorities are working across the boundary. They have sort of mentally taken the boundary away and are getting on with working as a pathfinder as a corporate image. I was very impressed with Newcastle and Gateshead in particular—

Q232 Chairman: They put a good show on for you.

Lord Rooker: Yes, they know the minister is coming. I do turn up occasionally on surprise visits and local authorities get really cheesed off about that, I might add. Some think that you need a passport to go to their areas! I do not take that view. I visited an area last week where the local authority said, “We don’t want you to come”, but I happened to be near the area and, as it was a place to which I had never been, I was driven around to have a look at where the growth potential is and I will do an official “state” visit in about two weeks’ time in the recess.

Q233 Mr Clelland: Just to follow up on the point about the importance of local transport, I am pleased that the Minister has mentioned Newcastle and Gateshead because I was a little concerned about what co-operation there is and what co-ordination there is between the departments, the Department of Transport and your department. The pathfinder area in Newcastle and Gateshead would benefit very much from improved links to the Tyneside Metro System, for instance. There is a project on the cards at the moment called Project Orpheus which the Passenger Transport Authority would like to be able to introduce which would do just that and which would actually bring the Metro out of the underground and onto the street in the form of trams. I notice that this has been somewhat rubbished by the Secretary of State for Transport

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recently, so there is a bit of a problem there in terms of getting these things co-ordinated and approved by all departments concerned.

Lord Rooker: There is and I would like nothing more than to be able to come here and say, "We will fix all the transports." I do not know what the priorities are or, if you like, what the economic dilemmas are in terms of the transport across the country as a whole that Alistair will be looking at, but you are a Select Committee of the House and you can summon who you want. All I am saying is that, at local level and at the pathfinder level and at Government level, we are working across departments to try and get agreed decisions. The communities plan is a Government plan, true it is led by our department but it is a Government plan with other departments. What we are trying to do is to shift the mainstream funding in some of the departments, a little like what we are doing with neighbourhood renewal, to these joined-up priorities. It is not always easy but I reckon that we are making progress.

Q234 Chairman: You have the £500 million and you are starting off spending it slowly, which is obviously sensible. At the end of the three years, do you think you are going to be short of money or struggling to spend it?

Lord Rooker: I will come here and say I have failed if we have not spent it. I know it is a myth about profligacy but we get a bit surprised sometimes at seeing the underspend, so what we are trying to do to avoid underspend is that we are programming in, if you like, overspend on the basis that the normal things will happen and we will end up spending what we have and we will have to be careful about this because it is public money and we have to account for it.

Q235 Chairman: And there is a danger that you raise expectations in all these communities.

Lord Rooker: Precisely and therefore we have to be careful. We cannot come back to the Committee at the end of year three and say, "The communities plan, the pathfinders, was a top priority and, by the way, we have not spent the money." People will not understand that because the public money is designed to lever in private money as well.

Q236 Chairman: So, you are confident that you will be short of money rather than have too much?

Lord Rooker: I would certainly prefer it to be that way round and that is the way we are working towards, to make sure that we have spent the money on successful value for money projects and not simply spending, as the old system used to be, just to spend because you were coming to year end because you end up wasting money. Our plan will not be to have underspends that we cannot account for where there are projects crying out for the funds which are tried and tested, they have gone through an appraisal process, they have the planning permission and, for some reason, we have not released the money. That would be a failure on our part.

Q237 Chairman: Can I take you on to the Planning and Compulsory Purchase Bill. You have put the boot in on several occasions to local authorities that have been slow in reaching planning decisions. Do you think you have shown genuine speed in pursuing the Planning and Compulsory Purchase Bill?

Keith Hill: I can see where you are coming from on that, Chairman. The decision to delay the Bill in its passage through the House and to secure a carryover was taken obviously very reluctantly given the importance that we attached to planning reform, but we were persuaded that the Government had other priorities in a very heavy legislative programme which of course had been made more difficult by the amount of time which the House, very properly, spent on the international situation. However, I have sought myself to be entirely clear that the disadvantageous effects in terms of delay of the carryover and later enactment of the Bill will be minimised and I have now a high level of confidence that, as a result of various actions which the department undertake, effectively we will lose only about two months in the implementation of the immediate consequences of the Bill on the ground.

Q238 Chairman: Do you want to add anything about Crown Exemption?

Keith Hill: I do not think I do because, at this stage, I do not know anything about it!

Q239 Chairman: Then there is not much use my asking you why it was missed out of the Bill.

Keith Hill: It would be misdirected, if I might say so, Chairman. On my past record of meetings with this Committee, I expect to see you again very soon and I dare say we could discuss it then!

Q240 Chairman: What about time in Committee for the re-committal? Are you confident that there will be adequate time and that there will not be problems? There was some feeling that the Bill was very strictly guillotined last time and that, perhaps because of poor timekeeping by the Opposition, all the issues were not covered.

Keith Hill: It is very regrettable that, as I gather, only about a third of the clauses in the Bill were considered and scrutinised in Committee and I do not think that anyone, Government or Opposition, really would want to see that sort of situation develop. Obviously I was not there and do not know what the precise circumstances and explanations are. I hope very much that we will have a positive spirit with regard to the Bill when it comes back to Standing Committee and that there will be the opportunity for proper scrutiny of the contents of the Bill.

Q241 Chairman: Is it not important then that you put knives in to make sure that all of the proceedings or all of the Bill is covered in Committee? Do you not think that it actually produces an unfair burden on the House of Lords if they are the only part of the scrutiny process that actually does it clause by clause?

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Keith Hill: I absolutely take your point on this. Again, I do not know in precise detail about the management of the Bill in Standing Committee last time round but, if I might express a personal opinion, I have always been, since my earliest days as an MP since 1992, a passionate advocate of the timetabling of legislation for the precise reason that you give, that it does actually, in practice, give the opportunity for proper scrutiny of all parts of Bills.

Q242 Christine Russell: Keith, can I ask you about the Chancellor's view that he outlined in his Budget Statement and then again more recently in the Euro Statement when he appeared to imply that the planning system is to blame for the high house prices and shortage of housing and yet your predecessors have all said that planning is the solution and not the problem for providing more homes at affordable prices. Can I invite you to comment on the Chancellor's statement.

Keith Hill: Let me attempt to answer that by giving you a practical example. Notwithstanding our current efforts to encourage local authorities to accelerate planning approvals, it remains the fact that only 12% of authorities achieve the target—back to targets—of approving 60% of major planning applications within 13 weeks. That does not sound very good to me. It does seem to me that, in a situation when we all, including the Chancellor, recognise the need to boost the house-building performance in this country, where we have major planning applications which are simply subject to inordinate delays, that cannot be good. So, I think there is some *prima facie* evidence there to support the Chancellor's view that there is a problem with planning, but I do not think that it is the whole problem by any means.

Q243 Chairman: You just told us earlier how long it is going to take to get the 106 agreement for the Dome. I realise that that is a very big project, but you are implying that getting 106 agreements does take quite a long time.

Keith Hill: I think that was my excellent friend and comrade, Lord Rooker, who alluded to a Section 106, but I would not want to demur from his observation that that would take time. I have to say however that we have a very high level of confidence in the local authority, Greenwich, which has a very good record in terms of dealing with these major planning applications. Yes, I accept that it does take a long time and developers complain very often that local authorities are not well equipped to deal with Section 106 negotiations, which is why we are now thinking innovatively about how local authorities can be improved in terms of best practice.

Q244 Chairman: But you were going to give guidance to local authorities on how the 106 should be operating rather than having a clear tariff and that was abandoned and you are not exactly racing along, are you?

Keith Hill: I accept that. As you know almost certainly better than I, the tariff notion was floated and, on the whole, not supported because

developers, amongst others, had very substantial reservations about the proposal and you are right that we have been tardy in bringing that forward, but we are intending to change. Let me tell you, Chairman, that the ministers themselves have their own targets in terms of dealing with according planning applications and I am delighted to tell you that we are absolutely on those targets on the nose right now. Now, if we can do it, then others can do it as well.

Q245 Chairman: But you are not imposing 106 agreements, you are just having to look at the arguments for and against.

Keith Hill: Now, do not be dismissive, Chairman, in saying that we are just having to look at it. We take these matters very seriously indeed.

Lord Rooker: Can I just add that, first of all, I do not think your example of the Dome at Greenwich is a fair one compared to anywhere else. You are talking about virtually a new city: 10,000 dwellings, massive infrastructure changes and a huge number of jobs, but with about 140 106 conditions on the Dome from Greenwich. The word I was looking for previously Q. 219, by the way, was "unconditional". That is when those issues will be dealt with. This is a massive project and we have every confidence that that will be dealt with, but that is not the same as the rest of the country and, in terms of the 106, we are dependent, as I said before, on the outcome of the deliberations of the Cabinet Subcommittee chaired by the Prime Minister, Misc 22, which was designed specifically to look at capturing value for infrastructure projects in the growth areas and particularly the Thames Gateway and we held back the 106 advice because we wanted to see what the outcome of those deliberations were. That will be fairly clear soon and then the 106 advice will be issued as planned.

Q246 Christine Russell: Can I go back to the Chancellor and his thoughts of a planning system because he also seemed to imply that whereas at the moment local authorities have to have a five-year supply of land for housing, he seemed to express the wish that that should be ten years. If that happened, will we not return to the bad old days of predict and provide which will mean that vast tracks of green belt/greenfield land will be perhaps sterilised because they will have to be included?

Keith Hill: I wish I could give you a better answer to that one than I am yet able to do. However, I will say this, and I am sure that my colleagues may wish to come in on this one.

Q247 Chairman: To help you out?

Keith Hill: To help me out, absolutely. Only a few of us are utterly infallible although, Chairman, I include you amongst that number, it goes without saying! It does seem to me that there is a clear and urgent need for the expansion of house building—you know the figures—and, in the last 10 years, house building has been at two-thirds of need and it is obviously absolutely imperative now that we make

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clear plans for the future and clear plans to expand house building in the areas where the demand is high.

Q248 Christine Russell: Do you therefore think that you will need to revise PPG3 which at the moment says that local authorities will have to have a five-year supply? Will you have to revise that percentage again?

Keith Hill: We are looking at PPG3.

Lord Rooker: It is a fair point, but Christine only mentioned—

Q249 Chairman: I need to get on the record that your colleague looked to you very firmly.

Lord Rooker: Hang on, let us be fair about this. I am up to date four weeks ago when housing and planning was my responsibility and I was accountable. We are operating as a team in the department and sharing values and experiences in our different roles. We are all on the same team: we are on the Government team first and the department team second. Christine only mentioned greenfield. The fact of the matter is that we have more than met our brownfield target, we have hit 65/64% last year. We are keeping that target even with a larger programme of building. So, notwithstanding that we need to get a better programme, I do not want you to run away with the idea because you only mentioned green belt and greenfield and the fact is that there is a massive amount of work going on in brownfield development and we have every reason to believe that we can maintain that target with a higher output anyway.

Q250 Christine Russell: I accept that but, in the case of my authority, being parochial, they have done exceptionally well: over 90% brownfield. However, you look around the city and you think, where are the other brownfield sites? Some of them perhaps will come in given time as windfall sites at the moment. No one knows that they are going to be available for redevelopment. Therefore, if the Chancellor had his way and wanted Chester City Council, in my case, to say, "Right, a ten-year supply", I think that would inevitably mean that you would have to take in quite large tracts of greenfield on the outskirts of the city.

Mr Raynsford: Could I just add, as a former planning minister who was actually responsible for the last revision of PPG3, that, when we did prepare that last version of PPG3, there was a great deal of scepticism as to whether it was achievable and exactly the points you have raised were put to us very forcefully by many people, including house builders, saying, "This would simply stop building rather than allowing development on brownfield sites." The evidence so far is the other way round. We actually have been successful in getting much more ingenuity in teasing out those brownfield sites. You mentioned windfalls and that is obviously hugely important. Previously, it was not taken into account and now is being taken into account and, providing there is the will and the commitment and we are brave about areas like Thames Gateway, which I cannot

ministerially talk about because I have a constituency interest in it but obviously I am very familiar with it, and providing we do these sort of things, I have no doubt whatsoever that we will be able to both meet the need for additional homes and the brownfield target.

Q251 Chairman: If you are looking at it from this side of the Committee, you could say that you have done a brilliant job between the three of you over this period in terms of getting land available for housing, but you do not seem to have convinced the Chancellor, do you?

Lord Rooker: The issue the Chancellor raised goes much wider than that. Normally, in a market economy, where there is a demand for a product, someone moves in to provide it. They build a factory or they import a product and they say, "There is a market, we can sell." It is quite clear that there is a market, there is an acute shortage of housing, but the builders are not providing the product. The reasons for that are not single factors; they are much more complicated. There are regional differences, it is true, it is not just land. There is a whole range of issues which we are dealing with within the department by having a look to see why we are not overall delivering the RP69 targets with planners, consultants and builders, which we have set up a high-level group to have a look at. From the Chancellor's point of view and from the big picture point of view, there are impediments to the supply of housing and of course Kate Barker is doing a review on that to report back to both the Deputy Prime Minister and the Chancellor by the end of the year to look at some of these impediments. So, I do not think there will be anything that is a big surprise. There may be different variations around the country. We may need some new techniques of policy to actually deliver. Going back to what I said earlier, the national target for brownfield is 60%. That does imply that 40% is greenfield, by the way. The idea that there are no greenfield buildings is a nonsense but it will vary from area to area. There are some parts of the country where there is no brownfield to speak of and therefore there will be a much higher development, but the national target is the one we are bound to at 60% and we are meeting that at 65% and we are going to maintain that level, but it does imply that there are swings and roundabouts.

Q252 Christine Russell: What are you doing in the department to encourage your colleagues in other departments to release land for development, especially housing development? Again, I am sure most constituencies are like mine where there are vast tracts of MoD land, land in the ownership of health trusts, British Waterways and whatever. What are you doing to convince your colleagues?

Keith Hill: It is an issue to which we are extremely alert. The Chancellor is also very alert to this. It is the sort of issue that has been raised in Misc 22 to which Jeff referred and we are escalating our efforts to encourage other departments which are not only MoD but health and transport and DTI through

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English Partnerships to make the land available and certainly now a lot of very energetic work is going ahead under the leadership of David Higgins at English Partnerships on this issue.

Q253 Christine Russell: Are you telling the Chancellor that he has to relax his Treasury rules regarding the price of the land?

Keith Hill: That is another issue and area that we are—

Lord Rooker: That has already been agreed. This is an urban myth. That has already been agreed. It crosses our desk at different times and we agree to local authorities disposing of land at less than market value because it is in the wider interest of the overall plan. It happened when I was doing it and I am sure it has happened with Keith. Departments already have this edict. First of all, if there is a disposal, they have to talk to English Partnerships to see whether there is a corporate view that we ought to intervene and we do not want them any more to simply take the best value that they might get for a plot of land because the NHS could sell off land that they could use for homes for nurses and doctors. It is crazy. Those days have gone. Unfortunately, the penny has not dropped in this place.

Chairman: You think it is only in this place and not outside!

Q254 Mr Betts: The alarm bells starting ringing a little when I was told that there was going to be a revision or you were looking at whether to revise because I agree with the point, I think PPG3 set the scene for more brownfield development. It has created the climate of (inaudible) and reduced the time period down to five years, so that windfalls become more important. The worrying point is that if you go to ten years again and authorities have to find ten years' supply at the current date, then you naturally suck more sites in of greenfield which might not be developed and you have a tighter time period. That was a worry that I had.

Keith Hill: We take the point on that.

Q255 Mr Betts: Can I just look at the funding of the planning system. It is true that £50 million has been given of extra money to try and help local authorities in the recognition that they were probably under-resourced and then we learn that one-in-five authorities have syphoned that money off for other purposes. What is being done about that?

Mr Raynsford: Can I put this straight back to you and say that this Committee has frequently and rightly highlighted the importance of local authorities having the maximum discretion in terms of the application of funding and have challenged the extent of ring-fencing and I, as Local Government Minister, have been pretty active over the last two years trying to ensure that local authorities have a proper measure of discretion. There has to be a balance between those and the arrangements that have been put in place in relation to planning were designed to incentivise authorities to use funding to speed up and improve the planning system without imposing a rigid ring-fence. We

think that is actually the right way forward. If you want to go for a ring-fence, you will have to tear up your own Committee's previous stance and argue completely the opposite to what you have previously argued.

Q256 Chairman: Wait a minute. Lord Rooker came to us I think probably 12 months ago now and told us that he had come up with a clever wheeze by which the local authorities were going to get this money, it was not going to be ring-fenced—

Lord Rooker: That is right.

Q257 Chairman: But they were going to spend it from the planning system.

Lord Rooker: No, I did not say that at all. No, no, no, no. First of all, you need to read your own reports of your own evidence. The clever part of it was that the £350 million, of which we have only spent the first year, would be paid to local authorities as a result of improving their performance in planning but, when we paid them the money, they could do what they wanted with it and, if they want to spend it on mending roads or anything else, it is up to them. They only get it as a result of an improvement in performance in planning. In getting the performance in planning, they will have had to put more resources in planning in the first place, but we did not want to be prescriptive. Therefore, they got the money and we got what we wanted, an improvement in performance, and they got what they wanted, freedom to spend the money in the best way they wanted. Why are you complaining about that?

Q258 Mr Betts: One of the things we also talk about is transparency, what had actually happened to the money, and I think that the Government, in response to the report we made, did say they were looking at separate accounts for the planning service.

Lord Rooker: No, no. You see, if the money is paid and it is not ring-fenced, how can you track it and for what purpose are you trying to track it?

Mr Raynsford: Can I just add to this that the whole focus here has to be on outcomes. The problem about input controls is that you end up focusing only on money rather than on the result and our whole approach is to try to encourage authorities/to incentivise authorities to focus on results. This is precisely what the planning scheme does, it does reward success but it does not impose input controls.

Q259 Christine Russell: Let us move to a less controversial area, the Fire Service.

Mr Raynsford: I like your sense of humour!

Q260 Christine Russell: The Fire Service pay deal was struck before the White Paper was published. Does that mean that all the changes and practices that are outlined in the White Paper will now have to be negotiated with the FBU?

Mr Raynsford: The whole process has gone in parallel, as you can imagine. The Bain Report, which we commissioned last September which

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reported in November, set a whole series of important objectives for a modern Fire Service with a much stronger emphasis on prevention of fire and reducing the number of lives and injuries caused by fire and other hazards. That set the tone for the negotiation of the settlement, which was a settlement giving a generous increase to firefighters in exchange for significant changes in working practice to achieve those objectives of greater safety but also to achieve economies as well, and the White Paper is the Government's response to the Bain Report covering a number of other issues that were not actually part of the negotiations. So, I see the whole thing as part of a process because the pay settlement implementation depends on the changes being made to deliver the savings which will pay for the significantly above-inflation increases in pay for firefighters as well as delivering the improved Fire Service that we all want to see. The White Paper reinforces that process, so they are not in conflict at all.

Q261 Christine Russell: Can I ask you about the new arson target because I think that has been changed.

Mr Raynsford: Yes, it has and this is a very interesting comment on the problems that one has with an over-rigid approach towards targets. When the initial target was set for reducing the number of deliberate fires, no one had anticipated the collapse in the scrap metal market and the consequent results in terms of large numbers of cars being abandoned. Those are, as everyone knows from their constituency experience, a particular target for vandalism and they have been the major factor in the large increase in the number of non-accidental fires over the last three years. As a result of that, we actually were in a position where the original target was, quite simply, unachievable because, far from a reduction in non-accidental fires, there had been a dramatic increase in this particular category, non-accidental fire. So, we have been pragmatic and realistic. We recognise that we have to have targets that are achievable and we have set one which is still pretty demanding which will require a reduction by 2010 but a reduction which we believe can be achieved in the different circumstances created by this change I have described. I have to add that the end of vehicle life directive also does pose difficulties for us because, until 2006, we will still see the perverse incentives there, I am afraid, for people to dispose of cars in an irresponsible way and it is only thereafter that the change will come into effect which hopefully will not provide that perverse incentive. Therefore, our new target based on 2010 is, we believe, achievable, in the difficult circumstances we are now living.

Q262 Christine Russell: You could give a little extra dosh to local authorities.

Mr Raynsford: We are. We are putting some £40 million into the whole arson control initiative designed to reduce the number of non-accidental fires, but there is a whole series of initiatives in place, both working with schools and with local

authorities, to try and reduce this problem. You will understand the circumstances and why we are dealing with a very different situation to the one when the target was originally set.

Q263 Christine Russell: So, the old target has just gone completely?

Mr Raynsford: Yes.

Q264 Chairman: The end use directive comes in in 2006, does it not?

Mr Raynsford: Yes.

Q265 Chairman: So, by 2009, we ought to be back to the old situation where people do not drive these old cars up to schools and burn them out.

Mr Raynsford: That was exactly my point. Up until 2006, we are going to probably see the problem continuing on the scale we have experienced in the last three years.

Q266 Chairman: I understand that, but you have changed the target for 2009: you have halved the target for 2009. I do not quite follow why, three years after the end use directive is in place, you should not be back to the old target.

Mr Raynsford: Because the original target envisaged that, by the middle of this decade, we would have achieved a significant reduction, instead of which, by 2006, we will be seeing a much higher base than the one originally used when the target was set in, I think, 1998 and that is the changed context and achieving our target will require us to make a significant reduction in the latter years of this decade, but that is when we will be able to use the new framework and hopefully drive down this problem in the way we all want to see.

Q267 Mr O'Brien: Sustainable Communities. The development in the growth areas are expected to take up to 30 years, so what about funding over that period? Has there been any suggestion made or any thought given to funding over the 30 years?

Keith Hill: We give thought to it, Mr O'Brien, but obviously no government can commit for that period of time. As you know, the cycle of public spending has been extended under this Government from the old system of year on year to three years, which is a tremendous help to all concerned, but obviously we are in three year cycles and I understand that discussions are about to begin for the next three year cycle, but that is the time-frame in which we operate.

Q268 Mr O'Brien: In the Government plan, if we look at long-term planning, then we should be looking at long-term funding, whether it be public or private. We have to do something to ensure that infrastructure and other issues are in place and that would mean allowing people to fund the whole scheme. Can I just put a different view to you. The £164 million identified in the communities plan to support new housing development in three growth areas, that is Ashford, Milton Keynes and the London Stansted/Cambridge corridor, and that is

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over the next three years. Has the department given any priority or has it considered any priority to those three schemes because each one is asking for more money?

Keith Hill: Can I just explain that actually, in the scheme of responsibilities, Jeff has the portfolio for regeneration and the growth areas and that is why Jeff will answer on the growth areas. I deal with housing in general and the Thames Gateway in particular.

Lord Rooker: There are four growth areas. The Gateway of course was designated many years ago to the credit of Michael Heseltine and Keith is doing that. The other three, the three new specific dimensions, are still in my area of responsibility. The answer to your question is that, yes, £164 million over three years is not very much and one particular area, probably the smallest of the three, bid to take half the money, but it showed that they had schemes they were wanting to progress. We have more bids than obviously money available. We are sifting those at the present time and, by the end of this month, the Deputy Prime Minister will announce the tranche of spending, maybe not all of the £164 million but certainly probably about two-thirds of it, so that there is a degree of what people know is coming in years one, two and three in those areas, and of course some of the planning work and some of the schemes and some of the bids actually are for planning work and feasibility work for schemes that will be into the next spending round anyway. So, there is a degree of continuity flowing from one spending round to another. Of course, if you designate and start to build a road, you have to finish it at the end of the day anyway. So, it is not a question of cutting off the funds, you have to know that you have the long-term funding available.

Keith Hill: Could I just add two further points to that. Mr O'Brien mentioned transport infrastructure and, characteristically of course, transport investment projects do spread over a longer period of time than the three year public spending round that we have been talking about and they are very important in terms of unlocking areas for further housing development, particularly in the south east. Let me point out that when we talk about public spending in relation to sustainable communities and the sustainable communities plan, although public expenditure is very important in contributing and, as I say, unlocking various elements of land that might be built on—and it is not only transport, it is health, education and other government departments—the fundamental fact is that four-fifths of all house building in the UK takes place by private developers, by the private sector. We talked about the difficulties in influencing, particularly boosting, house building by the private sector earlier but, critically, for the much larger part of the house-building programme that we are looking to, it does not actually depend on the public-spending programme.

Q269 Mr O'Brien: Will public agencies have the right or the opportunity to allow money to fund infrastructure so that the private development will

follow? This is over the long term, so there have to be some planning arrangements here where public agencies will be allowed to provide the infrastructures if need be and that could be recouped later.

Keith Hill: You are quite right and, typically, these schemes are developed on the basis of PFIs which are over long periods of time.

Q270 Mr O'Brien: So this will be allowed?

Keith Hill: That characterises transport infrastructure investment, yes.

Q271 Mr O'Brien: Could I put my final question to Lord Rooker. In May, we were promised the new housing targets for the Thames Gateway; when will these be published?

Keith Hill: I think that is me, actually. Thames Gateway. We are very clear in our minds about this but I can understand the confusion amongst the Committee.

Q272 Mr O'Brien: When will the new housing targets be published?

Keith Hill: This is also part and parcel of the Misc 22 process, but I can assure you that we anticipate some very early announcements of the decisions of Misc 22.

Q273 Mr O'Brien: Next week?

Keith Hill: I will not go so far as to say next week but, if we said the next two weeks, we might not be far out.

Q274 Chairman: Very quickly, Ashford. When is the M20 junction going to be reconstructed to make the extra housing at Ashford possible?

Lord Rooker: The answer to that is that I cannot say. No decisions have actually been made about the dividing up of the money for the other three growth areas. It is being actively done in the department now. There are scenarios and lists on my desk as we speak and, during the course of this day, I will be having discussions with the boss about it. Quite clearly, the growth of Ashford as part of the communities plan does depend on that junction but whether that will be in the first tranche, I cannot say at the present time.

Q275 Chairman: Roughly how much does the junction cost?

Lord Rooker: It is minimal, about £9 million or £10 million, something of that order.

Q276 Chairman: And that will come from the Department of Transport?

Lord Rooker: Yes. That is part of the issue. There are some areas in terms of the growth of our departments' expenditure where it may be we decide to fund something which looks as though it comes under someone else's responsibility.

Q277 Chairman: You can just see the Department of Transport rubbing their hands in glee.

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Lord Rooker: This is called joined-up government, Andrew, for heaven's sake. If we all work in little silos and if they have money that could be spent on something that suits our purpose and their priorities are such that they do not have other areas of spend, what is the problem with that? At the end of the day the outcome we are after is the growth of Ashford. Any of the spending we might do on infrastructure projects clearly we could open up, whether it is a railway line or a railway station, but if the Strategic Rail Authority has not got the funding for running the system you would say it is barmy, why did we not talk to them. The answer is we are talking to other departments, that is why we had to get an agreed package which will be announced around about the end of the month on the first tranche of the money for the growth areas outside the Gateway.

Q278 Chairman: On Ashford's water supply, when are we going to get this extra reservoir at Bewl Water?

Lord Rooker: There is still work to be done on that. The original claim of your Committee was that we had not even thought about the problem of Ashford's water before we published the Communities Plan and that was abject nonsense because you had received evidence to that affect from Elliot Morley because I checked the transcript after John Prescott and I came before you. Three water authorities were involved in the planning for the consultants before we published the Ashford study. I am going to put this on the record because of the way your Committee said we had not thought about the water aspect when we were planning extra houses and that got all the headlines. We knew there was not, that is why we were dealing with the water companies and the water supply. Where the particular reservoir is and what would be the precise arrangements for the water supply at Ashford I am not in a position to say at the moment because the decisions have not been made.

Q279 Chairman: How long does it take to get a new reservoir through the planning system and built?

Lord Rooker: Quite a while. We will have it when we need it for the houses and we will have it within the terms of the Communities Plan. The Communities Plan is quite a long-term project.

Q280 Chairman: As far as Milton Keynes is concerned, how much extra has to be spent to get the schools and the FE provision into place?

Lord Rooker: It is a fair bit. It is not just about education. One of the biggest issues for the continued growth of Milton Keynes is clearly the hospital. When we make our announcement I sincerely hope we can make proposals. I am not promising there will be a new hospital. We cannot get the growth if the infrastructure is not in place and certainly so far as the extra growth at Milton Keynes is concerned in terms of education and health, it is fundamental that we have clear commitments on that otherwise we will not get the growth in housing as well as the redevelopment and the intensification of the city centre of Milton Keynes.

Q281 Chairman: At Milton Keynes we also have the problem of the overhead power lines to the south that keep moving. Who is going to pay for those to be moved?

Lord Rooker: It is not just in Milton Keynes, there are one or two areas of the country, particularly in the London area where you really need to put the cables under ground. It does open up enormous potential for sites. I cannot remember the figures I was given when I was being driven round parts of the Gateway on one occasion. The cost of putting these power cables under ground is absolutely astronomical. There is no value in it. You will get the value back by getting access to the land. Who is going to pay for that in Milton Keynes? I do not know, but somehow or other it will have to be done if we are going to fully exploit the growth potential.

Q282 Chairman: How long does it take to do it as an engineering project?

Lord Rooker: Quite a while. The Communities Plan is not a five minute fix, it is a long-term plan, the best part of 15 or 20 years and we have to plan it carefully. A fair proportion of the expenditure from the initial part of the tranche outside the Gateway will be for doing some of the key planning and joining up of what is needed to exploit the full potential. While some projects are ready to go, clearly that is what we will be doing on the funding side. Some projects are up and running, the planning permission is there, they have thought through all the consequences, but there is still a fair bit of work to be done on the planning, on aspects of the infrastructure, whether it is the cables or whether it is the hospital provision.

Q283 Chairman: How soon will there be a clear road map?

Lord Rooker: I would imagine that when we make the announcement hopefully at about the end of this month for years one, two and three there will be an implication for other bids that we are not funding but which we want the work to carry on and that some kind of road map would be available and certainly what we are proposing will have to go through the planning process in order to change the original planning guidance for some of these areas. There will be a full consultation and a full public inquiry over a three or four month period once the documents are published during August. So I would imagine that by the end of this year or early next year a road map of the future growth potential should be available even if each particular scheme is not signed, sealed and delivered, but the road map of the way we are going should be there.

Q284 Mr Clelland: Could I ask Nick Raynsford about the balance of funding review which I understand has now met twice. I am just wondering what the emerging findings of the review are and why the process is so slow?

Mr Raynsford: The answer is there are no emerging findings yet because the review is still looking at the problem and analysing the foundations for any conclusions that the review comes to. This is

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probably the most significant review of local government finance for 25 years, since the Layfield Report. It is complex, there are difficult issues, some of them are mutually contradictory. What we have been trying to do is working with a very good team of people from local government, from central government, from academic bodies, from business, from trade unions, people from a variety of different perspectives, trying to get a common understanding of the right way forward in terms of the principles that must underpin any future system of local government finance. As you may imagine, there is quite a debate going on about what those objectives and principles should be. The progress has been good. I think everyone who has attended this felt that the first two meetings had been constructive. People have not been grandstanding, they have been working together trying to bottom out some really quite difficult issues. We have commissioned research which is going to feed into our next meeting in the autumn. We are about to issue an invitation—in fact we may already have issued it, it was due to be issued this week—to people to respond with their own recommendations and proposals to us and we are gathering in a great deal of information that will feed into our discussions. I hope you will understand why it is taking time, but that does not mean this is an unreasonable delay. This is a very serious analysis and we are giving it the attention it deserves.

Q285 Mr Clelland: Is it likely that the review will result in dealing with some of the anomalies which emerged from the latest change in the financial regime for local government?

Mr Raynsford: Obviously we are looking at a whole range of issues, although the main focus of the review is the overall balance of funding for local government between central and local sources. The concern about some of the factors that lay behind the difficulties there have been in terms of education funding will be considered as part of the review.

Q286 Mr Clelland: Can I quickly move on to the Comprehensive Spending Review which is this year to have a number of themes, one of which is devolution and decentralisation. How will this manifest itself over the next 12 months and what will it mean for your Department?

Mr Raynsford: Devolution and decentralisation are very much key themes and at the Local Government Association Conference just a fortnight ago both the Deputy Prime Minister and the Chancellor were speaking in very positive terms about the importance of devolving more decisions to enable both local authorities and regional bodies, where they are set up, the scope to be able to make a profound influence on the future development of their areas. So this is absolutely central to our thinking. We believe the right framework is one where the Government sets an overall framework, national targets and expectations, but where there is more scope devolved regionally and locally for decisions to be taken in the light of local circumstances and building on local strengths in order to achieve the best outcomes.

Q287 Chris Mole: What does “new localism” mean to the Government?

Mr Raynsford: This is a particularly interesting area for discussion because the principles are exactly the ones I have outlined, but there are different interpretations of how those can be applied. For example, when I meet with local authorities I remind them that decentralisation does not end at the Town Hall. There are some local authorities who think they want the maximum devolution of power to the council, but they do not then see the importance of engaging local communities and allowing some decisions to be taken at a more local level. So there is a whole range of options and the different emphasis that certain people put on certain elements in that tends to produce the grit in the debate. My view is that the principles that I have outlined in response to David Clelland’s questions are very much of the essence of new localism, central government setting over-arching objectives but devolving power locally or regionally to enable the best outcomes.

Q288 Chris Mole: All of the institutions that might be proposed to have separately elected boards, whether they be foundation hospital or police boards and the like, all sit within a community context. We have a mechanism that works fairly well for identifying the community’s interests through local elections. Is it not the ODPM’s role to promote a role for local government in these situations? What is the role of local party politics in providing accountability in all of these institutions?

Mr Raynsford: You are absolutely right, we do believe there is a crucial role for the local authority as the democratically elected body that can keep an oversight of all the issues within its area. Our White Paper published in December 2001 emphasised the two critical roles of local authorities, strong local community leadership as well as delivering quality public services, so that is fundamental. We are passionate in the ODPM in arguing that, but we also recognise that there is scope for other forms of participation and there may be a case for people to be elected to other bodies that can contribute towards the delivery of services locally. For example, we know the participation of local communities through the Neighbourhood Renewal Programme and through a number of initiatives to address areas of particular deprivation is a very powerful way to engage local people and we certainly would not want to preclude that. There are people who believe that there is scope for an extension of these options in relation to citizen participation in the Health Service or in measures to tackle crime, all part of this debate. In the ODPM we believe that there is a fundamental role for a democratically elected multi-service body, a local authority to be at the heart of local democracy.

Q289 Mr Clelland: Whilst I very much support the idea of devolution and subsidiarity, it seems to a lot of local representatives that this is not working through them but bypassing them quite often and

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foundation hospitals and police boards are two examples. Some of the area-based initiatives and the way that people are elected onto them seem to be ways of bypassing the local authority rather than devolving things to the local authority.

Mr Raynsford: I am not sure that is the case. I do think that much more effective co-operation is taking place between local authorities and the Health Service or between local authorities and the police in terms of initiatives to tackle crime to improve the health of communities. This is all to the good and does result in different ways of working than the traditional ones where local authorities tended to operate in isolation. I am very much an advocate of authorities engaging through their local strategic partnerships with a wide range of bodies and in certain cases working with other groups which may be elected on a different basis such as the community groups I have described.

Q290 Mr Clelland: My experience of local authorities was not that they worked in isolation but where they were very much involved. I am going back a long time, but we had the police boards, we had local authority members on the health boards and we had the public health officer who was a member of the local authority and it was not a question of working in isolation, they were part of the overall structure. What we have done is created all these little pockets which they might be represented on but they are not part of any more.

Mr Raynsford: My own feeling is that the greater local participation in neighbourhood renewal areas and in community initiatives of that sort has been a thoroughly good thing. In the past some of those communities have felt excluded and that the local authorities took decisions that did not fully take account of their local concerns. When I said in response to Chris Mole's question that I believe that devolution does not stop at the Town Hall, it also involves local communities, this is part of the whole localist debate and finding the right balance which does, rightly, emphasise the critical role of democratically elected local authorities but does not preclude other ways of engaging people is the right way forward.

Q291 Mr Betts: On underspends, when we had your officials before us a short time ago we were told that the Department last year reduced its underspends by four% and had a target of another 5% improvement this year but was concerned that it would be a real challenge to spend the additional money that had been gained in the 2002 Spending Review. Are you satisfied with that situation?

Mr Raynsford: Perhaps I can kick off while my colleagues decide who is going to respond to that. In the local government area there has not traditionally been a significant problem of underspend. That is not something to take particular credit for, it is because the nature of the operation involves us ensuring that funds are transferred to local authorities who themselves are responsible for the spending. The areas in which underspends have

occurred in the past have primarily been in relation to other areas of the Department's operations and at this point I turn to my colleagues.

Lord Rooker: I cannot put my hands-on it. I think my note said to refer back to what Mavis McDonald said, our Permanent Secretary who is the Accounting Officer.

Q292 Chairman: But that was not encouraging, that is why we are pursuing it.

Lord Rooker: Underspends are as bad management as overspends. In some ways I touched on this earlier on when I said, in terms of some of our programmes, we are programming on the basis that we know that underspends occur for the best of all reasons, there can be unforeseen delays in projects taking off for various reasons and therefore we are allocating funds on the basis of making surely we actually spend the budget. I know the Housing Corporation did this in respect of the Challenge Fund, for example, in order to guarantee that we spent £200 million in the first year on the Challenge Fund. I think the allocation was something like £280 million. We can send you a note on this. We have some figures that show we are on track to do better this year than last year in terms of underspend. Following the re-shuffle—it was not the reason—we did have a departmental “pow-wow” for an evening and a morning and certainly the financial information given to us showed we were going to do better this year than last year.

Keith Hill: I think I can probably help on that, I have found the figures. In 2001–02 the total underspend was 14.2%. The following year, 2002–03, it was down by almost four% to 10.5%. The aim is to reduce the underspend by at least a further 5% this year, to bring it down to about 5%.

Q293 Mr Betts: That is a pretty incredible target. The Government is planning to underspend the extra money which everyone realises is needed to be spent on important projects by 5%.

Keith Hill: I agree with you. It is obviously unsatisfactory—

Q294 Mr Betts: And we were told that would be a challenge.

Keith Hill:—if you do not hit the figures on the nail. Obviously I have talked to officials about their experiences in various programmes. I think the truth is that we began two or three years ago with rather ambitious programmes in terms of how fast these programmes could hit the road. There have been underspends in a number of areas in the first year or two of the schemes coming on-stream, but across the board we are now getting very close to the spending figures that we should do and of course we can carry over some of these underspends and ensure that we are spending as much as possible. For example, on the Starter Home Initiative we found that there was a £45 million underspend on that scheme. We have taken various measures and we certainly intend to be spending the SHI in full by the end of the current financial year.

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Q295 Dr Pugh: You will be aware that there has been a little difficulty this year with regard to school funding. When the ministers from the DfES were interviewed by the Education Select Committee they complained about the difficulties they had with the modelling of how it is going to pan out for different authorities. Was that because the Formula Spending Share and the new arrangements are really rather opaque and complex or because they were particularly dim?

Mr Raynsford: I think it was because this year a number of separate issues all came together in an interrelationship which had not been anticipated but which did cause problems in some areas. Let me just take the main changes. There was obviously the overall change in the local authority funding system and that did create a wider range of different outcomes for local authorities than would happen in a normal year. Secondly, there were significant changes to the education of grant funding, there was the ending of some standards funding which had a particular impact on individual schools particularly in deprived areas. There was also the impact of a transfer of some standards funding from a ring-fenced fund into general funding which again had distributional consequences. In line with our overall approach that I have spoken about already to try to get local authorities greater discretion but with distributional consequences there were the particular factors relating to the costs particularly of teachers' pay, pensions and the National Insurance increase which again were particularly acute this year. There were further problems relating to local authorities' spending on special educational needs, on pupil referral units and other central expenditure requiring spending by the local authority on education rather than the money being transferred to schools and there were other factors as well. I want to shorten my answer which otherwise would be very long. When all these factors are put together the consequence is some distributional outcomes which we were very unhappy about indeed and which were curious and surprising to us because overall the settlement was a good settlement, a 5.9% increase overall in terms of general grant, 8% by the time special grants were included, with some £2.7 billion extra available for education specifically. My colleagues in education had not anticipated the problems that actually happened.

Q296 Dr Pugh: I think a lot of this would be conceded because the complexities are well documented. Is your Department doing anything to make the outcome for next year more predictable or less problematic or both?

Mr Raynsford: There has been no issue which has been higher up my agenda for the last two months and there have been many issues which have been very high on my agenda for the last two months. We have been working very closely with colleagues in DfES and I expect the Secretary of State for Education and Skills to make a statement on Thursday in which he will outline the progress we

have made in trying to find a way forward for next year which will avoid the problems that have occurred this year.

Q297 Dr Pugh: Can I confirm that local authorities will still have their current role in the distribution of funds to schools?

Mr Raynsford: The answer is yes, we expect local authorities to continue to play the role they currently play in relation to funding. There will be changes to the systems to ensure that some of the difficulties that have arisen in the current year are not repeated. For example, we are trying to bring forward the time at which certain decisions are taken to give a greater degree of certainty and that involves an improvement which is quite challenging because there are tensions here. As you will know, one of the latest sets of data to become available are the secondary school rolls. We only know those in late October by the time they have been processed because the schools only know those figures in September and there are various validation checks that have to be carried out. If we are to use the latest data that local authorities, rightly, want us to do because it does have an impact on distribution, then that is a major constraint on the speed with which we can announce the provisional settlement. There are real tensions and difficulties there but we are working to try and give greater certainty at an earlier stage.

Q298 Dr Pugh: In the Department of Education is there an intention to make sure that as much money as possible goes to schools by right? Your concern is going to be what is going to be the effect on the council taxpayer. Are you looking at a situation next year where council tax will go up quite appreciably simply because the money finds its way more effortlessly to schools?

Mr Raynsford: I do find a slight paradox in a position where in the current year when we have one of the most generous settlements we have had in recent history with an overall increase of the order that I have described, with every authority getting an above inflation increase, we did see the largest council tax increase for many years. I find that slightly paradoxical. We obviously want to see—

Q299 Dr Pugh: So the money did not go to the schools. Where did it go?

Mr Raynsford:—a lower level of council tax increase next year for very obvious reasons. The public will not be amused, frankly, with continuing increases of the order we have seen recently and I think we should all take that very seriously. We want a framework which ensures that authorities do have the ability to meet their full range of responsibilities while at the same time ensuring that education does get the additional funding which has been allocated for education, which is a very high priority.

Q300 Dr Pugh: Clearly your thinking is you want to keep the council tax down to a reasonable level but you want to ensure that schools have all the money that is due to them. I think a concern we would have

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is some of the other services local authorities run would be squeezed. Will you be monitoring the extent to which funding on that remains on-stream?

Mr Raynsford: It is very much part of our concern to ensure that authorities do have the means to meet their full range of responsibilities. Obviously they will have to take decisions on priorities, we all do, but we do not want to see the kind of squeeze that you have described and we want to ensure arrangements that allow authorities to operate in a positive way recognising the range of responsibilities they face.

Q301 Mr Betts: Decent homes. How are you going to square the circle? We have a target of 2010 for all properties to be brought up to decent standards, we have the right of tenants to decide who their landlord is, yet to achieve the right standard requires money to be spent from mainstream funding, arm's length companies and stock transfers in the right proportion. If tenants do not vote in the right proportions overall nationally you cannot ensure a proper homes standard, can you?

Keith Hill: What a very good question. I am not sure I know the answer to it at this point. It does seem to me that on the whole the process of stock transfer is pretty satisfactory. It remains the case that the Government is committed to the decent homes standard and is committing substantial sums of money towards that objective. In terms of that objective, we are certainly thus far on course. We have already brought 700,000 dwellings in social housing up to the decent homes standard over the last six years. We expect to achieve our target of a third of those homes which do not attain the decent homes standard at the moment into decent homes by 2004. We have recently, as I am sure the Committee is aware, looked very carefully at our forward programme and made changes and we now expect to meet the decent homes target by 2010.

Q302 Chairman: I think that is quite helpful, but the Committee is going to look at the whole question of decent homes in the autumn and I hope by then you can perhaps not only tell us that we ask good questions but you can come up with the full answer to that.

Mr Raynsford: He gave a very good answer.

Keith Hill: I am grateful for the support of my colleagues. I thought Mr Betts asked a very good question and I have done my best, but I certainly look forward to re-appearing before the Committee to talk about decent homes in the autumn.

Q303 Christine Russell: Keith, some time ago you mentioned that there had been an overspend of £45 million on the Starter Homes Initiative. Does that mean that you are going to miss the target of 10,000 new homes for key workers within three years?

Keith Hill: We expect to achieve slightly under the original 10,000 target, we expect that the scheme will deliver rather more than 9,000 homes but within the time-frame now. We had a slow start in terms of the scheme. I think it is generally accepted that we were wrong to go forward with the £10,000 discount and

we have recently halved that to £20,000. We do, of course, face the issue of rising house prices and to some extent rising construction costs in this area.

Q304 Christine Russell: Is that the reason why the scheme is not really taking off as well as you had hoped, because of the level of subsidy compared to the rise in house prices?

Keith Hill: I think we made a wrong judgment. There were initial delays in the implementation of the scheme, in addition to which we made a wrong judgment about the level of subsidy. That has been increased. We are now at 3,000 homes through the scheme and we expect to be at 9,000 by the end of the scheme period.

Q305 Christine Russell: Have you already collated some clear evidence that the scheme has actually helped to either retain or recruit key workers in different locations? I am not sure how you are monitoring it.

Keith Hill: This is really, as with many of our programmes, a matter of local judgment and local delivery. We set the parameters, we provide the funding streams, but we expect the delivery to be in the localities primarily through the housing associations, as you are aware, but the scheme is focused on health workers, on police officers and on teachers and they are the recipients of this scheme and also the Challenge scheme and our expectation is that this provision is actually going to the key workers in public services to whom it is directed.

Q306 Christine Russell: Can I move on to Lord Rooker and Strategic Partnerships. How well do you think they are working?

Lord Rooker: This is a very new for me so I am going to defer to Nick later on this. In the visits I have made around the country the idea of including other people from other walks of life, from the health authorities and the private sector in these partnerships is wholly good and productive. I think they are all in place. I do not think everything is set in stone forevermore. It goes back to some of the points that David was raising in his questions about local government being snuffed out of areas. Bringing more people in to the strategic decisions, particularly joining up areas of public sector activity has got to be good at the local level. It is not always easy doing it at the centre of government, but we are positive about it and we are not just paying lip service to the idea of trying to get it joined up. Trying to get it joined up at the local level through the Strategic Partnerships is new for many people and all the evidence is it is working extremely well.

Q307 Christine Russell: What about engaging the business community? In my experience the public bodies are joining up well, the voluntary bodies are joining up well, but there is still a problem in engaging the business community in some areas. Did you find that on your travels around the country?

Lord Rooker: I have not found that. I fully accept that this is going to be the case. Businesses are there to run a business. Sometimes they are not too

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interested in what is going on in the locality until their business gets affected and by then it is too late and they feel cut out. What we are trying to do is to have a structure where they are involved and a good example is what is in the local government's business improvement districts. We have some businesses queuing up to be part of the new revenue raising aspect of property owners and we are saying it has to be the property occupiers because otherwise it complicates systems, as has been debated in both Houses. Where they see the interest going beyond their business to the wider area, when most business people work it out they know that if the wider area is okay it is going to be good for their business anyway and they will embrace it. I suppose if there had been the suspicion over the years that they have not felt part of the whole that would have put some areas off. I do not have on my desk any areas of business people making specific complaints about not being involved or not feeling as though they are involved in the local Strategic Partnerships at all. I am not saying it is the same all over the country.

Q308 Chairman: Can I move you off that and on to English Partnerships. Have they got their act together now?

Lord Rooker: Their remit has changed in the last 12 months. In the last 12 months they have got a new Chairman, Margaret Ford and in the last few months a new Chief Executive, David Higgins. English Partnerships is a rather strange organisation because legally it is two separate organisations, the Urban Regeneration Agency and the New Towns Commission, but they operate as a single entity and they are a lever for our Department. We have only two levers in this sense, the Housing Corporation and English Partnerships, for making things happen in a very positive way. By the way, the new Chairman, Margaret Ford, has travelled the country visiting all the new town areas twice, building bridges where they needed building and cementing relationships particularly in respect of the growth areas. Sometimes I have travelled to areas where Margaret has been and they have said how much they welcomed the visit or they have said that the Chairman of English Partnerships is coming next week. They are getting about, there is no question about that.

Q309 Chairman: So you are pleased?

Lord Rooker: Yes, I am.

Q310 Dr Pugh: Mr Raynsford, the exciting new ministerial Cabinet sub-committee to oversee the Government's White Paper and its implication, how often has it met?

Mr Raynsford: The new sub-committee, which is GLP, is having its first meeting this afternoon. It replaces two other sub-committees, GLD and PSXL, which had different remits and as part of the process of achieving a focus and cutting out unnecessary bureaucracy we have brought the two together.

Q311 Dr Pugh: The mayoral and Cabinet structures, there are two views on this. One is that backbench councillors have been disgruntled about not having much contact with what is happening in the local authority. Your view is that they are activity engaged in their communities in a far more prolific way than hitherto. Have you any further evidence on that in terms of data being collected so far?

Mr Raynsford: No. We are funding a very detailed research study on this which has been conducted by the University of Manchester. I have seen some preliminary findings which I think will be published shortly suggesting that there is a correlation between the performance of local authorities and those that have both strong political leadership and strong scrutiny and therefore the combination of powerful leadership and effective scrutiny and the backbenchers playing that role in an effective way does seem a common sense conclusion, there is some convincing academic research supporting that and it does seem to produce the best outcome. I would not pretend this is working brilliantly everywhere, there are variations. There are some councillors who feel frustrated and some areas are doing much better than others, but I think the principle of having a clear focus through the Cabinet on giving leadership to the authority and effective scrutiny performed by backbenchers who have more time to engage with their local authorities because they are not sitting hour after hour in committee meetings, for example, is the right way forward.

Q312 Dr Pugh: The Comprehensive Performance Assessment, you have been to see all the poor performers, how did you find them?

Mr Raynsford: I have been incredibly encouraged by the response of almost all the 15 weak authorities with very little capacity to improve identified by the first round of the CPA. Almost all of them have accepted they need to change. Almost all of them are working very constructively with us to put into place their recovery programme. Phil Hope and myself are meeting with all the authorities to review their progress. I have to say, it is very heartening to see how this is really making an impact and changing things in areas where they have had very considerable difficulty over a long period of time. I mention only Hackney and Walsall as two areas which became synonymous with problems and where the evidence is that there is real progress towards improvement in both the performance of the authority and the delivery of services to its community.

Q313 Dr Pugh: In the case of meeting some of the others face to face, have you seen any scope for changing or varying the methodology? Have you found them not to be as poor as the methodology classified them?

Mr Raynsford: Our focus is on improvement, it is not on labelling. It is trying to identify weaknesses and helping authorities to improve their own performance. The way we do it is through a lead official who is the contact between ministers and

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each authority. That lead official works to encourage the authority to take ownership for the improvement programme. We are not trying to take over, what we are trying to do is to get the authority to act in a way which is most likely to transform its performance and deliver for its own people and that is happening in almost every area. There are one or two where we still have a degree of nervousness, but in general I am very pleased indeed and therefore we are proposing to adopt a similar approach towards the districts who will be coming towards their CPA in the months ahead.

Q314 Dr Pugh: What freedoms and flexibilities will you give them if they do well?

Mr Raynsford: We have already outlined the freedoms and flexibilities available for the high performing counties and unitary authorities: freedom from inspection for three years, freedom from ring-fencing health and in respect of education, funding and participation in the innovations forum which is looking for new ways of doing things and developing the freedoms agenda even further. Those are just three of the freedoms.

Q315 Dr Pugh: And the districts will get the same deal?

Mr Raynsford: We aim to have a broadly comparable deal for districts, the details have not yet been announced because there are obvious differences in terms of the service responsibilities, but the same principle should apply.

Q316 Chairman: Has anyone got any comments about cemeteries?

Mr Raynsford: No!

Q317 Chairman: You are supposed to be pursuing quite a few issues.

Keith Hill: I beg your pardon, Mr Chairman, I do know the answer to that. That is primarily a matter for the Home Office.

Q318 Chairman: Yes, I understand that, but I think you were doing a survey of how much burial space there was available and it is supposed to be a joint publication, this question of the re-use of graves, is it not?

Keith Hill: Personally, as a Friend of West Norwood Cemetery I am extremely alert to this matter. It is the Home Office which is taking the lead and we are working actively with the Home Office to secure a solution to the cemeteries problem.

Q319 Christine Russell: What about tall buildings? In its response to our inquiry on tall buildings the Government said they were going to ask local authorities to identify inappropriate sites for tall buildings.

Keith Hill: We have implemented those recommendations on planning in accordance with our response to the Committee's recommendations and we will be taking forward our planing of the fire safety aspects of the building regulations next year as scheduled.

Christine Russell: You have done that, but have you told local authorities to identify sites?

Q320 Chairman: Do you want to give us a note on that one?

Keith Hill: We will let you know on that.

Q321 Chairman: Can you tell us anything about Ordnance Survey?

Keith Hill: I know it is Yvette Cooper's responsibility!

Lord Rooker: What do you want to know?

Q322 Chairman: We had understood that you were supposed to be publishing a framework for the Ordnance Survey, their business operating terms and that it has been delayed and I just wondered if you could tell us why.

Lord Rooker: Obviously we could not off the top of our heads.

Q323 Chairman: I think perhaps we will pursue that in writing.

Keith Hill: Can I we write to you about that?

Q324 Chris Mole: The industry concern is about the way in which the data is made available and what is becoming an increasingly commercial environment for mapping information.

Lord Rooker: I do not know the details of this, but from a brief discussion in another area of the Department I know about the amount of work and the lack of access that the public have with Ordnance Survey, but none of us can find the particular note at the present time.

Chairman: We will pursue that again.

Q325 Christine Russell: Nick, you will know the answer to this. In the model code of conduct for councillors why do they have to register the charities that they belong to but not the private clubs?

Mr Raynsford: This is essentially an ECHR issue. We were given legal advice shortly before the code was finalised that a requirement to register participation in private clubs could be challenged. For example, members of Alcoholics Anonymous might not wish that that fact was made publicly available. Given the sensitivities on that issue, we did feel that it was probably right to stick to the definition that is currently in the requirement, but that is being kept under review by the Standards Board.

Q326 Mr Clelland: Of all the electoral pilots that have been held, the greatest improvement in voter turn out has come through postal ballots by a long way. Why do we not spend money on improving that system and ironing out any anomalies and abuses rather than continuing to spend money on pilots like electronic voting which are not as successful?

Mr Raynsford: For two reasons. Can I say immediately I do not accept the premise that electronic pilots were not successful. Firstly, the initial work on all personal pilots did not produce the same very successful outcomes that recent pilots

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have. It is only as the process has been refined that authorities have become better in terms of informing the public. The public have become used to the concept of all personal voting and the procedures for validation which are a bit confusing if you have not done it before, but we are seeing the full benefits. All postal has got a time advantage over electronic. We think it is right and proper that there should be an opportunity to develop the electronic pilots where there is evidence for doing so.

Q327 Mr Clelland: Is that because they are cheaper?
Mr Raynsford: The second issue is just as important. All the evidence from other areas of life is that postal communication is tending to reduce and to be replaced by electronic. If we are thinking about how people should be able to cast their votes in ten, 15 or 20 years' time, it would be unwise to ignore the potential for electronic means of communication. I think they are likely to grow. There will be huge long-term savings, but the initial stage is inevitably more expensive and it is more expensive because we

want to have a competitive market and therefore we are having to ensure that there are a range of different companies providing whereas there would be obviously financial advantages in doing it through one, but that would avoid the long-term benefits of a competitive market. Obviously when you are doing a limited number of pilots the costs are greater than if you were spreading it over a larger scale. We think it is justified. It is an investment in the long term. There is real evidence in those areas that have now done electronic pilots in two successive years, places like Swindon and Sheffield, that there have been benefits from that and that those people who are using the electronic means of voting enjoy it and find it convenient and are likely to go on doing so. There is going to be a full report from the Electoral Commission in a couple of weeks' time and obviously my remarks have to be slightly guarded at this stage until I see their report.

Chairman: I am afraid I am going to have to cut everyone off at that point. Can I thank you very much for your answers this morning.

Memorandum by The Office of the Deputy Prime Minister (ANN 01)

SOCIAL INCLUSION AND NEIGHBOURHOOD RENEWAL

1. *How do you measure the effectiveness of warden programmes that you fund?*

We have adopted a wide range of performance management measures to assess the performance of warden schemes. The performance management system involves self-assessment by schemes and Government Office assessment, leading to a final score (shown as a value out of 100) and—where necessary—an improvement plan for poorer performing schemes.

Schemes are also encouraged to collect cost benefit information and supply the Neighbourhood Renewal Unit's Neighbourhood Warden Team with success stories.

Finally, independent evaluation of all our programmes (as part of the NRU research and evaluation programme) is also providing evidence of what works, what doesn't work, and the practical success of our warden schemes. The final independent evaluation report on the first round of Neighbourhood Wardens is scheduled for publication in September 2003.

2. *What criteria are being used to review the Multiple Indices of Deprivation 2000? When is this review likely to be completed and when will new indices be published?*

The criteria for the review were:

- to assess whether there have been developments in the methods that can be used to construct area based measures of deprivation;
- to assess whether there were new domains required to better measure multiple deprivation—proposals are for there to be a crime domain and more work on the physical environment; and
- to assess whether there were better indicators available to support either the proposed new domains, or the existing domains of housing, health, income deprivation, work deprivation, access to services, and educational deprivation.

Following Ministerial approval, it is planned that the index will be updated and published in the coming winter.

3. *How will results from revised indices feed into the Office's spending programmes?*

No decisions have been taken as yet on how the revised index will feed into ODPM's spending programmes.

2002 FLOOR TARGETS

4. *As the floor target is based on more than 60 individual targets the likelihood that all are met is very small. How many will you have to meet to say you are "on course" or have met the PSA target? Are some more important than others?*

There are 14 PSA floor targets (including ODPM's PSA1 target). Each department is responsible for the achievement of its own floor targets.

The measure of success for achieving PSA 1 is that all SR2002 floor targets (including those rolled over from SR2000) are achieved within their respective time-frames as set out in the departments' own delivery plans. ODPM is working with individual departments to help them prioritise floor target delivery and to integrate neighbourhood renewal principles such as working with Local Strategic Partnerships and "mainstreaming".

5. *Is it possible to present progress on the PSA floor target in a meaningful, simple and transparent way? If yes, how?*

NRU is developing a public web-based tool called "Profiles" which will allow anybody to monitor progress in any local authority district area on key floor targets, and to benchmark that performance against other areas. Overall progress on this PSA, like any other PSA, can be monitored through the website which HM Treasury has established in the pages dedicated to performance under Spending Review 2002.

REGIONAL PROSPERITY

6. *Do you plan to fully integrate Government Offices within ODPM and its systems or will they form a separate department?*

The ODPM has overall responsibility for the Government Offices and the Director General of the Regional Co-ordination Unit is a full member of the ODPM Board. Nevertheless ODPM is only one of 10 sponsor departments for the network, and it is important to ensure that links are maintained with each sponsor. GOs are engaged in ODPM corporate initiatives and services wherever sensible.

7. *Are there any timescales or targets for the Regional Co-ordination Unit's Regional Outcome Indicators? Or plans to introduce any?*

The regional outcome indicators (ROIs) were selected to tie in where possible with the national indicators underlying existing Spending Review PSA targets. Hence, no new targets have been set specifically for the ROIs. The 6-monthly ROIs publication and the ROIs website (which are both internal to Government) contain information on how precisely the indicators relate to departmental PSA targets. There are no plans at present to make the ROIs available as public documents.

2002 LOCAL SERVICE TARGET

8. *Why does the target on electronic delivery of services include an indicator on capability, but none on take-up?*

The 2002 Local Service Target (PSA4) includes assisting local government to "achieve 100% capability in electronic delivery of priority services by 2005, in ways that customers will use". In measuring success against this target, the Office will therefore assess both availability and take up. The National Strategy for local e-government, published by ODPM and the LGA in November 2002, emphasises that the availability of e-enabled services is not enough. "Services must be offered in ways people will use and must provide value for money."

Analysis of the 2002 Implementing Electronic Government Statements (IEG) from local authorities indicates that local authorities are on track to meet the availability target and are considering what levels of take up they should sensibly predict. The Office will use the next round of IEG Statements in November 2003 to gather more information on take up.

9. *Why doesn't the number of authorities with a CPA rating of "poor" or "weak" form part of the local services target for 2002? Does this go against the vision that "no-one should be disadvantaged by where they live"?*

We are fully seized of the importance of ensuring that no-one is disadvantaged by where they live. CPA results are not determined by local circumstances, they relate to the performance of the council in responding to those circumstances. Some of the highest performing councils are working in very challenging circumstances, including areas of high deprivation. CPA ensures councils are more accountable to local people, and to central government, for delivering the standard of services local people have a right to expect.

Failure to meet the needs of local people is not acceptable. Following the CPA results for single tier and county councils we moved quickly to engage directly with the 15 poorest performing councils. This includes those in the lowest CPA category, "Poor" and councils categorised as "Weak" with the lowest capacity to improve. The Office has appointed a senior local government practitioner to work with each of these councils through the recovery process and to ensure that the wider engagement with central government is co-ordinated effectively.

Following CPA all councils have engaged in a process of improvement planning that has been tailored to the circumstances of that authority. In particular this has targeted follow up inspection and audit activity on the outcomes of CPA. For the Poor and Weak councils the level of follow up inspection is proportionate to risk, and consequently greater, and is intended to ensure the needs of local people are met.

We have been clear that all councils need to use the outcome of their CPA process to drive improvement and raise the quality of local services. It is not enough for a council to seek to avoid being categorised as "Poor" or "Weak", we want all councils to aspire to excellence. That is why we are looking to secure a progressive improvement in authorities' scores across the board.

10. *Why aren't CPA ratings included in the floor target?*

CPA assessments are based on evidence of council performance on key services as well as their corporate ability. The services delivered by councils are themselves also monitored by the floor targets relating to that service (for example, providing decent housing or improving education). CPA categories provide a judgement of the council's performance as a whole. These judgements are not directly a measure of social exclusion, or of the need for neighbourhood renewal. They do not describe the circumstances that a council is working in: but they are a measure of the council's performance in responding to those circumstances.

LOCAL GOVERNMENT RESOURCES

11. *Has the formula grant review resulted in a fresh and thoroughly modern relationship with education authorities?*

The purpose of the Formula Grant Review was to ensure a fairer distribution of grant between local authorities. We worked with local government in considering the options, and consulted on suggestions for change over the summer of 2002. Ministers looked carefully at all responses with the aim of producing a better match between distribution of funding and LEAs' relative needs.

ODPM, DfES and other Government departments are working closely with representatives of local government, teachers and head teachers to ensure that the difficulties we have seen in school funding this year are not repeated in 2004–05.

Ministers want to ensure that that next year's settlement will offer schools and LEAs a clear and stable platform on which to deliver high standards of education. The key priority will be to identify the changes that need to be made so that all schools can expect to receive a reasonable per pupil settlement in 2004–05.

The Government is putting in place arrangements to ensure a modern and effective relationship between central and local government. High performing councils now have more freedom and flexibility to take local decisions within the framework we have provided which concentrates on the effective delivery of services, and helps struggling councils to improve. However, the Government does take a keen interest in the delivery of national spending plans for education. Significant increases in funding have been provided to education each year since the Government took office. Ministers and the public are concerned to ensure that local authorities afford education the same priority for that additional funding as they do.

12. *How much control will local authorities have over their total education spending next year?*

Government takes a keen interest in the delivery of national spending plans for education. We are discussing within Government and with local authorities how best to ensure:

- sufficient education funding increases for every LEA;
- the right balance between support through general grant and through ring-fenced and targeted grant;
- confidence that schools and pupils will receive the money intended for them;
- the right balance between in-school and out-of-school provision;
- variations in the budget increases received by different schools within each LEA are appropriate and fair; and
- workforce reform, in line with the National Agreement, can be sustained.

Government will also work with local education authorities to improve and clarify its procedures so that all LEAs are able to distribute their funds, notably Standards Fund, to schools in a timely way. Our intention is to ensure that changes are in place in good time to allow schools and LEAs to plan for 2004–05 and so provide increased predictability and stability in school funding.

13. *Has the formula grant review been responsible in any way for the schools “funding crisis”?*

Although any redistribution will obviously affect different authorities in different ways. The review ensured a better match between distribution of funding and LEAs’ relative needs. Each child attracts the same level of basic funding, wherever they are. There is extra funding for each child in deprived circumstances—since it costs more to achieve the same results for them.

LEAs with more deprived pupils received higher overall levels of per pupil funding. A floor plus additional resources from DfES ensured that each authority received at least 3.2% per pupil more than the previous year, with a further amount to cover the transfer of responsibility for teachers’ pensions. The additional funding overall ensured that the Government was able to continue to increase the amount of funding per pupil and increase the proportion of GDP spent on education.

However, Ministers are concerned about the problems experienced this year, and are discussing next steps with those with an interest to ensure that they don’t recur next year.

14. *What was the increase in this year’s local government finance settlement after higher staff costs and other inflationary pressures are accounted for? How useful are general measures of inflation when assessing “real” funding increases or cost effectiveness of local authorities? Do you collect any information on inflation for specific services?*

The Government looked with local government at all the pressures councils face including assumptions about inflation, along with the scope to make efficiency savings, in the context of the Spending Review 2002. SR2002 provides a good increase in grant for councils up to 2005–06 and enabled Ministers to provide an increase in total Government grant of £3.8 billion in 2003–04. This is a real terms increase of 5% and means that since 1997 Government grant has increased by 25% in real terms. The Local Government Finance Settlement 2003–04 provided an increase in general grant of at least inflation for all authorities. Most councils received increases above this.

15. *Why was local authority planning and asset management so poor in round 1 of the single capital pot? What have you done to improve this?*

Although the Audit Commission had published a report in 1988 arguing for greater attention to the strategic and policy implications of property ownership and use in local authorities, by the time they revisited this area in 2000 in “Hot Property” it was evident that little had changed. There was a recommendation by the Audit Commission to central government to raise the profile of asset management and to take a lead role in introducing a requirement to generate Asset Management Plans as well as coordinating a common approach to data collection and performance measurement. The Single Capital Pot was born as a result. It was an attempt to kick-start a process of raising awareness of capital and asset management planning. Given that local authorities were starting from such a low base the results, from the round one assessment process were inevitably poor with only 19% of authorities scoring a good assessment for their Asset Management Plans, and 33% scoring “good” in their Capital Strategies. However, by round two, in the summer of 2002, a clear improvement was evident. The number of authorities submitting “good” plans had increased to more than 50% for both plans.

For the first two years of the system we offered a financial incentive to local authorities to produce “good” or “satisfactory” plans with the discretionary element reward system. This has now been phased out. We have worked and continue to liaise on a regular basis with the representative local government and property associations to improve the focus on asset management planning in local authorities. We have, in cooperation with Government Offices, hosted a variety of conferences, seminars and teach ins to identify to local authority property and finance staff what is required of capital planning and asset management and why it is important now and for the future. We have also contributed to the professional national conferences such as the CIPFA Capital Conferences and to those of the property bodies. And we are on an ongoing basis, through research, monitoring improvements and progress in local authorities.

16. *How can you be “on course” to meet your local authority cost effectiveness target when the first data on their progress will not be published until the end of the year, three and a half years after the target was initially set? Has this target been rolled over to a Spending Review 2002 target to mask the lack of progress that has been made?*

In order to meet this target, it is necessary to collect and publish data on local authority performance against national Best Value Performance Indicators (BVPIs). The BVPI data has now been collected and published on a dedicated website (www.bvpi.gov.uk).

BVPIs were first set in 2000–01 and there is an inevitable timelag between setting BVPIs and collecting the data. Outturn data on the 2000–01 BVPIs, for example, was not available until December 2001. With Treasury agreement, 2001–02 was selected as the baseline year because time-series data for earlier years is not available for most services.

In addition, we needed to develop a robust methodology which would enable ODPM to measure changes in local authority cost-effectiveness. Following detailed research and in consultation with key Government Departments (including the Treasury), the Audit Commission and the Local Government Association, the percentile methodology has been selected as the most appropriate and robust means of measuring improvements in cost effectiveness. This methodology is based on a ratio of performance versus cost, which compares differences in performance on a basket of approximately 60 key national performance indicators with differences in the costs of service delivery on these indicators from one year to the next.

Local authority progress against the baseline will be measured on an annual basis commencing in December 2003 when the BVPI data for 2002–03 is published.

Until the first results were published in December 2002, there were no results for poor or weak councils against which targets could be set. However, we believe that it is important to maintain an overall focus on improvement for all authorities.

LOCAL GOVERNMENT QUALITY

17. *Has the cost of implementing Best Value been good value for money?*

Best value is a statutory performance framework which essentially codifies good performance management practices and underpins the Comprehensive Performance Assessment. In part, the cost of best value rests in the hands of those authorities to whom the duty applies, hence each authority should be looking to implement best value in a sensible way.

ODPM has commissioned Cardiff Business School to undertake an independent long-term evaluation of best value. The work, covering 2000–01 to 2005–06, includes an evaluation of the impact that best value has had in delivering improved local authority services.

The results arising from Cardiff's first year census of local authorities, which were published on ODPM's website in September last year, reveal that best value is seen as a positive force for change in local government, with best value reviews producing ambitious targets for improvements, most of which are expected to be achieved within two years, and best value review recommendations leading to improvements.

A comprehensive baseline report, which draws upon additional information, including evidence from best value performance indicators, residents surveys and case studies, is expected to be published shortly. This report, which relates to the initial years of best value, will provide the baseline against which future findings about the impact of best value can be measured, and against which value for money considerations can be made.

18. *Why is expenditure on Best Value subsidies and inspection costs increasing by so much this year?*

Over a number of years there has been an increase in inspection of local government, and therefore inspection costs. The Government believes that inspection is an important tool in driving up standards, but recognises that uncoordinated activity places unnecessary burdens on local authorities.

Comprehensive Performance Assessments (CPA) was developed to provide an overall judgement of performance of local authorities, starting with single tier and county councils in 2002. It brings together in a co-ordinated way the assessments of a range of inspectorates, increasing effectiveness and reducing duplication of effort.

CPA is now providing the basis for a more risk-based and proportionate inspection programme for local government, targeted at areas of high priority and weak performance. This is leading to a radical reduction in inspection activity for the best performing councils in 2003–04 and for better-targeted activity in other councils.

19. *When does the Audit Commission plan to publish CPA scores for district councils?*

The programme of Comprehensive Performance Assessments (CPA) for the 238 District council's started in June and will be completed at the end of 2004. The results of these assessments will be announced in a rolling programme as they are completed. The first tranche of results will be announced in September 2003.

LOCAL ELECTIONS/E-VOTING

20. *How much do your local electoral pilot schemes cost?*

ODPM made a contribution of just over £4 million to the May 2002 e-voting pilots, and £18.5 million to the May 2003 e-voting pilots. Local authorities running pilots also made contributions which in some cases will have exceeded the normal costs of running conventional elections.

Naturally, the costs of running e-voting in pilot schemes are at this stage proportionately higher than we would want to see when e-voting takes place on a larger and more permanent scale. Economies of scale are not achieved through piloting on the scale we have so far seen—both because of the numbers of voters involved and because of the need at this stage to promote a competitive market by using a relatively large number of suppliers.

21. *Is the aim of an e-enabled general election some time after 2006 dependent upon the results of electoral pilot schemes?*

Yes. The purpose of pilot schemes is to test the technology of e-voting, to see whether it can provide secure, accessible and reliable elections, whether electors find it easy to use and, as the pilots progress, how it can most effectively be scaled up for larger elections. Equally, the pilot schemes are to help build essential voter confidence, and to build up knowledge and experience among electoral administrators. Lessons learned from the pilots will inform decisions on holding a multi-channelled e-enabled general election some time after 2006.

The 2002 pilots were a helpful step towards achievement of our aim. The Electoral Commission's evaluation report on the 2002 pilots concluded that:

- the pilots successfully increased the opportunity for voting;
- they secured significant increases in turnout in some areas (particularly with all-postal voting);
- the process was well managed by local authorities and there were no significant technical problems; and
- the Commission found no evidence of fraud, although there were some significant public anxieties about the potential for fraud.

Subject to the full evaluation report which the Electoral Commission are shortly to publish, the 2003 pilots have also successfully demonstrated the benefits of e-voting.

22. *Why continue to pilot electronic voting when all postal ballots have been much more effective in increasing turnout?*

We have been very pleased with the effect on turnout of all-postal voting at local elections. In 2002 and 2003 councils using all-postal voting achieved an average turnout of around 50%—significantly above the turnout achieved in conventional elections.

The success of the postal pilots is in large measure attributable to the work undertaken in earlier pilots in 2000 and 2002, as a result of which local authorities have gained valuable experience in how best to plan and implement all postal ballots on a large scale and how to communicate effectively with the electorate to encourage increased levels of participation.

Electronic voting is at an early stage of development with the first pilot now at a relatively small scale in 2002. We are currently awaiting his evaluation of the 2003 pilot by the Audit Commission, but would expect future development of e-voting opportunities to benefit considerably from the experience to date, which should facilitate increased participation.

In addition there are many other good reasons for continuing the electronic voting pilots. We need to prepare for the world in which the generality of transactions will be through electronic media. Democracy and public participation will not be served if we leave voting to pen and paper, so it becomes ever more anachronistic and alien to the daily experiences of citizens. In particular:

- **Accessibility.** Remote electronic voting (using telephone, Internet, text-messaging or Digital TV) holds out the prospect making voting significantly easier for many people. It can deal more easily with voting from outside the constituency (including from overseas) without pre-planning; it can cope better with languages other than English; it can offer independence when voting to people with disabilities. And in general, it provides a voting medium that would fit better with 21st century lifestyles.
- **Polling stations.** As well as remote voting, electronic voting can be used to improve the service at polling stations. By linking electronic polling stations to electronic, nationally-accessible electoral registers, it would be possible to cast a vote for a given ward or constituency at any polling station in the country (or even overseas—perhaps at embassies and consulates).

- Cost and Efficiency. We expect that the costs of remote e-voting on a large scale could eventually come down to around a third or a quarter of the costs of postal voting. Processing of electronic votes is easier and quicker than handling large numbers of paper ballots—even when paper ballots are counted electronically.

23. *What measures are taken to reduce the possibility of fraud in postal or e-voting?*

The electoral pilots have included a range of measures designed to reduce the risk of fraud. These include:

For E-voting Pilots:

- The use of voter specific PIN numbers and passwords; real time electronic registers to cast and record votes; and systems to prevent an electronic vote being cast where voter identification has been used previously.
- Should a voter find that a vote has already been cast in his name, he will be entitled to ask for a tendered ballot in the normal way.
- All pilot authorities are under a legal obligation to report instances of fraud to the Police and the Electoral Commission; the appropriate authorities to investigate alleged electoral abuse.
- The Commission will conduct a thorough post-election evaluation exercise looking at all aspects of the programme, including fraud and security, to consider what lessons need to be learnt for the future.
- All e-voting pilots were subject to pre-election independent security checks and post-election surveys and evaluation, the results of which will be made available to the relevant authorities and the public.

For All-Postal Pilots:

- Changes to the ballot papers. By using special watermarked paper or ink, or by applying barcodes to the ballot paper, the security of the ballot paper itself can be increased. Forged papers and people attempting to vote twice can be identified through such methods.
- Secure delivery of ballot papers. By making envelopes as opaque as possible and using a clear design on them, ballot papers can be made both secure and less vulnerable to being confused with junk mail. In some cases ballot papers were delivered by hand on Sundays to ensure safe delivery.
- Targeting problem areas. Addresses with multiple occupants or with high numbers of voters registered were targeted by authorities for special checks to ensure that ballot papers got to the correct person and that the possibility of voting in secret was ensured. Procedural guidance was provided to managers of multiple-occupancy buildings where ballot papers for all the residents were sent to them, eg residential care homes and sheltered accommodation, to help ensure that ballot papers were distributed properly.
- Contacting a sample of electors. By contacting a number of people (during or after the election) in person, over the telephone or in writing, officials were able to find out whether they did actually vote and compare that with the marked register. They were also able to assess whether the secrecy of the ballot was compromised, and copies of signatures (where these are required as identification with the ballot paper) were shown to voters to ensure that they were recognised.
- Publicising ways of reporting fraud or attempted fraud. A dedicated telephone number was available for anyone to report breaches of security in confidence.
- Police. ODPM placed a provision in all of the statutory orders giving legal effect to the schemes to place a requirement on election officials to report all instances of fraud to the Police and the Crown Prosecution Service.

REGIONAL DEMOCRACY

24. *Why is it necessary to have three votes before a regional government is approved?*

The three votes are for three distinct purposes:

- There will be a referendum to see if people want an elected regional assembly.
- At the same time, voters in two-tier parts of the region will vote to choose their preferred option for unitary local government, which would only be implemented in the event of a “yes” vote for an assembly.
- If an assembly is to be established following a referendum, there will then be elections to decide who serves on that assembly.

REFERENDUM ON REGIONAL GOVERNMENT TARGET

25. *What constitutes “sufficient demand” for a referendum on regional government? Will referendums only take place where you expect a “Yes” vote?*

The Deputy Prime Minister has now made an announcement explaining the basis of his decision. This was an evidence-based decision. Level of interest in holding a referendum was the primary factor in choosing the regions to go ahead. The Deputy Prime Minister considered all the views, information and evidence provided. He made a judgement, considering the evidence before him—as required under the Act. Responses to the soundings exercise showed, in the view of the Deputy Prime Minister, that the level of interest varied considerably between regions and that it was high in the three Northern regions and low in the other five regions. The Government believes that people in the three Northern regions should have the chance to have their say in a referendum.

A summary of the material that informed the Secretary of State’s decision is available in the House libraries and on the ODPM website.

26. *Is there a more accurate measurement of demand for regional government than a referendum?*

The Government believes that referendums are the best way to measure public support for regional government. It believes people should be given the opportunity to say whether or not they want an elected assembly in their region, in just the same way that the people of Scotland, Wales and London were given the opportunity to express their view on devolution.

27. *How much would it cost to hold a referendum on regional government in each region?*

Costs will vary from region to region, mainly because of the different sizes of their electorates. They will also vary depending on the form of the ballot and whether the referendums are combined with any other polls. Based on an all-postal ballot, we estimate the cost of the regional and local referendums in the three regions concerned to be around £13 million in total.

28. *What safeguards are there for people living in two-tier council areas being “outvoted” on regional government by those living in unitary council areas?*

There are none. Nor are there safeguards for people living in unitary council areas being “outvoted” by those living in two-tier council areas. There are four regions where those in two-tier areas outnumber those in unitary areas and four regions where the position is reversed. There is no reason to think that voting intentions will be different between people living in one type of authority and another. The fairest and simplest approach is to decide solely on the basis of votes cast. No group should have a right of veto over others.

URBAN POLICY

29. *Why did English Partnerships fail to meet five of its seven in-year output targets in 2001–02?*

English Partnerships sets its own demanding internal targets as part of its corporate planning process. These are published in its Annual Report each summer.

Delivery of EP’s outputs is not always under its direct control. Over recent past EP has carried out little direct development and the bulk of its business is delivered in partnership with, or on behalf of other parties in both public and private sector.

In most cases, therefore, the achievement of targets depends on EP’s ability to secure developers and/or individual owner-occupiers. At the individual project level, slippage occurred for a number of reasons; these include protracted negotiations which affected a number of commercial projects, such as the commercial floorspace built by EP’s joint venture company, Priority Sites Ltd, as well as developers’ ability to build in accordance with their on-site programme. That in turn can be affected in a number of ways including adverse weather conditions over the winter.

For 2003–04 EP is forecasting that the in-year outputs will include 2,700 new homes, 7,000 jobs created or safeguarded and 300 hectares of land reclaimed.

30. *How much funding for the London Olympic bid will come from the ODPM’s regeneration programmes, via the London Development Agency?*

Subject to formal approval, The London Development Agency will undertake a major programme of acquisition and remediation in the Lower Lea Valley and will also provide up to £15 million support to Bidco to prepare and submit the Olympic bid in 2005. The LDA funding will be sourced primarily from the RDA single programme budget managed by the DTI including LDA joint venture agreements, deferred purchase

agreements and land sales. ODPM currently contributes around 84% of the resources to the RDA/LDA Single Programme budget under arrangements agreed between the contributing Departments (ODPM, DTI, DfES, DEFRA, DCMS and British Trade International) and the Treasury.

DOME

31. *When do you expect the deal for the Dome site with Meridian Delta Ltd. will become unconditional?*

This is dependent on a number of factors, particularly continued progress of the planning application for the development, including detailed negotiations on associated legal agreements. The Mayor of London decided, on 18 June 2003, that he was not directing refusal of the application. The decision on whether or not the application is to be called in for a public inquiry is awaited. The deal is unlikely to become unconditional before the end of 2003.

32. *What is your latest estimate of the total cost to English Partnerships of maintaining the Millennium Dome?*

The latest estimate of the cost to English Partnerships of managing and maintaining the Dome is £5.0 million. This is for the period from 1 July 2001, when English Partnerships took on responsibility for the Dome, to the end of February 2003. Final figures for the period since February are subject to receipt of outstanding invoices.

HOUSING

33. *Why did the Rent Service fail to meet its two efficiency targets in 2001–02?*

The main reason was an unexpected reduction of 6% in caseload. The Rent Service has little control over caseload, as it is demand driven. Both spending and staffing levels were reduced, to reflect the lower demand, and this led to significantly improved efficiency by the final quarter of the year and throughout the following year.

The figures for actual performance against 2001–02 efficiency targets are shown in the following table:

<i>2001–02 Target</i>	<i>Actual Performance</i> %
To increase the number of cases determined per employee by a minimum of 5%	2.6
To reduce the cost per case by a minimum of 5% in real terms	2.7

SUPPLY OF AND DEMAND FOR HOUSING TARGET

34. *The housing supply and demand target includes the 60% target for development of brownfield land, which is below the rate given in your latest figures. Why have you set a target that can be with a drop in performance?*

The Government is pleased to see that the 60% target for building new housing on brownfield land is being exceeded. However, housing completions have been relatively low over the last few years. The number of dwellings on previously-developed land has remained stable, while the number on greenfield land has fallen. An increase in densities has also contributed to the proportion of dwellings on brownfield land. An increase in numbers of dwellings built, as promoted in the Sustainable Communities Plan, will make it harder to sustain the 60% level. The challenge is to at least maintain the proportion of residential brownfield development whilst providing more houses overall to meet the country's housing needs.

35. *Why did it take 10 months to come up with indicators to measure the balance of supply and demand for housing and why will it take a further five months to produce targets and timescales for these indicators?*

Ahead of final decisions on the Communities Plan, it was not possible to reach agreement on the indicators for measuring PSA5. This is why our Technical Note published in November 2002, reserved our position on PSA5. Although PSA5 relates to public concerns and is easily understood in broad terms, it is not possible to define a direct measure or indicator of "balance" in the housing market. Instead, we have decided to use a set of indicators to tell us what is happening in the market. In producing these, a trade-off had to be made between choosing indicators that are simple and easy to understand and those that really pick up what you are trying to measure.

For the same reasons we need to take time to define appropriate SDA targets and establish trajectories for their delivery. We need to identify the levers we have to achieve success, understand how these impact on the target and then set up appropriate monitoring regimes to track progress. Some of the indicators are,

by their nature, slow moving and we need to look at proxy indicators to tell us what effect our policies are having in good time to take corrective action. This is therefore, a substantial task, but we are on course to publish in October, as we are committed to do in our technical note.

36. *How will these eight indicators be presented to allow a clear assessment of how supply of and demand for housing is changing across the country?*

Once we have agreed our SDA targets, we will update and re-publish our Technical Note. In common with other departments, we would expect to publish information to demonstrate progress against targets in our autumn performance report, in our annual report and through the Treasury's web-based reporting against PSA targets.

37. *Housing markets can vary street-by-street, regional figures will mask great local variation, how can regional aggregates be said to show the balance between housing supply and demand?*

As we acknowledge in the answer to Q35, this is a complex area that includes issues of scale. This is why the actions we are taking to achieve a better balance in the housing market range from national initiatives, such as clarifying the planning framework, to sub-regional measures such as the pathfinder market renewal areas, which tackle particular housing markets. But it would not be practical, while keeping the number of indicators to a reasonable level, to present indicators at sub-regional level that could be easily understood and interpreted. However, our monitoring of trends in the headline indicators will be underpinned by a raft of data gathering to capture what is going on at regional level, in individual local authorities and within other area based initiatives. It will never be possible to eliminate all imbalance in the housing market, but our aim is to tackle the worst, in order to improve the general picture.

DECENT HOMES TARGET

38. *Will the definition of deprived areas used for the decent homes target be updated when new deprivation indices are produced? How will this affect monitoring of progress against the decent homes target?*

The Technical Note that accompanies PSA Target 7 gives the following definition of deprived areas:

“Deprived areas are defined for housing purposes as those included in the allocation of additional housing capital resources, of which 95 are classified as being in the most deprived areas using the Indices of Deprivation 2000 and 17 are covered by transitional arrangements”.

When the new deprivation indices are produced we would have a number of options for the continued monitoring of this element of the target:

- adopt the new definition for future monitoring and measure past performance against the new definition;
- continue with the existing definition for all future monitoring; and
- use both definitions to give the fullest picture of delivery against all of the deprived areas for the duration of the target.

No decisions have yet been taken.

39. *When does the Office plan to publish new deprivation indices? What account will these take of Census 2001 data?*

ODPM plans to publish the new deprivation indices in the coming Winter. Many of the indicators used in the indices are not based on the Census, but as set out in the Stage One consultation report we are proposing to use the Census to provide population variables, as well as some indicators on housing, health and education which is not possible to get from other sources.

HOMELESSNESS

40. *Will the Office continue to report rough sleeper counts in future annual reports? How much is being allocated over the rest of the spending review period to support this?*

The Office will continue to publish annual figures for the number of people sleeping rough in England for at least the remainder of the spending review period. This will enable the Office to demonstrate its achievements in sustaining the two-thirds reduction in rough sleeping achieved between 1998 and the end of 2001.

Estimates of the level of rough sleeping are produced and published each year on the basis of information provided by local authorities in their Housing Investment Programme statistical returns to the Office. These returns provide latest results of head counts of rough sleepers, conducted to an agreed methodology, or local

authority estimates where no recent count has taken place. Figures for 2002, featured in the Annual Report, were published in September 2002. Local authority statistical returns covering the level of rough sleeping in 2003 are due in by the end of July and should be analysed and published by the Autumn.

Over the spending review period, the Homelessness Directorate has a programme budget of £260 million. This is being allocated to local authorities, registered social landlords and other voluntary sector agencies for services that aim to sustain the reductions in rough sleeping, to end the use of B&B hotels for homeless families with children, except in emergencies, and to tackle and prevent wider homelessness problems more effectively. In 2003–04, funding for specific action on rough sleeping accounts for around £30 million out of a total Homelessness Directorate revenue funding budget of £70 million.

As the number of areas with significant rough sleeping and B&B problems declines over the period, the emphasis of funding will shift further into prevention to sustain the achievement of these targets and to achieve additional positive outcomes on homelessness. This shift coincides with the implementation of new local authority homelessness strategies, which are required under the Homelessness Act 2002 and should be in place in every local housing authority by the end of July 2003.

41. *Why isn't the target on Bed and Breakfast accommodation included within the Office's Public Service Agreement or Service Delivery Agreement?*

The Office has two clear public targets on homelessness, set out in "Sustainable Communities: building for the future". These are to achieve:

- a sustained reduction in rough sleeping, so that it remains at or below one third of 1998 levels; and
- an end to the use of B&B hotels for homeless families with children, except in emergencies, by March 2004.

Although not featured directly in the Office's Public Service Agreement, we see the achievement of both of these targets as relevant to the delivery of the Office's PSA Target 5 to achieve a better balance between housing availability and the demand for housing in all English regions. They are also relevant to PSA Target 1 on social inclusion.

We are considering including both the rough sleeping and B&B targets in the SDA for PSA Target 5.

42. *What is your definition of an "emergency" for the Bed and Breakfast accommodation target?*

In May 2003, the Office issued for consultation a set of proposals called "Improving Standards of Accommodation for Homeless Households Placed in Temporary Accommodation". This includes a proposal to make an order under section 210 of the Housing Act 1996, to come into force on 1 April 2004, giving statutory force to the B&B target by specifying circumstances in which accommodation is not to be regarded as suitable. A draft order within the consultation paper sets out the definitions that we intend should apply.

In summary, the draft order specifies B&B establishments as unsuitable as temporary accommodation for homeless families with children or where a member of the household is pregnant, except where the case is urgent and even then for no more than six weeks. The draft order defines "urgent" as where the applicant will become homeless within 21 days of his or her application. This may be read as the intended definition of an "emergency" for the purpose of this target.

PLANNING PERFORMANCE TARGET

43. *What is the current level of performance of local planning authorities in handling planning applications? How far away are they from the targets set out in the Service Delivery Agreement?*

There are three targets for local authorities' handling planning applications. They are that 60% of major residential, commercial and industrial applications are handled in 13 weeks; 65% of minor residential, commercial and industrial applications in eight weeks; and 80% of other applications (including all householder applications) in eight weeks. Performance in the last quarter of 2002–03 against these targets was 44%, 55%, and 73% respectively.

44. *How are Local Development Frameworks (LDFs) progressing?*

Carrying over the Bill to allow the inclusion of the additional provisions to be considered by the House of Commons means that commencement of Part 2 of the Bill will be slightly later than the original target of Spring 2004. Although commencement will not now be until June 2004, work is proceeding on providing guidance on how to prepare LDFs. Transitional advice on local plans has already been issued to local authorities. We will be publishing draft regulations and draft guidance for consultation in the autumn. This will include a new PPS 12 to replace PPG 12 on LDF preparation, a Guide to Procedures, a research report recommending changes to the guide "Making Plans" and draft guidance on formulating policies. Although

these documents cannot be finalised before the bill has received Royal Assent, publication of the drafts will allow authorities to prepare to implement the new system and ensure that there is no delays in work to secure sound up to date plans.

45. *Why are the planning performance targets subject to review in 2004? Is the outcome of this dependent on performance?*

The *ODPM casework target*, reflecting a commitment made in the Planning Green Paper, is to halve the time it takes to decide called in planning applications and recovered appeals, with 80% of cases being decided within 16 weeks of the close of an inquiry, by March 2004. During 2004 we aim to begin setting timetables for all cases, as proposed in the Planning and Compulsory Purchase Bill. We will want to review at that stage whether 80% and 16 weeks remain the right thresholds for all types of case.

No review of *local authority planning performance targets* will take place in 2004. ODPM reviews and consults on the Best Value regime annually, and we are exploring whether we can introduce quality measures of planning outcomes in 2004–05. The PSA6 requirement is to meet the current targets in 2006. We are looking at ways to provide incentives for authorities to exceed the targets where possible.

FIRE SAFETY

46. *What evidence do you have that the fire service is actually improving efficiency by 2% a year?*

In the Spending Reviews an annual efficiency assumption of 2% was built into the amounts allocated for the fire service. The monitoring and achievement of these efficiencies is being supported through the Best Value process.

Best Value authorities are required to set targets for improvement against performance indicators prescribed for the service. The fire suite of Best Value Performance Indicators (BVPI) covers key aspects of brigade performance.

The Fire Service has managed to maintain, and in some cases improve, its performance within resource constraints. For example, BVPI data for 2001–02 showed an overall improvement in the performance in meeting the national standards of fire cover during a period of increased activity for brigades in responding to incidents.

However, as the Independent Review of the Fire Service made clear and the Government has accepted, there is more to be done. Ministers set out our proposals to improve and modernise the Service in our White Paper.

47. *Progress on the majority of the fire service targets has been poor. Do you expect even worse performance when the figures start to include the periods covered by the dispute?*

The targets are challenging, but there is progress, though it is not as fast as we would have wished. In particular, although the latest figures on fire deaths show an increase, we are still on track to achieve the overall target and the overall trend over recent years has been downwards—the latest figure (331 in the 12 months to June 2002) represents a marked reduction compared with the levels of 430 seen in the early 1990s and 400 in 1997.

It is too early to predict the effect of the dispute on the suite of fire targets. The Government's priority during this time has been to ensure public safety (ie through public safety campaigns).

48. *Are you concerned by the reversal in the decline in deaths in accidental dwelling fires?*

The latest figures for the twelve month period to June 2002 (the latest period for which figures are available) are based on provisional data that is likely to be revised in the light of further information. They therefore need to be treated with caution. Nevertheless, we are naturally concerned that the number of deaths in accidental dwelling fires appears to have risen and we will be looking at the reasons for this. On the positive side our first three annual milestones (for 1999–2000, 2000–01 and 2001–02) have been met. There has also been a fall in the total number of accidental fires in the home and no change in resulting injuries. However it is too early to make an assessment from the latest figures as to whether we are on course to achieve the fourth milestone (for 2002–03). This includes assessing whether the rise in deaths in accidental dwelling fires in the provisional figures is a new trend emerging or a one-off increase in the figures.

49. *Where has the £118 million provision for the cost of providing emergency fire cover come from?*

The provision for the cost of providing contingency fire cover will reduce the amount carried forward into the current spending review period. The final amount will be determined in the light of information from MOD, police and fire authorities.

The Office will be aiming to balance its spending commitments within resources available.

50. *How is your programme to establish a long-term decontamination capability progressing? Has it been affected by the fire dispute? Will it be affected by poor relations with the FBU in the future?*

The employers' offer, accepted by the Fire Brigades Union on 12 June explicitly states that the fire service is responsible for "emergency preparedness coupled with the capacity and resilience to respond to major incidents of terrorism and other chemical, biological, radiological or nuclear threats."

We are making good progress in taking forward the New Dimension Programme, which represents a significant (£56 million) investment in a long term mass decontamination capability. The programme is now rolling out: delivery of the extra 4,400 gastight suits is under way; 21 interim vehicles and decontamination units (each capable of handling 200 people an hour) are deployed in accordance with an assessment risk; training is continuing both for fire fighters and fire service commanders. The full capability—77 purpose built vehicles and 190 decontamination units—is on course to be in place by 31 December 2003.

The process of specification testing and procurement of equipment and the planning and configuration of the operational aspects of the programme continued during the dispute. The start of training for fire fighters was managed so as to cause the least possible impact on the dispute; this is now proceeding to plan.

The new mass decontamination equipment, operating procedures and related risk assessments, have been the subject of detailed discussions with the fire service, including representatives of the workforce. As well as providing a more effective service to the public it offers better protection and an enhanced working environment for fire fighters.

51. *What is the annual cost of maintaining and operating the "Green Goddesses"?*

Normal operating and maintenance costs are £1.95 million per annum.

52. *Do you have any plans to replace the "Green Goddesses"?*

We shall be carrying out a full evaluation of the performance of the Green Goddess fleet during the recent industrial dispute in the Fire Service, and will consider what should be the future requirements.

53. *How have allegations of "financial irregularities" at the Fire Service College affected its operation and performance against targets?*

There were no financial losses identified as a result of the alleged irregularities. The allegations of financial irregularities at the Fire Service College were fully investigated and procedures have been improved and strengthened as a result. There was no measurable impact on its business and customer confidence as a direct result of the allegations and subsequent investigations.

The College did not meet its financial targets largely as a result of the effects of the fire dispute, since some courses had to be cancelled because its training appliances were in use by the military; but its remaining targets were met in full or in large part.

54. *What are your plans for the future of the Fire Service College?*

The Fire Service College is expected to play a key role in the modernisation of the fire and rescue service, which is spelled out in the White Paper. Its future has been reviewed by a Task Group comprising stakeholder representatives and ODPM officials, and their report is being published at the same time as the White Paper. This sets out a role for the College as a centre of excellence for the fire and rescue service.

55. *Your Service Delivery Agreement includes a reference to targets for the fire service, but no decisions have been made on what exactly to include. Why have no fire targets been set so far? Is this dependent upon an end to the fire dispute? When will these targets be set? Will you still report progress on previous targets in autumn performance reports and annual reports?*

The Government has a target of a 20% reduction in the number of accidental fire deaths in the home by March 2004, and a 30% reduction in the number of deliberate fires by March 2009. These targets were set following the Spending Review 2000 and the results reported in the ODPM Annual Report 2003. We were concerned that, whilst remaining challenging, the targets set are realistic and achievable. That is why following the Spending Review 2002 these targets have been reviewed. The failure to complete the review in time to include revised targets in the published Service Delivery Agreement was partly the result of the continued fire dispute. Revised targets are being announced in the Government's Fire White Paper, due shortly.

We will continue to follow the general ODPM practice in respect of progress reports on previous as well as current targets.

INFORMATION TECHNOLOGY

56. *How much has the Electronic Document and Records Management project cost to date? What is the projected total cost? Is it on target?*

The cost to ODPM of the EDRM project to date is £24,000 excluding internal staff costs. The planned cost of the prototype of EDRM in ODPM across financial years 2003–2004–5 is estimated to be £987,071. This is the ODPM share of what is a joint prototype EDRM project with DfT. A decision on full roll out is planned for May 2004 following completion of the prototype.

The projected total cost of rolling out full EDRM to ODPM is £8 million to be spread across financial years 2004–5 to 2006–7. The projected element falling to Government Offices £4.8 million (60%)

The project is on target, and ODPM was rated “Green” by The National Archive recently in terms of its preparations. A product has been selected (R/KYV from VALID) and a system integrator selected (British Telecom). The project passed through its Gateway 3 Review with an amber rating because, at that stage, the system integrator had still to be appointed.

FINANCIAL MANAGEMENT

57. *Why did planned spending on the Office’s central administration costs increase by 21% in 2002–03?*

Administration resource

In Table A2 of the annual report, the £31 million (12.5%) increase in expenditure on ODPM central administration costs reflects the estimate at that time of 2002–03 outturn. We expect actual outturn to be slightly less than this.

In part expenditure has increased because the Government Offices have taken work from other Government Departments such as the Home Office for the Crime Reduction Unit and for other Crime Initiatives and the Department for Education and Skills for the Sure Start and Connexions programmes. The Office also took on additional work on Emergency Fire Services.

We also increased the resources available for work on priority areas such Local Government Capacity Building and Local Government Performance (intervention in failing authorities).

58. *Do you expect your total underspend to increase or decrease in 2002–03?*

Early returns for ODPM programmes for 2002–03 suggest a reduction in underspending compared to 2001–02.

59. *Why were there underspends on housing and regeneration programmes in 2001–02?*

The reasons for the main housing underspends were as follows.

HOUSING

Housing Action Trusts (£29 million)—The recorded underspend on the HAT programme is the result of an over-generous resource allocation when figures previously in cash were converted to resource when resource budgeting was introduced. This issue was recognised and the excess resources were surrendered. This was a one off transaction and future budgets are not affected.

LSVT Pool (£55 million)—The spend for this programme was outside the then DTLR’s control. Expenditure depended on the rate at which transfers were made and on whether DWP chose to draw down the resources. In 2001–02 they chose not to draw down the resources.

This anomalous position of having a budget over which the Office had no control was recognised in SR2002 where the Treasury agreed that the budget should be transferred to DWP.

Starter Homes Initiative (SHI)(£44 million)—The announcement of Round 1 allocations took place in September 2001. It took time for schemes to be set up in local areas including agreeing priorities for assistance with key worker employers, and for key workers to complete the house purchase process. Safer communities supported housing (SCSH)(£14 million)—This was the first year of this ring-fenced budget. Spend was not as high as anticipated due to approvals being delayed and implementation of the schemes therefore taking longer.

REGENERATION

ERDF (£95 million)—The 2001–02 ERDF funds recorded as unspent are not lost to the programme. Due to late EC approval of the English Objective 2 programmes, English Regions have until the end of 2003 to spend their allocations for 2000 and 2001. Objective One Programmes met their ERDF 2002 targets. Regions will need to continue to meet annual spend targets until December 2008 for these programmes. Failure to meet these targets will lead to the immediate loss of any underspend.

Mainly because of the late start, spending on Objective Two programmes has been slow. Regions need to progress spend in order to reach target levels. ODPM officials are working with GOs to improve efficiency and spend performance. This includes identifying barriers to take up, fully engaging regional partners, disseminating best practice, ensuring adequate resources, and developing innovative use of ERDF.

RDAs (including LDA) (£150 million)—This was the first year of a new regime with DTI taking on the sponsorship of RDAs. This led to teething problems in the running of the programmes. Although some of the underspending was due to a higher than expected level of receipts the main reasons for the underspend was a misunderstanding by the RDAs in two areas. RDAs thought that

- they were not allowed to spend or pre-commit money until the estimates had been approved by Parliament—leading to expenditure being put off; and
- they would not be allowed to retain unspent EYF which had not been drawn down in supplementary estimates—leading to over optimistic forecasting by RDAs.

This misunderstanding has now been clarified and procedures are in place to ensure that (a) the Office receives up-to-date and accurate forecasts on RDA expenditure; and (b) the RDAs are aware of the expenditure they are incurring and can incur, including that in excess of their original allocation resulting from the previous year's underspend but having regard to the EYF capping arrangements for the programme.

EP (£87 million)—This was the first year that EP had underspent on such a large scale. This was due to a number of separate factors all coming together. EP was severely affected both by the consequences of 11 September 2001 (which impacted on the property market as a whole), and the announcement of a fundamental review into EP's future that caused investors and developers to be reluctant to commit themselves.

Other specific factors included:

- slippage (to 2002–03) of the wind up of the New Towns Pension Fund which required a substantial payment by EP in respect of pension liabilities (£32 million);
- delayed expenditure in some of the former new towns as a result of the Greenfield Planning Direction 2000 (£16 million);
- unexpected delays in obtaining European and other approval for the launch of the English Cities Fund (£5 million).

EP's new Chairman, Margaret Ford, took up her appointment on 1 April 2002. One of her immediate priorities was trying to ensure EP delivered its full programme in 2002–03 and beyond.

A key focus has been on improving project management skills amongst appropriate staff and enhancing project execution plans. A new head of project management was appointed to oversee these changes. This has been supported by upgraded IT systems which enabled more comprehensive and timely financial and management information to be presented to the Board.

These are of course ongoing efforts and we are confident that David Higgins, the new Chief Executive, will ensure that the progress is maintained in delivering the new agenda.

60. *Last year the Committee was told about improvements in financial training in the Office. How many more staff have now obtained financial qualifications? How is the introduction of resource management passports progressing?*

The Office continues to offer encouragement to staff at all levels to gain financial qualifications, but because these qualifications can take a number of years to achieve the numbers of qualified staff inevitably rise fairly slowly. To date some 54 have qualified in total whilst 19 are currently in training. These figures break down as follows:

CCAB Accountants: six (plus six in Finance Accounting Services and one fully qualified and three part-qualified in Internal Audit Services).

ACCA Diploma in Financial Management: 13 (with a further course due to commence in September).

AAT Education & Training Scheme and Diploma in Government Finance: 28 plus 16 in training.

RESOURCE MANAGEMENT PASSPORT

The Resource Management Passport (which was re-launched as the Finance Training Guide on 1 April 2003) covers the full range of financial training available from both internal and external suppliers, from formal qualifications through to 1-2-1 at desk training. So in addition to the number of formally qualified staff above we can add for example:

Over 2300 attendees on courses for the new accounting system last financial year (this includes DfT as separate figures are not available). Although the training has been targeted at specific financial roles, where appropriate, the basics of resource accounting have also been included. We estimate that over 500 Office staff will have received this introduction to the differences between cash and accruals training.

Also, 130 people have attended Better Budgeting Management workshops with further training and seminars to be arranged for Programme Budget Managers this autumn.

FINANCE SUPPORT TEAM

A Finance Support Team has been established within the Budget and Data Management Division to provide hands-on support to finance staff in the line. The team consists of six experienced finance advisors who specialise in particular programmes and help staff in those programmes to enter forecasts and transactions into SAP, to prepare and enter monthly accrual journals and to prepare reports. Their emphasis is on teaching local finance staff how to comply with their obligations and how to understand the concepts and practices of resource accounting.