



House of Commons

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

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# ODPM Annual Report and Accounts 2005

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**First Report of Session 2005–06**

*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.

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Sir Paul Beresford MP (*Conservative, Mole Valley*)

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Mr Jim Cunningham MP (*Labour, Coventry South*)

Mr Mark Lancaster MP (*Conservative, North East Milton Keynes*)

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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](http://www.parliament.uk).

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### Committee staff

The current staff of the Committee are Elizabeth Hunt (Joint Committee Clerk), Jessica Mulley (Joint Committee Clerk), Charlotte Littleboy (Second Clerk), Ben Kochan (Committee Specialist), Ian Hook (Committee Assistant), Ian Blair (Chief Office Clerk), Emma Carey (Secretary) and Laura Kibby (Select Committee Media Officer).

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## Summary

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We have considered the Annual Report and Accounts of the Office of the Deputy Prime Minister for 2005, which sets out the Department's strategic priorities, its performance against targets in the financial year 2004-05 and its expenditure for the same period.

While welcome improvements have been made to the format and structure of the Annual Report, further efforts are required to enable the reader to link the ODPM's resource allocations to its objectives. The way in which efficiency savings were reported made double counting possible: we found one instance where this had occurred. In future there must be no double counting at all. We have criticised the Department for presenting its achievements in an unduly favourable light.

Local government efficiency savings will play an important part in achievement of the ODPM's efficiency target. We found the scrutiny process for local authority efficiency statements to be unsatisfactory and we are concerned that authorities under pressure will be tempted to reduce services rather than striving for ever greater efficiency.

The ODPM is uniquely dependent upon other Government Departments to support delivery of much of its agenda. This is particularly the case in relation to the sustainable communities plan. We remain to be convinced that the ODPM has adequate mechanisms in place to ensure other Departments will enable achievement of its objectives.

The Department has recently published the results of a staff survey and a stakeholder review. These show some signs of the Department's progress in managing and communicating with its staff and stakeholders since its establishment in 2002. However, they also reveal areas where change is needed, particularly in relation to senior leadership and tackling unfair treatment and discrimination. We intend to examine these matters further in twelve months' time.



## Introduction

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1. The Annual Report and Accounts of the Office of the Deputy Prime Minister for 2005 sets out the Department's strategic priorities, its performance against targets in the financial year 2004-05 and its expenditure for the same period. It is the third such report produced by the Department since it was established in 2002.
2. The scrutiny of departmental expenditure, and performance against targets, has been identified by the Liaison Committee as best practice for select committees. We have accordingly made it a priority, taking it as our first inquiry of the new Parliament.
3. The Liaison Committee has also recommended the scrutiny of major public appointments. Following the appointment of Mr Peter Housden as the new Permanent Secretary to the ODPM in October 2005, we conducted an introductory hearing in which we questioned him about his strategic priorities for delivery of the Government's agenda and management of his staff. Although that hearing was not formally part of this inquiry, many of the issues we discussed with Mr Housden arose from our earlier examination of witnesses in relation to the Departmental Annual Report. We have therefore chosen to include our comments on the introductory hearing in this report.
4. We took oral evidence formally in connection with the inquiry on two occasions. On the first occasion we heard from: Mr Neil Kinghan, Director-General, Local Government and Fire Group; Mr Richard McCarthy, Director-General, Sustainable Communities Group; Mr Rob Smith, Director-General, Regional Development Group; and Mr Peter Unwin, Director-General, Corporate Strategy and Resources Group at the ODPM. At our second evidence session we took evidence from Rt Hon. David Miliband MP, Minister of Communities and Local Government; Yvette Cooper MP, Minister for Housing and Planning; Mr Phil Woolas MP, Minister for Local Government; and Jim Fitzpatrick MP, Parliamentary Under-Secretary of State.
5. We had hoped to meet the Deputy Prime Minister, Rt Hon. John Prescott MP, as part of this process but he was unable to accept our invitation. We understand that this was in part because of the extra burdens imposed by the UK's EU Presidency.<sup>1</sup> Mr Miliband assured us that he and Mr Prescott took joint responsibility for all aspects of the Department's business.<sup>2</sup> Nonetheless, we consider that there would have been additional benefit in hearing the Deputy Prime Minister's perspective on some of the important concerns we discussed with the Ministerial team. **We welcome the commitment to Parliamentary scrutiny demonstrated by the Department's Ministers and senior officials, but we regret Mr Prescott's absence from our inquiry.** While we recognise that the UK Presidency of the EU has created an unusual burden on the Deputy Prime Minister, and for this reason we agreed to delay his appearance before the Committee until early in 2006, **we believe that the most senior Minister in a Department should make himself available to a parliamentary select committee when his presence is sought.** We look forward to meeting Mr Prescott on 7 February.

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<sup>1</sup> Q130

<sup>2</sup> Q128

## The Department and the Committee

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6. While we were pleased at the very positive response from Ministers and officials in terms of their attendance at Committee hearings, we were on occasion disappointed with the quality of the responses we received when we requested specific information. This was particularly in relation to our questions on the postponement of the report of the Lyons Review of local government funding, and on the cost of housing-related infrastructure. It appeared to us in these cases that there was a reluctance to disclose information.<sup>3</sup> When we drew this to the attention of the new Permanent Secretary, **Mr Housden agreed that the Department should respond to the Committee's requests for information fully, swiftly, and in a form which meets the Committee's needs.**<sup>4</sup> We welcome this assurance that in future the Department will engage positively with the process of scrutiny.

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<sup>3</sup> See QQ38-41, 76-77; also QQ151-152, 176-184

<sup>4</sup> HC 680 (2005-06), Q7

## Format of the Annual Report

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7. Last year we recommended that the Department's Annual Report be restructured, in order to demonstrate progress against each of the Department's Public Service Agreement (PSA) targets more clearly.<sup>5</sup> We were therefore pleased to see that the Department's report for 2005 included a detailed Annex setting out each of these targets, formal performance indicators and milestones towards their achievement, and reports on the Department's progress.<sup>6</sup> **We welcome the changes made to the structure of this year's Report, which have made it more accessible.**

### *Linking Public Service Agreements to spending*

8. Nonetheless, we still struggled to link specific programmes and spending to the relevant PSAs: we therefore asked the Department to provide us with a single table linking the PSAs to the activities supporting each PSA, the resources allocated to the programmes and the targets against which progress would be measured. The Department's response pointed us to the Departmental Report for the PSAs and priorities, and the 2005-06 Business Plan for milestones and targets. It told us further that:

“Within the context of the Office's high-level objective of creating sustainable communities we regularly assess our priorities and targets to meet shifting challenges and evidence of the impact of our policies. This is particularly relevant in the period running up to spending reviews, where departments undertake a fundamental assessment of the investment they have made”.<sup>7</sup>

9. We recognise that it is difficult for the Department to provide an accurate picture of its resource allocations in the level of detail we sought, when these allocations are frequently subject to change. Nonetheless it is important for the process of scrutiny that this be done. **It is essential that readers of the Department's report should be able to determine whether the Department's resource allocations properly support its objectives and represent value for money. The current report does not allow readers to do this. We urge the Department to look further at ways in which it can clarify the links between its detailed spending plans and its Public Service Agreements in future annual reports.**

### *Resource management*

10. We must sound a note of caution over the Department's resource management. Through our efforts to secure further information about the real nature and extent of the Department's efficiency plans, we were able to establish that there is overlap between two reported efficiency targets. Some programmes are counted against both. Mr Peter Unwin, the Director General of the Corporate Strategy and Resources Group, told us that the figures concerned “were given to us as formal numbers which came out of the Spending

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<sup>5</sup> ODPM: Housing, Planning, Local Government and the Regions Committee, Fourth Report of Session 2004-05, *ODPM Annual Report and Accounts 2004*, HC 58 paragraph 10

<sup>6</sup> Annex A: Work streams by strategic priority, ODPM, *Annual Report 2005*, Cm 6526, June 2005, pp59 - 115

<sup>7</sup> Ev 32

Review and are both targets we have to report to, so we need to report to both, but I accept that we could make clearer in the presentation that there is overlap between them”.<sup>8</sup> Whatever its cause, **double-counting is unacceptable and the Department must ensure there is absolute clarity about its resource management in future reports.**

11. We asked the Department two questions arising from the Resource Accounts for 2004-05: a financial irregularity, and a failure to pay National Non-Domestic Rates collected from local authorities into the Consolidated Fund, as required, by the end of the financial year. Its memorandum will be published in due course. In both cases the Department has informed us that new procedures have been put in place to ensure such incidents do not happen again. We shall review the effectiveness of these procedures when we return to this subject next year.

### **Technical presentation**

12. In presentational terms there remain a few minor problems with the Department’s report. For example:

- While a list of abbreviations is helpfully provided, certain assumptions are made about the technical understanding of the reader: for example, the phrase ‘floor target’ is only defined, in passing, on page 72 of the report and is a term easily confused with references to ‘floors’ or ‘ceilings’ in connection with the local government financial settlement;
- A pie chart illustrating departmental expenditure “on ODPM’s seven PSA targets” fails to explain that one PSA target is not shown because nothing has been spent on it by ODPM;<sup>9</sup> and
- A table showing administration costs for the Department’s larger non-departmental public bodies (NDPBs) mistakenly lists figures as thousands, instead of millions, of pounds.<sup>10</sup>

**We recommend that future reports contain a short glossary of technical terms. The Department should take particular care in proof-reading financial tables and charts.**

13. There is a separate issue about the way in which the Department chooses to present its progress in delivering its outcomes. We detected a tendency to show progress in an unjustifiably favourable light, most obviously in reporting efficiency gains where programmes totalling £150,000 savings per year were highlighted as “noticeable” progress towards a target of £620 million by 2007-08.<sup>11</sup> Similarly Mr Housden, on being asked what the ODPM’s key weaknesses were, told us that “it has been a hugely successful department

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<sup>8</sup> QQ4-5

<sup>9</sup> *Annual Report 2005* Cm 6526 p40. See also Ev 42

<sup>10</sup> *Annual Report 2005* Cm 6526 p127. See also Ev 42

<sup>11</sup> *Annual Report 2005* Cm 6526 p45

in every area of its work”.<sup>12</sup> It is early in the three-year-old Department’s development to present such an unqualified assessment.

**14. We are pleased that this year’s Annual Report sets out both successes and problems in programme delivery so that they can be understood. We criticise the Department for an unjustifiably favourable presentation of its achievements, which is counter-productive.**

### **Aims, targets and the core narrative**

15. We also note that readers of the report have to grapple with the Department’s aims, Strategic Priorities, and Public Service Agreements which were set in 2002 and “updated and added to” in 2004.<sup>13</sup> The different levels of targets and their inter-relationships can be difficult to understand.

16. The Department made available to us a document called the “core narrative”, which is the first outcome of an internal review looking towards the Comprehensive Spending Review in 2007.<sup>14</sup> The core narrative aims to set out clearly what the work of the Department is for. This lists:

- Three core values;
- Five key drivers; and
- Eleven key priorities (consisting of high-level goals, critical projects and cross-government priorities).

17. Mr Miliband told us that the purpose of the core narrative was to give “a focus to departmental activity”; specifically, he hoped that “when [the ODPM’s staff] come to work in the morning they are involved in a project that has clear links to that overall goal” of a sustainable community.<sup>15</sup> The recent staff survey (which is discussed in greater detail in paragraphs 35-44 below) reported that only 59 per cent of ODPM staff understood how their work contributed to ODPM’s five-year plans. This compares to a central government benchmark of 80 per cent. While we hope staff will find the core narrative helpful, we are unconvinced.

18. When we spoke to Mr Housden he told us that “clear, consistent, simple messages are a very important lesson for all of us engaged in government”.<sup>16</sup> **We agree with Mr Housden that the Department should ensure transparency and simplicity in its communications, both internally and externally. We look forward to a clear demonstration of the greater effectiveness of the Department’s communications in its next Annual Report.**

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<sup>12</sup> HC 680 (2005-06), Q2

<sup>13</sup> *Annual Report 2005* Cm 6526 p17

<sup>14</sup> QQ14-16

<sup>15</sup> Q131

<sup>16</sup> HC 680 (2005-06), Q1

# Delivery

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## Local government

19. The 2004 Government Spending Review tasked all local authorities to achieve annual efficiency improvements of 2.5 per cent. This was an increase of 0.5 per cent on the target set in 2002 and should lead to overall savings of £6.45 billion by 2007-08. At least 50 per cent of these savings should be available for reallocation by Councils either to support services or relieve pressure on Council Tax.<sup>17</sup>

20. We asked the Department to tell us how local authorities were achieving these savings, first in cash terms and secondly as a percentage of service budgets. We were told that the biggest gains were expected in cross-cutting corporate services and in adult social services (£307.1 million and £289.6 million in this financial year respectively).<sup>18</sup> The sectors facing the largest percentage reductions in funding were environmental and homelessness services (reductions of 5.4 per cent and 4.4 per cent respectively).<sup>19</sup>

21. Although we have been repeatedly reassured that efficiency savings are to be achieved without an impact on delivery, we are concerned about the potential impact of savings in the areas of adult social services and homelessness. *The Times* on 1 December reported comments by the Chief Inspector of Social Services, David Behan, about the potential impact of future efficiency savings on social services departments, stating that “only 65,000 of the 900,000 adults who provide more than 50 hours unpaid care are receiving the support, such as respite breaks, to which they are entitled and which [they] most desperately need...the ‘thresholds’ that individuals had to cross to become eligible for help from social services departments were continually being raised by local authorities as a way of controlling spending”.<sup>20</sup> In these circumstances we question the scope for further efficiency savings without a consequent, negative, impact on delivery. Mr Neil Kinghan, the Director-General for local government within the ODPM, agreed that adult social care was an area where it is “difficult” to make efficiency gains.<sup>21</sup>

22. Homelessness is an area where the Department is also looking to make savings centrally, to total £125 million by 2007-08. It defended these plans, stating that:

“National statistics confirm there have been sustained reductions in new cases of homelessness since the start of 2004 and show no further increase in the number of households in temporary accommodation since September 2004”.<sup>22</sup>

Such reductions in cases of homelessness are of course very welcome, but we would caution that sufficient contingency should be maintained in case the current downwards trends reverse.

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<sup>17</sup> HC Deb, 17 November 2005, c1140W

<sup>18</sup> Ev 35

<sup>19</sup> Ev 47-48

<sup>20</sup> *Social services cannot cope with demand, says inspector*, *The Times*, 1 December 2005

<sup>21</sup> Q37

<sup>22</sup> Ev 52

## Scrutiny

23. Our concern in both cases is compounded by a degree of complacency we identified in relation to the scrutiny of local authority efficiency savings. We were initially told that local authority chief executives were required to produce an accredited estimate of their savings to date and their plans for further efficiency gains. These estimates were submitted to the Audit Commission as part of local authority efficiency statements: "...there is no question", we were told, "that they can get away with things which are not really efficiency gains".<sup>23</sup>

24. When we probed further we were told that:

"The auditors appointed by the Audit Commission carry out an annual 'use of resources' assessment covering 5 broad areas of financial management...which will include a review of the Backward Looking Annual Efficiency Statements..."

This work does not constitute a formal audit of the figures in the Annual Efficiency Statements. Such work would be costly and add significantly to the burden of regulation and would therefore be counter to the purpose of the efficiency agenda".<sup>24</sup>

**25. The £6.45 billion saving required of local authorities is hugely significant to the Department in reaching its efficiency targets—as well as being a major challenge for local authorities themselves. We are not satisfied with the audit process as it was finally set out for us. If the scrutiny process and the support for local authorities are inadequate, authorities under pressure may ultimately be tempted either to reduce services rather than striving for ever greater improvements in efficiency, or to label changes in internal priorities as efficiency savings when they are nothing of the kind.**

**26. The Department should investigate the recent reports that thresholds to access adult social services are being raised, and develop plans to work more closely with local authorities and the Audit Commission to ensure that efficiency savings are genuine and that the term "efficiency savings" is not being used to camouflage service cuts.**

## Sustainable communities

27. One of the key messages communicated through the Annual Report 2005 is that the ODPM is uniquely dependent on the action of other Government departments to achieve its goals. This is particularly the case with regard to the delivery of its sustainable communities agenda.

28. Mr Miliband told us that the idea of a sustainable community is "the defining idea of the Department".<sup>25</sup> Mr Housden described the sustainable communities concept as "a very powerful blender...of disparate policy areas" which brought the Department into important relationships with the Department for Environment, Food and Rural Affairs (DEFRA), the Department for Transport and the Department of Health.<sup>26</sup> Other

<sup>23</sup> Q37

<sup>24</sup> Ev 48

<sup>25</sup> Q131

<sup>26</sup> HC 680 (2005-06), Q2; Q11

departments which are involved to a lesser degree in the promotion of the sustainable communities agenda include the Home Office, the Department for Education and Skills and the Department for Work and Pensions.

29. In these circumstances we thought it important to explore how ODPM sought to influence other Government Departments, and to persuade them to share its priorities. Our experience as Members of Parliament tells us that senior figures in Government can have significantly misconceived ideas about the effectiveness of co-operation between Departments. Mr Housden, who joined ODPM as Permanent Secretary from a senior position within the Department for Education and Skills (DfES), chose the Education White Paper as an “overwhelmingly...good” example of collaboration between ODPM and DfES in spite of our pointing out to him that the White Paper disregards the role of schools as learning resource centres for the wider community—a role which is highly important in the sustainable communities agenda.<sup>27</sup>

30. Mr Miliband was closer to the truth when he said that: “the revealed preference of government is not to be the most perfectly joined-up organisation in world history”.<sup>28</sup> Yet he, too, was anxious to present a positive image of ODPM’s authority in Whitehall, telling us that he sensed “a real urgency on the part of other departments to take this [sustainable communities] seriously”. As evidence, he cited inter-departmental co-operation on development of the Thames Gateway. Yvette Cooper MP, Minister for Planning and Housing, similarly told us that “everybody is working together” on the flagship Thames Gateway project.<sup>29</sup>

31. We were disappointed at the Ministers’ reliance on this single example as evidence of their success in working through other Departments. While the Thames Gateway is a flagship project, it is also a highly complex one and is still in its early stages. It may not ultimately be the success the Department hopes. Ministers will need to take effective action to maintain the pressure on other Departments through the years it will take to realise these goals.

32. Mr Housden told us that each member of the ODPM leadership team had responsibility for engagement with a specified Government Department. He believed that the key to effective delivery through third parties was to commence dialogue at an early stage, “to understand where they are coming from”.<sup>30</sup> It was also important to have “good, clear arguments that we can back up with evidence as to why a particular course of action works”.<sup>31</sup> He did not give us any convincing example of where this was happening.

33. In 2005 the ODPM commissioned both a staff survey (discussed in paragraphs 35-44 below) and a review of perceptions by its external stakeholders. One of the most significant findings of the stakeholder review was a perception that the ODPM’s agenda was poorly connected to the rest of Government (43 per cent), and a scepticism about the ODPM’s

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<sup>27</sup> HC680 (2005-06), QQ11, 24-30

<sup>28</sup> Q175

<sup>29</sup> Q171

<sup>30</sup> HC680 (2005-06), Q12

<sup>31</sup> HC680 (2005-06), Q12

ability to achieve its objectives. While staff within the organisation report that they increasingly understand what the Department stands for, there is clearly a need for the ODPM to work harder at communicating its vision outside its own walls.<sup>32</sup>

**34. We recognise that the sustainable communities agenda sets a significant challenge for the ODPM, in achieving its objectives through the agency of other Departments. Ministers, senior officials and other staff throughout the Department are enthusiastic about this challenge. Nonetheless, like other external stakeholders we remain to be convinced that the Department will be able to ensure the co-ordinated Government action needed to meet its goals.**

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<sup>32</sup> Ev not printed

## Staff management

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### Conclusions of the ODPM staff survey 2005

35. The results of the ODPM staff survey for 2005 were published on 14 November 2005. The response rate to the survey was 72 per cent: this was higher than average for central government organisations, and a significant improvement on the response rate for the last survey in 2003.<sup>33</sup> **We welcome ODPM's commitment to consulting its personnel on their experience of work and we congratulate it on its success in encouraging participation in the 2005 staff survey.**

### Leadership

36. Detailed responses from the survey suggest the following:

- 54 per cent of staff think that the Department does a good job of keeping them informed about matters affecting them;
- over 50 per cent of staff believe that Divisional Managers and Directors are sufficiently accessible, provide effective leadership and are open and honest;
- more than 70 per cent think their line manager recognises and acknowledges when they have done a good job; and
- the number of staff who think their line manager has good management skills has increased by 2 per cent since 2003 (to 63 per cent).

The last two of these outcomes, at least, are welcome.

37. While staff have positive relationships with their immediate managers, there appears to be a leadership deficit at Board level:

- Only 22 per cent of staff believed that the Board had been sufficiently visible in ODPM over the last 12 months;
- Only 20 per cent believed the Board had provided effective leadership; and
- Only 20 per cent believed the Board had been open and honest in communication with staff. This figure is 20 per cent less than the benchmark for comparable central government surveys.

The report of the survey, by ORC International, noted that while few respondents were positive about their experience of leadership, many more were neutral. This, the writers suggested, “indicates that staff may just not have had enough access to all Board members to be able to respond one way or the other”.<sup>34</sup>

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<sup>33</sup> The average response rate for central government organisations is 64 per cent. Fifty four per cent responded to the ODPM staff survey in 2003.

<sup>34</sup> Ev not printed

38. We recognise that the Board has been in transition in the past few months as a consequence of Dame Mavis McDonald's departure from the post of Permanent Secretary and the arrival of Peter Housden. Nonetheless, **it is essential that those at the top of the organisation are visible and actively communicating to staff the importance of delivering the Department's goals.** The appointment of a new Permanent Secretary provides an opportunity for change and we believe that Mr Housden recognises the need to improve the availability and responsiveness of the Board to staff.<sup>35</sup> We are also aware that, from the start of his tenure, he has made efforts to meet and talk to staff within the Department and the Government Offices for the Regions. **We note Mr Housden's efforts to open a dialogue with ODPM staff, but we believe it will take time to see whether staff themselves perceive a wider, genuine and lasting change in the Department's senior leadership.** We shall therefore return to this subject in future annual reviews.

### ***Bullying and discrimination***

39. We were particularly concerned that 10 per cent of staff felt they had been bullied in the past year, 8 per cent had experienced discrimination and 6 per cent reported harassment. Twenty-two per cent of staff had witnessed occurrences of unfair treatment, and a larger proportion of Black or Black British staff (14 per cent) had experienced discrimination than other staff. The survey also reported that disabled respondents were more likely to have experienced discrimination at work, or to have witnessed unfair treatment.<sup>36</sup>

40. Mr Housden acknowledged that these were issues of "real concern" and that "the organisation has to be clear...that behaviour that is construed as bullying or intimidatory is just not acceptable".<sup>37</sup> He pointed to the role of disciplinary procedures to enforce this policy.

41. The survey, however, also highlights that a third of staff do not know how to report unfair treatment. **The Department should take steps immediately to reinforce the message that bullying and intimidation is unacceptable. It should ensure that all staff are aware of the procedures for reporting unfair treatment and that all staff are confident such reports will be taken seriously.**

### ***Job security and morale***

42. During our discussion with senior staff about efficiency savings we inevitably touched on the role of redundancies—or head count reductions—in reducing costs. The Department's target is to reduce its staff by 400, and we were told that it had drawn together proposals from its offices and associated bodies which could deliver a reduction of about 700 posts.<sup>38</sup> These reductions would be made without reducing outputs; otherwise, Mr Unwin argued, they would be a cut rather than a saving.<sup>39</sup>

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<sup>35</sup> HC 680 (2005-6), Q3

<sup>36</sup> Ev not printed

<sup>37</sup> HC 680 (2005-06), Q62

<sup>38</sup> Q25

<sup>39</sup> Q26

43. In this context we note that the number of respondents to the staff survey who felt they had good job security dropped by 30 per cent, from 82 per cent in 2003 to 52 per cent in 2005. Mr Housden suggested that insecurity was “particularly pronounced” in the area of business services, where efficiencies were being sought through joint operations with other departments.<sup>40</sup> Our concern is that, wherever job insecurity is felt, there will be a consequential impact on staff effectiveness and thus on delivery. Unless staff morale is tackled as an issue the Department may find that, while it is theoretically possible to maintain and improve its output with fewer staff, such improvements are hard to realise. **Staff rationalisation should be managed in a way that does not diminish Departmental effectiveness. Service delivery must not suffer.**

44. **The Department has made a start in listening to its staff and identifying their concerns. The challenge facing Mr Housden and the Board is to find practical ways of delivering internal change, in particular in the areas of senior leadership, tackling unfair treatment, addressing poor performance and maintaining morale. As Mr Housden noted, the buck stops with him: we intend to return to these matters in twelve months time to review his progress.**

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<sup>40</sup> HC 680 (2005-06), Q61

# Conclusions and Recommendations

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## Introduction

1. We welcome the commitment to Parliamentary scrutiny demonstrated by the Department's Ministers and senior officials, but we regret Mr Prescott's absence from our inquiry. (Paragraph 5)
2. We believe that the most senior Minister in a Department should make himself available to a parliamentary select committee when his presence is sought. (Paragraph 5)

## The Department and the Committee

3. Mr Housden agreed that the Department should respond to the Committee's requests for information fully, swiftly, and in a form which meets the Committee's needs. We welcome this assurance that in the future the Department will engage positively with the process of scrutiny. (Paragraph 6)

## Format of the Annual Report

4. We welcome the changes made to the structure of this year's Report, which have made it more accessible. (Paragraph 7)
5. It is essential that readers of the Department's report should be able to determine whether the Department's resource allocations properly support its objectives and represent value for money. The current report does not allow readers to do this. We urge the Department to look further at ways in which it can clarify the links between its detailed spending plans and its Public Service Agreements in future annual reports. (Paragraph 9)
6. Double-counting is unacceptable and the Department must ensure there is absolute clarity about its resource management in future reports. (Paragraph 10)
7. We recommend that future reports contain a short glossary of technical terms. The Department should take particular care in proof-reading financial tables and charts. (Paragraph 12)
8. We are pleased that this year's Annual Report sets out both successes and problems in programme delivery so that they can be understood. We criticise the Department for an unjustifiably favourable presentation of its achievements, which is counter-productive. (Paragraph 14)
9. We agree with Mr Housden that the Department should ensure transparency and simplicity in its communications, both internally and externally. We look forward to a clear demonstration of the greater effectiveness of the Department's communications in its next Annual Report. (Paragraph 18)

## Delivery

10. The £6.45 billion saving required of local authorities is hugely significant to the Department in reaching its efficiency targets—as well as being a major challenge for local authorities themselves. We are not satisfied with the audit process as it was finally set out for us. If the scrutiny process and the support for local authorities are inadequate, authorities under pressure may ultimately be tempted either to reduce services rather than striving for ever greater improvements in efficiency, or to label changes in internal priorities as efficiency savings when they are nothing of the kind. (Paragraph 25)
11. The Department should investigate the recent reports that thresholds to access adult social services are being raised, and develop plans to work more closely with local authorities and the Audit Commission to ensure that efficiency savings are genuine and that the term “efficiency savings” is not being used to camouflage service cuts. (Paragraph 26)

## Sustainable Communities

12. We recognise that the sustainable communities agenda sets a significant challenge for the ODPM, in achieving its objectives through the agency of other Departments. Ministers, senior officials and other staff throughout the Department are enthusiastic about this challenge. Nonetheless, like other external stakeholders we remain to be convinced that the Department will be able to ensure the co-ordinated Government action needed to meet its goals. (Paragraph 34)

## Staff management

13. We welcome ODPM’s commitment to consulting its personnel on their experience of work and we congratulate it on its success in encouraging participation in the 2005 staff survey. (Paragraph 35)
14. It is essential that those at the top of the organisation are visible and actively communicating to staff the importance of delivering the Department’s goals. (Paragraph 38)
15. We note Mr Housden’s efforts to open a dialogue with ODPM staff, but we believe it will take time to see whether staff themselves perceive a wider, genuine and lasting change in the Department’s senior leadership. (Paragraph 38)
16. The Department should take steps immediately to reinforce the message that bullying and intimidation is unacceptable. It should ensure that all staff are aware of the procedures for reporting unfair treatment and that all staff are confident such reports will be taken seriously. (Paragraph 41)
17. Staff rationalisation should be managed in a way that does not diminish Departmental effectiveness. Service delivery must not suffer. (Paragraph 43)
18. The Department has made a start in listening to its staff and identifying their concerns. The challenge facing Mr Housden and the Board is to find practical ways

of delivering internal change, in particular in the areas of senior leadership, tackling unfair treatment, addressing poor performance and maintaining morale. As Mr Housden noted, the buck stops with him: we intend to return to these matters in twelve months time to review his progress. (Paragraph 44)

## Witnesses

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### Monday 17 October 2005

Page

**Mr Neil Kinghan**, Director General - Local Government and Fire Group, **Mr Richard McCarthy**, Director General - Sustainable Communities Group, **Mr Rob Smith**, Director General - Regional Development Group, and **Mr Peter Unwin**, Director General - Corporate Strategy and Resources Group, Office of the Deputy Prime Minister

Ev 1

### Tuesday 25 October 2005

**Rt Hon. David Miliband**, a Member of the House, Minister of Communities and Local Government, **Mr Phil Woolas**, a Member of the House, Minister for Local Government, **Yvette Cooper**, a Member of the House, Minister for Housing and Planning, and **Jim Fitzpatrick**, a Member of the House, Parliamentary Under-Secretary, Office of the Deputy Prime Minister

Ev 17

## List of written evidence

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# Formal Minutes

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**Tuesday 17 January 2006**

Members present:

Dr Phyllis Starkey, in the Chair

Sir Paul Beresford  
Mr Clive Betts  
Lyn Brown  
John Cummings  
Mr Greg Hands

Anne Main  
Mr Bill Olnier  
Dr John Pugh  
Alison Seabeck

The Committee deliberated.

Draft Report (*ODPM Annual Report and Accounts 2005*), 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 10 read and agreed to.

Paragraph 11 read, amended and agreed to.

Paragraphs 12 to 17 read and agreed to.

Paragraphs 18 and 19 read, amended and agreed to.

Paragraphs 20 to 44 read and agreed to.

Summary read, amended and agreed to.

*Resolved*, That the Report be the First Report of the Committee to the House.

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

Several papers were ordered to be appended to the Minutes of Evidence.

*Ordered*, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House. – (The Chairman)

[Adjourned till Monday 30 January at twenty past Four o'clock.]

## Reports from the ODPM Committee since 2004

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The following reports have been produced by the Committee since 2004. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

### Session 2005-06

First Special Report	Government Response to the Committee's Fourth Report of Session 2004-05, on the ODPM Annual Report and Accounts 2004	HC 407
Second Special Report	Government Response to the Committee's Eleventh Report of Session 2004-05, on the Role and Effectiveness of The Local Government Ombudsmen for England	HC 605

### Session 2004-05

First Report	The Draft Regional Assemblies Bill	HC 62-1 ( <i>HC 459</i> )
Second Report	Annual Report to the Liaison Committee	HC 149
Third Report	Homelessness	HC 61-1 ( <i>CM 6490</i> )
Fourth Report	ODPM Annual Report and Accounts	HC 58 ( <i>HC 407</i> )
Fifth Report	The Role and Effectiveness of CAGE	HC 59 ( <i>CM 6509</i> )
Sixth Report	Electoral Registration (Joint inquiry with the Constitutional Affairs Committee, First Joint Report of Session 2004-05)	HC 243-1 ( <i>CM 6647</i> )
Seventh Report	The Role and Effectiveness of the Standards Board for England	HC 60-1
Eighth Report	Empty Homes and Low-demand Pathfinders	HC 295-1 ( <i>CM 6651</i> )
Ninth Report	Ward Boundaries	HC 315 ( <i>CM 6634</i> )
Tenth Report	Local Government Consultation	HC 316-1
Eleventh Report	The Role and Effectiveness of the Local Government Ombudsmen for England	HC 458 ( <i>HC 605</i> )

# Oral evidence

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## Taken before the Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions Committee

on Monday 17 October 2005

Members present:

Dr Phyllis Starkey, in the Chair

Mr Clive Betts	Anne Main
John Cummings	Mr Bill Olnier
Martin Horwood	Dr John Pugh
Mr Mark Lancaster	Alison Seabeck

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### Memorandum submitted by Office of the Deputy Prime Minister

*Witnesses:* **Mr Neil Kinghan**, Director General—Local Government and Fire Group, **Mr Richard McCarthy**, Director General—Sustainable Communities Group, **Mr Rob Smith**, Director General—Regional Development Group, and **Mr Peter Unwin**, Director General—Corporate Strategy and Resources Group, Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions, examined.

**Q1 Chair:** Welcome to this meeting of the ODPM Select Committee. As I understand it, you have left one of your colleagues behind on the basis that we had not put in any questions beforehand on his subject area. It may be that Members may have questions on his subject areas that they would have wished to bring up, in which case they will send it in writing, I think; that seems to me a sensible way forward. I would like to start the questioning, if I may, and turn to the issue of efficiency savings. The first question I would like to ask relates to the scale of the efficiency savings which the Department is committed to over the next few years and contrast that with the relatively small savings which appear to have been made thus far and ask you if you could clarify the efficiency savings which have already been made?

**Mr Unwin:** Our efficiency programme is, in one sense, in two parts, in that we have the departmental efficiency programme, where we have a target of £620 million efficiency savings by 2007–08. Then, along with other departments, we are also responsible for the local government efficiency programme from which the target is £6.45 billion by 2007–08. I will say a word on the Department’s efficiency programmes and then, if you want to go on to the local government side, Neil Kinghan, my colleague, can talk about that. As I say, our target is £620 million by 2007–08 and our profile for the target, from the start, has always been that we would have very few savings in 2004–05, the year that has now finished. In 2005–06, we should have £279 million efficiency savings by the end of the year and across the board we are on target for reaching that. We have had few recorded to date. If I take an example, the social housing new supply, where we have £160 million due over the three years, £130 million of that is due to be achieved this year and we are confident it will be achieved but has not yet been recorded because these things are recorded

in arrears. I think the short answer to your question is that by the end of 2005–06 we expect to be on track to deliver against the profile that was set and the small savings that we have actually banked to date is in line with what we had always expected.

**Q2 Chair:** What were the small savings that were made in 2004–05?

**Mr Unwin:** They were savings, for example, on the administration side, the merger of the Internal Audit Services with Cabinet Office, which was a £50,000 administration saving. On Firelink, Phase 1, that work is now complete and we have got £1.5 million on that so far, against a target of £8 million by the end of 2005–06, again next March. I have not got a full list.

**Q3 Chair:** The £1.5 million is not within the 2004–05 year, is it?

**Mr Unwin:** I have got it down as “achieved to date” but, I must admit, I have not got in my paper here whether it was achieved in 2004–05 or 2005–06. In fact, I think the answer is that very little was achieved in 2004–05 but that was always our expectation. I think the figure, from memory, is possibly £1 million in total but, as I say, that was what we had anticipated.

**Q4 Chair:** I think it would be very helpful, given that we have now asked this question twice, once in writing and now subsequently, to have the details of precisely what savings were made in 2004–05, accepting that it was always intended that those savings would be relatively slight. We have not succeeded in pointing out exactly what it was and obviously it adds to a certain lack of confidence in the way in which the efficiency savings will be achieved in the year thereafter, so if we could have that in writing thereafter. We are somewhat concerned also about whether there may have been

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some double counting of the efficiency savings which have been set out for the whole period, not necessarily in the year 2004–05. In particular, referring to the departmental report, where there are separate targets for the efficiency savings in ODPM Central and in the social housing, capital works, management and maintenance (it is on page 45 of the report), one is for £620 million and the other is for £835 million efficiency savings. Are those two commitments completely separate? Is there any overlap between them, is there any double counting?

**Mr Unwin:** There is overlap between those two, and there was always intended to be. The £620 million is the ODPM programme, the local government one, which would include, on social housing, for example, the new social housing supply through the Housing Corporation, which is £160 million. The social housing Registered Social Landlord spend on capital works, etc., is £195 million. I think those two in total come to £355 million. They would be in the £620 million and they would also be in the £835 million figure. The rest of that £835 million would be from local authorities and would be included in the £6.45 billion for the local government efficiency programme. In a sense, the £620 million and the £6.45 billion are separate but the social housing figure goes across the two and has some from Registered Social Landlords on housing associations, which is part of the ODPM total, and some from local government, which is part of the local government total.

**Q5 Chair:** I think, in future, it would be helpful if there were not any double counting, if it were made absolutely clear, so that it was easier for Members to be able to see where the efficiency savings were being intended and whether, subsequently, they had been delivered?

**Mr Unwin:** Apologies if that is misleading and I can see we could have made that clearer. The two numbers were given to us as formal numbers which came out of the Spending Review and are both targets we have to report to, so we need to report to both, but I accept that we could make clearer in the presentation that there is, and is intended to be, overlap between them.

**Q6 Chair:** To quantify what the overlap is?

**Mr Unwin:** Yes.

**Q7 Chair:** The next question I wanted to ask was about the phrase of having a “contingency fund” within the savings plan. Can you explain what you mean by a “contingency fund”?

**Mr Unwin:** Our target is £620 million and we had that £620 million broken down to a series of programmes, which we have given you. Obviously, as we develop those programmes, in some cases we hope we will exceed those targets. In other cases we may fall short, and it is sensible to build in a contingency to make sure that we meet, and hopefully exceed, the £620 million overall. That is what we have been doing and the main area which we have brought in as a contingency is on the homelessness programme, which was not included in

the original estimates we used as part of the £620 million. We are planning to make efficiency savings there of about £66 million. Our running total now, if we make all the savings that we are trying to make, will be about £681 million, that is about £61 million headroom over our target of £620 million. Primarily, that is because of the £66 million additional savings that we are hoping to make on homelessness.

**Q8 Chair:** Your intention is to make, and you believe you could make, £681 million efficiency savings but your target is a smaller figure?

**Mr Unwin:** That is right. The programmes we have got in place at the moment aim for £681 million and clearly there might be some underachievement against that. That is why we have got in a contingency to ensure that if we do underachieve against that £681 million we will still be above our target of £620 million.

**Q9 Chair:** Can you explain what would happen, apart from failing to reach your target, if in any of the areas where you have set out targets for efficiency savings you do not deliver? Are there penalties on the programmes which fail to make those efficiency savings?

**Mr Unwin:** The main penalty in effect is loss of output, because the outputs that we are aiming for and the targets that we have got in the Spending Review, for example on new units of social housing, assume those efficiency savings. Spending the amount of money we have got, if we do not make those efficiency savings overall then we will find it difficult to meet the targets that we have been set and the targets that we are aiming for. The main penalty is therefore lack of achievement of programme outputs.

**Q10 Chair:** As the year progresses, if it is becoming clear that a particular programme, which has an extremely high priority, is not going to achieve all its efficiency savings, are there any mechanisms for a decision to be taken to transfer resources within the Department so that the reduction in outputs can occur somewhere else which is of a lower priority?

**Mr Unwin:** Yes, and that is the case on a broader front than just with efficiency savings. We have our three-year programme from the Spending Review and our series of outputs and priorities that we need to achieve and we are continually monitoring against those. Obviously, particularly as you get to the later part of the three-year period, there are uncertainties there and we have the ability to adjust between programmes, if necessary, by coming back through Supplementary Estimates to the House, we can make adjustments between programmes to ensure that our priority outputs are met. If one area is overachieving and the other area is underachieving, we can switch between those two to make sure we hit our outputs.

**Q11 John Cummings:** In your Business Plan for 2005–06, you indicate that, and I quote: “In the last business planning round, we budgeted to draw down

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a significant amount of our entitlement to end-year flexibility during 2004–05. With only a small end-year flexibility remaining we need to bring spending back down to our baseline.” Can you tell the Committee what you mean by “end-year flexibility” and also why did you draw down a significant amount in 2004–05 and what proportion of this year’s money did you spend?

**Mr Unwin:** End-year flexibility is the term that is used to describe the permission we have from Treasury to carry forward an underspend from one year and use it for expenditure in a following year. Clearly, we aim to spend as closely as we can to our departmental expenditure limit, but we must not overspend it so it is an upper limit. Our aim is to underspend by less than 5%, and we have achieved that in the past two years, unlike in earlier years when we were having much bigger underspends per year. Because of those big underspends, we had built up quite a stock of end-year flexibility and on the administration side, which was what the Business Plan was covering—we are talking now about our staff running costs and the costs of running the department rather than our programmes—we had quite a big pool of end-year flexibility. Against that, we face a lower baseline in future years, figures for administration costs for running the Department because, as part of the efficiency review, the Government, through efficiency, is trying to squeeze down on the administration costs in order to free up money for programme expenditure. In order to manage our way down from this higher administration spend to a lower administration spend by the end of the Spending Review period, we are using our end-year flexibility in a gradual way through the Spending Review to achieve that. We are spending quite a bit of it up front because we have some big efficiency programmes on the administration side, covering our IT systems, our human resource systems, our finance and our accommodation. We are introducing programmes which will save us considerable money in running costs in future years but which require up-front investment now to do that. So we are using that end-year flexibility for those sorts of projects in order to bring savings in later years.

**Q12 John Cummings:** What sums of money are we talking about, in relation to a significant amount?

**Mr Unwin:** For example, this year we have what we call an Efficiency and Capacity Fund, which over the period of the Spending Review is about £15 million. We will be spending about £15 million over the next three years, quite a bit of it in this financial year, on, for example, as I say, accommodation, where we are trying to reduce the number of buildings that we use. But that costs money to improve the space efficiency in the buildings.

**Q13 John Cummings:** What was the significant amount in the year 2004–05?

**Mr Unwin:** I would imagine it was at the order of £10–£20 million, but I can let you have the precise number, if it is different from that.

**Q14 John Cummings:** What proportion of this year’s money did you spend?

**Mr Unwin:** This year, as I say, we will have on our efficiency programmes probably between £10 million and £15 million that we will spend. If I understand your question, we did not spend any of this year’s money last year, if that was what you were asking. We have not borrowed from future years. End Year Flexibility is spending money that, in effect, we have in the bank from previous years’ underspends.

**Q15 John Cummings:** What plans are you making for year one of the next Spending Round now that the Comprehensive Spending Review has been deferred?

**Mr Unwin:** Year one of the next Spending Round will now be 2008–09 and between now and next summer we will be carrying out a review of all our programmes. I should say that, since the election, the Deputy Prime Minister and our new ministers have been taking stock of all our policies, setting them against our Sustainable Communities Plan, the five-year plans that we published previously, and our strategic objectives. They want to look at all those programmes to ensure that they are properly aligned with the goals that we have set. When we have carried out that exercise, by next summer, then we will be in a position to decide what we should be talking to Treasury about for our expenditure needs in 2008–09, but at this stage we will not have formed a view on that.

**Q16 John Cummings:** Is the deferring of the Comprehensive Spending Review easily managed by the Department?

**Mr Unwin:** Because of this stock-take that ministers have been having, looking at the Department’s priorities and taking a fundamental look at all our programmes, the fact that the Treasury had decided, and the Government has decided, to do that as a whole over Government programmes and to have a Comprehensive Spending Review which looks at not just its actual programmes but looks at all programmes across the board and decides how we are doing in terms of meeting our priorities, that suited us rather well. We had undertaken that exercise ourselves and now we are well placed to carry that forward into the Comprehensive Spending Review. We will have a good idea of which of our programmes we should be pushing to increase and which maybe have reached the stage where we should be sun-setting them and winding them down.

**Q17 John Cummings:** You also provided the Committee with details setting out and linking departmental priorities in relation to the Spending Review 2004 targets and programmed expenditure across a number of your strategic programmes. It is still not clear what specific activities and resources underpin these programmes. How do the Committee know that you are allocating sufficient resources to activities which help you to achieve your priorities?

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**Mr Unwin:** I think we discussed this last year, I recall, how we can best provide this information for you. It is a very complicated issue to try to present this information in a way that we can all easily understand.

**Q18 John Cummings:** Are you finding it difficult to provide information with the degree of clarity that will be understood by people?

**Mr Unwin:** We discussed with the Clerk, I think, after our session with you last year, how we might best do that and that is why we have reframed the Annual Report. This year's Annual Report follows a different structure, with the strategic priorities, the PSAs and the programmes all set out in Annex A of the Report in a way we thought you would find more helpful. We hope you have found that more helpful; if you have not then please say and we are happy to look at that again and try to improve it further. Beyond that, in our two five-year plans which we have published since we were here last year we have tried to set out in there as clearly as possible how our programmes contribute to our priorities.

**Q19 Mr Oler:** I am in a heightened state of confusion now, Mr Unwin. I thought your early answers to the Chairman were saying, sort of, "Well, we did what we did last year but the next few years are going to be catch-up time if we're going to make all the savings that have been forecast and committed to by the Department." In the answers to my colleague, Mr Cummings, it seemed to me an awful lot of smoke and mirrors and I am wondering exactly what the situation is. Is the Department committed to ensuring that very important public services get funded in the same way as they have been in the past?

**Mr Unwin:** Absolutely; certainly we are. On the efficiency savings, I am sorry if I was not clear enough. We will let you have a table showing the annual profile of what we anticipate to save each year. As I say, because we had never anticipated making significant savings in 2004-05, the fact that we had only made small savings for 2004-05, I would say, is not slippage against the programme.

**Q20 Mr Oler:** I come from industry and efficiency savings are usually acknowledged in one word and one word only and that is redundancy. How many staff has the Department lost over the time that these efficiency savings have been put forward?

**Mr Unwin:** We have today, as it happens, put out to staff an offer for voluntary severance, under which we anticipate being able to offer up to about 80 people voluntary severance. That offer has gone out today and we would aim to have decided by the end of the year which of the staff who apply for it will be able to take it up. That should reduce our manpower by about 80. In addition, of course, we have a turnover of about 5% a year and, by not replacing people, we can use that as well as voluntary severance as a way of losing people.

**Q21 Mr Oler:** Eighty out of how many?

**Mr Unwin:** Eighty out of about 2,300.

**Q22 Mr Oler:** That is just centrally and nothing in the regions?

**Mr Unwin:** Yes. Most of those will be in headquarters in areas which are restructuring, which are mainly around corporate services, some in the Fire Directorate. Those are the primary areas, but the offer will be open to all staff from the Department to apply for.

**Q23 Mr Oler:** Moving on to efficiency savings in the NDPBs, the non-departmental public bodies, a lot of the efficiency savings that you outline were to be made in those sorts of areas, for example, the RDAs, the Housing Corporation and Registered Social Landlords. Are they going to make the savings which you have envisaged they are going to make?

**Mr Unwin:** The £620 million is primarily programme expenditure, which is, for example, money spent by housing associations, and other bodies. Within the total, there are also running costs which, in absolute terms, obviously are much lower than our programme costs. We need to save about £25 million in total and a lot of that will come through head-count reductions in ODPM headquarters, in the Government Offices and in our agencies and non-departmental public bodies.

**Q24 Mr Oler:** That is all fine but most of us, I think, are very concerned sometimes now about the length of time that things seem to get stuck at the RDAs before anything actually happens. Are you saying to us that you are seeking efficiency savings in these organisations by cutting staff, which will mean a longer wait for areas that are going to benefit from RDA monies?

**Mr Unwin:** No. The head-count reductions I was talking about were in our agencies and non-departmental public bodies and that does not include the Regional Development Agencies. The Regional Development Agencies do have an efficiency target. It is about £130 million, but they have to do that by producing the same outputs for less money, so they have an efficiency programme which will deliver the same outputs in terms of service to the regions as they have always been required to give.

**Q25 Mr Oler:** Finally on this issue, what steps are you prepared to take if those organisations fail to produce the savings that you require of them? Are you going to let them go to the wall, or what?

**Mr Unwin:** If you go back to the non-departmental public bodies you were talking about, our head-count reduction within our headquarters and agencies and non-departmental bodies, our target is about 400 and at the moment we have proposals now from the non-departmental bodies and from headquarters which will deliver about 700. We may not be able to achieve that 700 but certainly I believe we will achieve more than the 400 target we have got, so I would hope we would not have to get into those

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sorts of measures with them. At the moment we are working with them on their efficiency programmes, looking at the reductions they can make whilst still maintaining outputs. Those are the numbers that are coming out and they are suggesting we will be secure in making our overall head-count target reduction.

**Q26 Mr Oler:** At the end of the day, there is going to be no reduction in the service that you are able to offer to our constituents?

**Mr Unwin:** Certainly not through any of our bodies, no. The whole point of efficiency savings is to reduce costs without reducing outputs and if they reduce outputs then that does not count as efficiency savings.

**Chair:** I think we would agree with you on the definition of an efficiency saving and the difference between it and a cut.

**Q27 Mr Lancaster:** Mr Unwin, if I can take you from the detail back to the general, having listened to the answers to many of the questions from my colleagues, I cannot help but feel that when you take together the historical nature of the data, the lack of transparency, the potential level of costing, the extremely large contingency funds, the end-of-year flexibility, I think was your term, or indeed perhaps, potentially, the lack of clarity, I wonder really whether or not your organisation lacks the level of detailed financial control it requires, or indeed if perhaps, as a cynic I would say, you are preparing the ground to fail for your efficiency targets. Is it a case of, Mr Oler asked, if you fail to meet them, and I have a sense it is when you fail to meet them, so can you reassure me that is not the case?

**Mr Unwin:** With respect, the list of things you gave I would say indicate that many of those are very sound financial management. To have a contingency is surely sensible planning. I would have thought you might want to criticise us if I came along and said, "We've got £620 million of savings," and you said to me, "Well, what happens if for some reason you don't make these savings that are anticipated on the Fire Service?" and I said, "I don't know." Then you would rightly say, "You haven't really got a grip of that and how do you know you're going to make it?" If on the other hand we say, we recognise that efficiency programmes over three years with the best-laid plans may not produce everything we intend so we have set up an additional contingency in order to ensure that we meet our target then I would say that is sound financial management. Similarly, end-year flexibility is not an ODPM creation, this is a cross-government arrangements for Departments to be able to carry forward underspends from the past and helps us to carry out good financial management. For example, this year we had a very big land purchase deal between English Partnerships and NHS Estates, which will lead to a very large improvement in our output of social and shared-ownership housing. That deal we had planned to finish in March but it was not quite ready to finish then. Under the old system, before end-year flexibility was available, we might have been in danger of rushing through a deal simply to

spend our money by 31 March. Now, we were able to sign it in the first week of April instead, by which time we could be sure that we had a deal that was good for English Partnerships and good for the outputs we were looking for. And it did not cost us any penalty with Treasury because we were able to carry that money forward. Again, that is good financial management. On financial management overall, this Committee's predecessors have rightly criticised the Department in the past for large underspends and, associated with that, had a question about our financial management. We have made great efforts to improve that financial management and, at Board level, now monitor across the piece all our programmes very closely. So I would say we have improved financial management significantly.

**Q28 Mr Lancaster:** I accept that, but historically you will accept that we have had problems. Really it is the scale, and we can take the contingency fund as an example, having run a business, it is the scale that concerns me, the scale of the fund. A contingency fund, of course, is sound business practice, but it is the scale of the fund?

**Mr Unwin:** We have got an efficiency target of £620 million and we have a contingency of £66 million, which is about 10%. What sort of contingency would you think would be right?

**Q29 Mr Lancaster:** Less than that, I would like to think. Actually, your contingency is not 10%, is it, it is about 13%, 66 from 620?

**Mr Unwin:** It is about 11% What you are saying is that we should not have looked for further savings beyond 620 million or we should have looked for only 5%, which would have been about 30 million. If we could make that 66 million, I would have hoped we would all welcome it, as long as it meets the definition which you rightly say we must stick to, that this has actually increased output for less money rather than simply being a cut in expenditure.

**Q30 Chair:** Can I clarify something arising out of one of the questions that Mr Oler asked. I think you outlined, basically, how you were reducing levels of staff at the centre and yet the figures given in the table that went with the memorandum demonstrate that the number of staff in ODPM in 2005–06 is just fewer than 50 bigger than in 2004–05. How do those two statements square?

**Mr Unwin:** That was part of our profile and we are now starting to make the reduction, which is why we brought in the severance programme which I spoke about earlier, which will lead to the 80 staff being moved out and put us on the downward trend towards the 2,239 that was shown in the table.

**Q31 Dr Pugh:** Can I ask you just briefly about monitoring and go back to this end-of-year flexibility or what in local authority terms they call slippage, and so on. A lot of this can happen quite fortuitously. Programmes get underspent, delayed, or whatever, but they do not represent real efficiency savings if they occur. Am I right in thinking that

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your savings are going to be monitored by the Treasury, so that when they look for efficiency savings they look for real efficiency saving not for actual underspends and if slippage or end-of-year flexibility occurs fortuitously you cannot count that as an efficiency saving towards your total?

**Mr Unwin:** That is absolutely correct. End-year flexibility and efficiency savings are two completely separate things. End-year flexibility deals with slippage, in the way you have said. Efficiency savings have to be audited and agreed with the Office of Government Commerce and Treasury.

**Q32 Dr Pugh:** The Treasury will not let you get away with starting one and another?

**Mr Unwin:** It will be genuine efficiency savings rather than simply underspend or cuts.

**Q33 Dr Pugh:** Turning to specific savings, you have got some savings down in housing, Housing Corporation, which I think are due to partnership arrangements, you say. I was just trying to get a handle on what this could actually mean. One thing it could mean, I think, is that the Housing Corporation spend less but provide some of the housing by going into a partnership with a private firm. The net effect of that, obviously, is that the property, when it is built, will have an equity share for the private firm as well. In other words, the same amount of houses gets built but the Housing Corporation make a lesser contribution to it. It is one of the efficiency savings. Is that how it works?

**Mr Unwin:** My colleague Richard McCarthy might want to answer that one.

**Mr McCarthy:** Which I am happy to do. Your analysis is broadly correct. At this stage though we are not funding private sector organisations; that will be happening in the future. What the Housing Corporation did with its first two-year programme was actually focus most of that on a set list of partner housing associations to which it allocated a fixed level of resource for an agreed level of outcome, or output. What it sought to do was drive up efficiency by concentrating more of its development programme on some of the larger players and that is what the term “partnership housing” is about. As you know, we are now moving into an era where we are inviting not only Registered Social Landlords, housing associations, as you may know them, to bid to build new social rented housing and affordable housing, we are also extending that to the private sector, which we hope will drive up further savings. Then the unit cost, if you like, to Government falls through greater efficiency without reducing the quality of the homes that are provided, because they have to meet scheme development standards set by the Housing Corporation.

**Q34 Dr Pugh:** At the end of the day, with a private developer, this efficiency saving has greater equity in it?

**Mr McCarthy:** No, it does not. What we get, through these partnership arrangements, are more homes for the same amount of money. If you remember, all of our new, social rented housing

pretty well is provided through housing associations, which will own more properties, at the end of the day, as the non-profit-making bodies which provide that housing. We are now moving into an era, which no doubt we will discuss at future meetings about our level of performance in terms of working with the private sector.

**Q35 Dr Pugh:** If I can move on to RDA savings, it seems to me that an easy way of an RDA saving money would be to spend less on its programmes, go back to you and tell you that is an efficiency saving of some kind. Do you monitor the RDAs in such a way that you can differentiate between genuine efficiency savings and actually just simple cutting back on programmes, which obviously is the easier task? How are the RDAs to be monitored when they make savings?

**Mr Unwin:** The RDAs, are sponsored by DTI. Although we and a number of other departments put money into the RDAs, and in fact we are their main funder; they are sponsored by the Department of Trade and Industry and they have to submit to DTI and to the Office of Government Commerce detailed efficiency plans which show that they are achieving genuine efficiency savings exactly as you suggest.

**Q36 Dr Pugh:** Not doing less?

**Mr Unwin:** Not doing less. They are achieving the same outputs for less money. Those efficiency plans are scrutinised by DTI and OGC. Because we are the main funders, we will also sit on that scrutiny process to make sure we are satisfied that we are getting the same outputs for our money.

**Q37 Dr Pugh:** I am relieved to hear it. Can I turn to local government now. Local government was scheduled to make a £1 billion saving, actually it has volunteered £1.9 billion. Obviously, a lot of the local government section is schools, over which you have no direct control, but the local authority section is £1.9 billion of volunteered savings or potential savings. When you look at the areas from which those savings are coming, apart from corporate services, and so on, you have got some major local authority services featuring as savings: adult social services, children’s services, environmental services. Commonsense would say, with the Children’s Act, with the effect of higher recycling targets, the environmental services, a whole range of new initiatives going through local government, that those savings would be very, very hard to achieve by virtue of efficiency and could only really be achieved by virtue of making some substantial cuts in service. What is your view?

**Mr Kinghan:** What local authorities have done is give us an estimate of the efficiency savings they made in 2004–05, which added up to £750 million, and of the efficiency gains that they expect to make in 2005–06, which is £1.2 billion. They are accredited by the chief executive and the leader of the authority, and are submitted as part of their annual efficiency statements. They will be audited by the Audit Commission, so there is no question that they can get away with things which are not really efficiency

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gains. I agree with you that it looks as though things like adult social care or children's services are areas where it is difficult to make efficiency gains. Some of this is about better procurement and the potential for better procurement in local government is very large. We have 150 social service authorities. The more that they can work together to procure both things, actually buying material, and the more that they can work together to do deals with the private sector, the more efficiencies they can achieve.

**Q38 Alison Seabeck:** I would like to come on to PSA 4, local government finance, which states quite clearly: "the Lyons Inquiry concludes and Sir Michael provides findings to ministers in December 2005." We know that has been postponed and I imagine, therefore, nonetheless, that the Government and indeed Sir Michael have considered the data which they received prior to the decision to postpone. What exemplifications on the impact of the delay on local government finance and funding did the Department prepare prior to that announcement and what do they show, how many net gainers were there and how many losers?

**Mr Kinghan:** You are asking about the work that Sir Michael did in the first year of his inquiry to look at the potential effects of the valuation. That information has not been published yet but he is looking at the possibility of making available his findings later this year, and I think that is probably what will happen.

**Q39 Alison Seabeck:** Has the Department shared his thinking thus far; have you had access to that?

**Mr Kinghan:** The Department has not had the report from him on what his findings are but we provide him with some staff to help him do his calculations so we are involved to that extent, but ministers have not yet had the report from him.

**Q40 Alison Seabeck:** Could you tell us therefore the basis on which the decision to defer was made, if ministers have not had factual information from Sir Michael Lyons? Did you advise the Minister to defer, Mr Kinghan?

**Mr Kinghan:** Ministers decided to defer the report, as part of the decision to postpone revaluation, because they took the view that we needed to look at the role and functions of local government on a wider basis before major decisions were made about revaluation and about the future of the council tax.

**Q41 Alison Seabeck:** On what basis did they make that decision, if they had none of the factual information that Sir Michael has to his fingertips on which to make that decision?

**Mr Kinghan:** Sir Michael was part of the discussion, and indeed he agreed with the decision that it was sensible to defer his report. In the end, of course, it was the Government's decision to postpone revaluation, but the decision to postpone revaluation was not about the winners and losers which would have resulted if revaluation had gone ahead, it was about looking at revaluation in the

context of a wider view of the role and function of local government and of the future funding of local government.

**Q42 Anne Main:** Since you already have a working model on revaluation, it is already happening in Wales, why is it they could not look at that and then extrapolate from that?

**Mr Kinghan:** We could. As I said to Alison Seabeck, Sir Michael has been looking at what the potential effects of revaluation are.

**Q43 Anne Main:** Sir Michael has, but why could not the ministers do that?

**Mr Kinghan:** They could but that was not the basis on which they decided to postpone the revaluation. That was because they wanted to look at, as I said, a bigger picture about the future of local government and then make decisions about funding. In a sense, this is a process that we began some time ago, before the election, when we started a debate on the future of local government in the context of the Local Vision exercise. What ministers said then was that they wanted to take a view on the role and the functions of local government before they made decisions about long-term funding arrangements. In effect, what has happened now is that the revaluation and the future of the council tax have been put into that part of the debate, ie decisions about long-term funding, in the context of a view of local government as a whole.

**Q44 Anne Main:** I will not keep majoring on that, but your terminology, "the future of local government," does that lead me to think, even remotely, that this is now wrapped up in some sort of greater centralisation rather than localisation of funding distribution?

**Mr Kinghan:** That is not the Government's present intention. By "the future of local government" I mean that we have a debate going about local government functions, about local government roles, about the relationship between central and local government, about indeed the potential for greater devolution rather than greater centralisation.

**Q45 Anne Main:** It could not have happened without the council tax, which is just totally inextricably linked there?

**Mr Kinghan:** I think the view was that any changes on the council tax ought to be made in the context of a bigger picture of the future of local government. Of course, you can make changes in the council tax without taking those views, but changes in the council tax will be significant and will be significant for lots of families and ministers decided that they wanted to take a view about local government as a whole then look at the council tax in the context of the whole future of local government funding.

**Q46 Chair:** What is the timetable? Assuming that Sir Michael Lyons is reporting at the end of 2006 and making an assumption that significant changes

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might be proposed to local government finance, when is it feasible that those changes would be implemented?

**Mr Kinghan:** Of course, that would depend on what those changes might be, as you would expect me to say.

**Q47 Chair:** Give us a range?

**Mr Kinghan:** I think what the Government has said is that it will want to look at what Sir Michael has to say about local government finance in the context of the Comprehensive Spending Review and, because the Comprehensive Spending Review is a comprehensive spending review looking at government expenditure as a whole, that is sensible timing. If decisions were made then to make changes to the financial system that would depend on how significant those changes were, what legislation would be needed, and obviously that would need to follow the Comprehensive Spending Review in 2007.

**Q48 Mr Betts:** On that, has the revaluation been postponed so that decisions on the future of local government finance can be taken in tandem, or so that the actual revaluation exercise would take place physically at the same time as any changes that came out of the Lyons review?

**Mr Kinghan:** The revaluation has been postponed and the Government has not said when it expects it to happen. I think, if the Government were to decide to make other changes to the local government finance system, alongside changes to the council tax, they would follow the Comprehensive Spending Review in 2007. Exactly when they would be made would depend on the extent of the changes.

**Q49 Mr Betts:** If we are talking about the deferral of implementation until other things are implemented, not merely decided upon, we could be talking about not merely one or two years but several years?

**Mr Kinghan:** We could, yes.

**Q50 Mr Betts:** The longer we go on the bigger the difference is between the valuation we are working on now and the valuations which will exist at the time of the revaluation exercise, so the bigger the upheaval which is going to be caused?

**Mr Kinghan:** We do not know that for sure because, as you know, the effect of the revaluation, would be that, if all properties went up in value by the same amount, the revaluation would not produce winners and losers.

**Q51 Mr Betts:** We know they have not?

**Mr Kinghan:** They have not, I agree, but we do not know for sure, as you say, whether or not the differential for change will be there.

**Q52 Mr Betts:** The potential for having wider differentials is there the longer we go on?

**Mr Kinghan:** It can be, although differentials can come back together again. Property prices in the north have gone up more quickly in the last small number of years than they did in the 1990s and that has pulled the differentials back together again.

**Q53 Alison Seabeck:** Could you confirm something for me, on the back of Mr Betts's question. The Council Tax Revaluation Bill—I think that is what it is called, I am not sure, I may be wrong, if so correct me—removes any reference to revaluation in a given period. Am I correct, that it is completely open-ended, so that we never, ever, see another revaluation, potentially?

**Mr Kinghan:** I think what it does is it takes the date off the face of the legislation, which had been there before, but allows for the Secretary of State to propose a new date, when ministers have decided when that should be.

**Q54 Mr Betts:** When the Select Committee did its report about Decent Homes, I think we were generally supportive of the intention but a bit concerned that we might not hit the target. It looks as though perhaps our concern was well placed, does it not, when the initial target of a third of the homes being brought up to a decent standard has now slipped somewhat, has it not?

**Mr McCarthy:** The current position is that 50% of the homes have been brought up to a decent standard and 90% of the homes are covered by agreed and approved programmes. The issue now is the last 10%, which currently we are considering with ministers. We have said that we will be bringing forward another bidding opportunity for PFI and decisions have yet to be taken on when to offer further rounds for ALMO and transfer.

**Q55 Mr Betts:** You are saying that 90% of the homes now have got a target date, you have got the finance in place and they are going to be here?

**Mr McCarthy:** Correct.

**Q56 Mr Betts:** Of that 10%, you are not able to give us, I understand, because we asked for the information, a breakdown for local authorities so we could see which were the authorities which were having the most problems hitting their targets?

**Mr McCarthy:** We can now give you that information.

**Q57 Mr Betts:** You now have monitoring systems in place?

**Mr McCarthy:** Certainly we have detailed monitoring systems in place and we will be happy to provide that to the Committee.

**Q58 Mr Betts:** If we could have that, it would be helpful. Are we having particular difficulties with those authorities which, so far, with their tenants, have chosen not to go to a stock transfer or to an ALMO and have their homes remaining with the local authorities?

**Mr McCarthy:** I would say that the most dominant feature of those in the last 10% are those which have taken a long time to reach a decision about the route they want to take and to complete their options appraisals who were the last. In fact, the information we have now is that there is a complete mix of those 10% seeking a range of retaining the stock without any assistance, ALMO, transfer and PFI. I do not

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think you can draw any conclusions other than that, but they have taken a long time in a number of different cases. Sometimes scale is a factor. As the list includes, for example, Southwark and Birmingham, which are the largest housing authorities in England. In other cases it is just taking them a long time to complete the options appraisals process.

**Q59 Mr Betts:** What mechanisms have you got, as officials, to deal with those authorities which may have decided they do not want to transfer their stock and they do not want to go to an ALMO, that is the view of their tenants, but at this stage you are not providing them with the funding through the mainstream funding mechanisms to enable them to hit the Decent Homes targets? What do you do in that case?

**Mr McCarthy:** You will be aware of something called the “fourth option” in that question, which is that a small number of authorities, more a number of pressure groups, are seeking additional resources for local authorities to enable them to retain their housing stock. At present, ministers have chosen not to agree to that funding option due to pressures on our own resources and currently that remains the case. At the moment, that means there are a couple of authorities which are in a difficult position, particularly one, which is Camden, to talk in absolute specifics, because that is the one which rejected an option, in this case of an ALMO, and has yet to submit a new options appraisal. There is only one at this stage in that unique position and ministers are considering how to deal with authorities in that position as part of tackling the last 10%. I am afraid I cannot say any more than that at this stage.

**Q60 Mr Betts:** At this stage, is there any mechanism to deal with them? If they cannot actually hit the Decent Homes target but they insist and the tenants insist on the stock remaining with the local authority, you cannot square the circle, can you, at present?

**Mr McCarthy:** At this stage, we have not squared the circle.

**Q61 Mr Betts:** You cannot, you have got no mechanism in place for that?

**Mr McCarthy:** Ministers will have to decide whether they allow tenants to choose not to improve their properties up to that standard and whether they wish to enter into other mechanisms to see Decent Homes standards met.

**Q62 Mr Betts:** That would need legislation, would it not?

**Mr McCarthy:** It depends on what ministers choose to do.

**Q63 Mr Betts:** Any element of compulsion would need legislation, would it not?

**Mr McCarthy:** I think now we are into the land of speculation and ministers decide on what is the most appropriate thing for them to do. I think you will have to wait. It is a matter of considerable debate at

the moment amongst ministers about how we take forward the Decent Homes programmes across the range of issues that we are left with the last 10%. I think it is worth reminding members of the Committee, that means that 90% either have works completed or are on approved programmes.

**Q64 Alison Seabeck:** On key worker housing, can you tell the Committee how many key workers have been housed since the scheme was established?

**Mr McCarthy:** I will have to go back and give you some details on that, because we have met our first 10,000 programme but we are now housing key workers through our ongoing programmes, through the Housing Corporation. I am happy to come back and provide that detail to the Committee.

**Q65 Alison Seabeck:** The figure which I have seen bandied about in the press suggested that you have physically housed somewhere in the region of only 5,000 to 6,000 and you have got a target of 16,000 by March 2006. I would be very grateful if you could come back to me on that and come back to the Committee and explain exactly where you are at with that and whether you think you will be able to hit that target of actually having people housed by March 2006. If I can veer off in another direction now, it is all housing related. You say in the Report you want to achieve a better balance between housing availability and demand for housing in all the English regions and you mention that good progress is being made. How do you define good progress?

**Mr McCarthy:** The area in which we have the greatest pressure, in terms of our housing, is in the wider South East and you will be aware, from the information that we have published, that actually we are ahead of our trajectory, in terms of new homes being built in the wider South East. That is the area of greatest pressure that currently we are experiencing. At the moment we are ahead but we know that we still have to see more homes to see built.

**Q66 Alison Seabeck:** Thank you for that. Empty homes. I may have missed it, and forgive me if I have, I have spent time going through this but I could have missed it, there do not appear to be any targets for reducing empty homes in the 2005 Report. A question was raised by a member of this Committee in 2004 relating to Empty Dwellings Management Orders and other mechanisms, in order to try to deal with the problem of empty property. The answer then was a bit unclear. Could you please let the Committee know when we expect EDMOs to come into force? I understand there has been a delay.

**Mr McCarthy:** I understand that will be shortly, but I do think I need to come back to give you an accurate date on that, so you are clear when we expect to see those implemented.

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**Q67 Alison Seabeck:** How is the Department intending to monitor progress, because there is no reference in the Report to progress on the reduction of empty homes? Which indicators will apply, again?  
**Mr McCarthy:** We do keep a track of empty homes and actually there has been a reduction. Nonetheless, indeed we were considering this matter only today, we intend to keep up the pressure through the benefit of the new powers we have under the Housing Act and also by keeping pressure on social housing providers, who may have improved but we need to avoid any air of complacency about remaining empty properties. Our intention is to continue to apply the pressure and to seek further, efficiencies through using our empty stock as much as we possibly can. So it does remain a relevant issue.

**Q68 Anne Main:** On the empty homes, I know a lot of councils, my own included, have empty homes strategies, they just do not do anything with them, so, not just in the private sector but in the rental sector, I am quite disappointed to see that there is a significant number of empty homes within housing associations left for quite considerable periods of time. What are you going to do, apart from just having EDMOs, to try to help local authorities move forward with an empty homes strategy?

**Mr McCarthy:** Both housing associations and local authorities actually are quite experienced in managing at least their own empty homes stock. I think there is an issue about maintaining the pressure and the awareness of empty homes and the recognition that each time a home is left empty that is another family or household not given a property, and ensuring that, as best we can, strategies like the Decent Homes programme are not resulting in homes being left empty for an unnecessarily long period of time. We encourage local authorities to use that stock sometimes on a temporary basis if that is more appropriate. We do monitor performance. In the case of the housing inspection that takes place, it does look at the level of empty properties existing in a housing association or within a local authority. We saw some significant improvement over a number of years and I think we have to keep that in people's minds. Whilst we have made some improvement we can probably go further.

**Q69 Anne Main:** You monitor local authorities. I can tell you of an entire block of flats, so I am just wondering what is the monitoring of the local authorities?

**Mr McCarthy:** We do receive performance data from them on an annual basis.

**Q70 Dr Pugh:** Can I ask what sort of feedback you get and pay attention to? There is a big master plan, in a sense, to get people to go to brownfield sites but you are aware that some of the areas that were originally thought of as good places for demolition are now areas where there is some recovery of demand. Equally, in places like my own constituency, the Government planning guidelines almost create a crisis of affordable housing where you get low wages but, nonetheless, a lack of supply

or a lack of capacity to build. I am not asking you to give a ready answer to this. What really I am asking is whether there are mechanisms in place so that as things change the template worked on from London is suitably adjusted?

**Mr McCarthy:** I hope I can give you some reassurance on that. If I illustrate that, first of all, by the housing market renewal pathfinders, our performance data for last year shows that actually we refurbished 200% of the homes identified for refurbishment. In other words, we have doubled our performance in one year in refurbishment and actually demolished slightly below the number. More importantly, we are going through a process now of looking at our programmes for the next two years for the housing market renewal pathfinders. We give them two-year programmes and we are seeing some adjustment to their plans through our encouragement. We are asking people to update their market analysis. We want to understand, is it now appropriate perhaps to retain some properties, which maybe had been earmarked for demolition, and already we are seeing some proposals coming in where there are still levels of demolition but actually they have been changed to reflect changing market conditions. I hope that gives you some reassurance that we are trying to be responsive and to stay ahead of those conditions, rather than just simply sticking to our numbers.

**Q71 Mr Oler:** I may have missed it somewhere within all the words, but do you actually have a strategy for making empty homes affordable? I know of no end of empty homes but they are not affordable by the people who want them. I wonder whether you have got any strategy at all within the Department of applying this to empty homes?

**Mr McCarthy:** There is not an overt strategy that talks about empty homes and making them affordable. There is a strategy to increase the net supply of new homes, across all of the markets in which we operate. We know also that the more empty homes that either we bring back into use or see replaced the more progress we are going to make, but there is not an overt programme that says empty homes and affordable housing is one particular programme.

**Q72 Mr Oler:** Do you think they should look at it perhaps?

**Mr McCarthy:** Other than when those homes are owned by social landlords, be they local authorities or housing associations, where each one that is brought back into use is another affordable home for renting or for shared ownership, usually for renting. I know, as a former housing association chief executive, that is exactly what you should be doing all the time, to try to make sure you stay on top of that empty homes programme.

**Q73 Anne Main:** Apparently, the Committee, prior to my being on it, asked you for your estimate of the actual cost of infrastructure required in connection with the Government's programme for housing in

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the Growth Areas. You did say what you plan to spend but not what the actual costs might be. Could you tell us now what the infrastructure will cost?

**Mr McCarthy:** I can tell you that we were briefing ministers on this earlier today and that you will see, I hope, further information on this when we report publicly on our response to the Kate Barker report. We have done quite a bit of detailed analysis of this so we are at the final stages of compiling, not just looking back but, more importantly, looking forward at the level of infrastructure provision that is required to deliver the homes that are needed, so we will shortly be in a position to share that with you.

**Q74 Anne Main:** As you know, some regional assemblies have not signed off their plan because they have not got the confidence that the money will be delivered for the infrastructure to be put in place. Have you a view on that? Have you an assurance for us, a comfort for us?

**Mr McCarthy:** Unfortunately, we are not from the Treasury. Secondly, I have to be very careful what I say because currently we are in the process of completing a number of Regional Spatial Strategies and the Secretary of State will be responding to the eventual plans that he receives. In this case, I think you make reference to, the East of England RSS. We are aware of the bid that they have made for the level of infrastructure funding required. I think they have different views about the level that is needed and I would hope that you would see, from the action we have taken for the use of our Growth Area funding and from the establishment of the Community Infrastructure Fund, that we are seeking to take that issue very seriously.

**Q75 Anne Main:** I do represent the East of England. I do not want to be parochial but there is a worry, and I think it is all over, that the infrastructure needs to go in in advance of the development or at the same time as the development. If they cannot agree exactly what is to be provided, how can they agree about the homes, and it is a chicken and egg thing, I know, but we do need comfort that there is the right level of infrastructure put in place?

**Mr McCarthy:** First of all, can I note that and secondly can I say that I think probably it is a combination of at the beginning, during and at the end. It depends on the nature of the infrastructure you are providing. We are acutely aware of the need to try to create the best market conditions possible, which includes the provision of infrastructure, which enables the number of new homes that are required to be built.

**Q76 Chair:** In fact, you do have an estimate of infrastructure costs for the Milton Keynes Growth Area, because it has been used by English Partnerships in their calculation of the infrastructure tariff, where they have assumed 75% will be funded from new developers and 25% from other sources. That number could have been given to the Committee because, presumably, you had it at the point when you were asked?

**Mr McCarthy:** Certainly, I am happy to share that. We need to be careful, that what we have been doing is looking at a range of data, including the Milton Keynes data, to give you an overall picture and to give ourselves an overall picture and you cannot apply the costs from one place to other places.

**Chair:** Indeed, I was not suggesting that. In fact, I would like to suggest that when you do give us figures you do not give us just the overall figure, partly because that would be an enormous sum and then everybody will assume they are getting it in their Growth Area, but also because it is a relatively meaningless figure. We need the overall figure but we need the figures of the infrastructure costs for each Growth Area, and again we need to make sure there is no double counting. If we could get that, that would vastly improve the quality of debate all round, I think.

**Q77 Anne Main:** That is absolutely right, but also a breakdown within the Areas as to what sort of funding would be going on, because people are concerned that certain aspects of infrastructure might be given greater priority than others?

**Mr McCarthy:** I understand that. Remember, (a) we are not in complete control of all the infrastructure and (b) we are beholden to the Treasury, as the rest of us are, in terms of how much resource we have available for this funding. We can certainly give you more information.

**Q78 Anne Main:** The second part of this question probably follows from that. A report for Defra by the consultancy ENTEC in 2004 suggested the infrastructure costs of implementing the recommendations, including the Sustainable Communities Plan, requires public investment in the region of £8.4 billion. Does the Department accept this figure, or does it have its own figure, which I suspect from what you have just said?

**Mr McCarthy:** We have our own. I can tell you, we have continued to work with ENTEC on the jointly-commissioned piece of work with ourselves and Defra to understand not just the costs but also the environment impacts, and this is the information, that we are close to completing our work on that.

**Q79 Anne Main:** I think you have just answered partly my question because my supplementary from that was and how much, if any, funding has been put aside for environmental impact assessments?

**Mr McCarthy:** We have not put a specific sum aside for environmental impact assessments. Of course, a lot of those have to be paid for by individual planning applicants. What we have done is, through our continuing work with ENTEC and Defra, is made sure that we have understood the environmental impacts of different levels of growth. We are looking at the macro level and wanting to understand where are the environmental impacts.

**Q80 Anne Main:** How can you do that without doing an assessment?

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**Mr McCarthy:** Environmental impact assessments are done for a large scheme, so you do individual assessments, but we can do an overall calculation using the information that ENTEC are providing us with and we will be publishing more information on that, I hope, later this year.

**Q81 Anne Main:** Will that include the impact not just on the natural environment but on the built environment, such as heritage?

**Mr McCarthy:** It does not deal with the impact on heritage. I think those are dealt with in different ways. I must draw your attention to the fact of the extent to which we are now getting successful development on brownfield land and through higher levels of density. Now, at the moment, we will build the one point one million homes planned in the wider South East on less land than the 900,000 homes that were due to be built in 1997. So we are already improving the use of our existing previously developed land and getting more homes on it.

**Q82 Anne Main:** In consultation with people like conservation and heritage groups?

**Mr McCarthy:** They have a voice, amongst others, as well as the voice of those who need those homes. They are all taken into account.

**Q83 Martin Horwood:** First of all, I would like to say, from the South West, that I share Ms Main's concern about the infrastructure costs, and that is a widespread feeling. In terms of the environmental impact, I would refer you to the work of the Environment Agency, which is based in my constituency, in Cheltenham, and you had better consult them before it is abolished, on the importance of the urban fringe and the value placed on that by people living in urban areas. My question really is about regional government, and indeed documents like the Regional Spatial Strategy, all 100 pages of it, going into minute detail, underline, I think, the perceived shift. It reflects your strategic Priority 5, in the Annual Report, of promoting the development of English regions and the shift that a lot of us perceive of power and responsibility towards a regional tier of government, whether that is the RDAs or the Government Offices or the offices of the regional assemblies. The original intention in your Department's policy was to have that going side by side with democratic development, which obviously hit the buffers somewhat in the North East. I would like to ask you whether or not the shift in power and responsibility to the regions is continuing despite any new progress on democratic accountability, or whether you are now going to reverse that, given the lack of democratic accountability, or whether you are going to continue with plans for regional elected assemblies?

**Mr Smith:** The White Paper "*Your Region, Your Choice*" which then published its plans around its vision for the regions, did always have in it a section on improving regional arrangements where there were not elected regional assemblies. The current policy really is about improving the way the current regional institutions work and work together, and

that includes the indirectly elected assemblies with their co-opted members, the RDAs, the Government Offices and also the Learning and Skills Councils. The current policy framework is to see what can be done to improve, to streamline the way the current regional arrangements operate and doing that in the context of looking at policies around other geographies, for example, the cities, for example, the strategy for local government with Local Area Agreements, so to try to get a set of structures where sensible things are done at a geographical level.

**Q84 Martin Horwood:** On the specific issue of democratic accountability, forgive me but the regional assemblies do not look and feel like very powerful democratic bodies. Certainly, the South West Regional Assembly meets very infrequently, for one day at a time, a lot of those days are taken up with workshop sessions rather than the kinds of debates or inquisition that we are carrying out today and they have none of the support that, for instance, this Committee would have, independent of the Offices, to question the policies that are being put before them. You talked about improving the ways of working; how is the democratic accountability going to be improved?

**Mr Smith:** I think, in terms of the democratic element, ministers do not at present have an intention of moving ahead with direct elections, which in the terms you are talking would be the only way to improve the democratic element. That, of course, is separate from working arrangements and the way business is dealt with and the possibility of the housing allocations coming to the regional assemblies to put alongside their planning responsibilities, and all of that is part of the current agenda. If you are saying are there plans to increase the democratic accountability, I am not sure that would be possible without moving further down the road of elected regional assemblies.

**Q85 Martin Horwood:** That is a useful clarification. In that context, is there not going to be a growing democratic deficit?

**Mr Smith:** It is not growing from before you had elected regional assemblies.

**Q86 Martin Horwood:** For the rest of England, your strategic priority in the Annual Report is to promote the development of the English regions and we are still seeing more and more powers going to the regional level, are we not?

**Mr Smith:** The powers that ministers are suggesting, particularly housing allocation powers, will be coming down from central government.

**Q87 Martin Horwood:** Really? Certainly, the South West Regional Spatial Strategy includes details on exactly where housing is envisaged around bits of my constituency. That seems to be a power which previously has been carried out at local and county planning level and which now, at the very least, has gone up in framework terms to the region?

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**Mr Smith:** I am sorry, I was talking about giving advice to central government on housing allocations in the region, which currently is done by the Government Offices, and the proposal is that we move under the Barker recommendations to the regional assemblies. From that view, it would be a central government function going to the regional assemblies.

**Q88 Martin Horwood:** The thing I have just described, the planning framework, is certainly moving up from county and districts to the region, is it not?

**Mr McCarthy:** Can I just clarify that. It did that in the Planning and Compulsory Purchase Act. As you know, we moved from Structure Plans to Regional Spatial Strategies and the regional planning body, which is part of the regional assembly, does not set that, it recommends a regional planning policy, a Regional Spatial Strategy, to the Secretary of State. It has not been delegated, decision-making powers other than decisions to recommend actions to Government and, you will be aware, that went through a democratic process in the House of Commons changing from Structure Plans to Regional Spatial Strategies.

**Q89 Martin Horwood:** It seems to me to suggest that powers have gone all the way from districts and counties right up to the Deputy Prime Minister?

**Mr McCarthy:** They are always recommended to the Secretary of State.

**Mr Unwin:** Can I just be clear that the powers Rob Smith was talking about, which again are going from central government, are the recommendations on financial allocations to local authorities and housing associations on housing. They will go from central government.

**Q90 Dr Pugh:** Can I just pick up on the financial allocations. I have seen a paper in the North West which has gone to an executive committee of the Regional Assembly which prioritises transport projects worth about £1.35 billion of its £800 billion and that more or less is going to be spent on trams. That is a very major, major decision for the North West, for all the communities in the North West, for all the businesses in the North West. That was made by a body which probably nobody knows exists, which is a creation that has appeared off the back of the collapse, to some extent, of the regional government agenda. Does it not concern you that such major, major decisions are made by a very limited number of people and does it not concern you also that, having prioritised huge transport projects like this, there is not some further process by which that can be either democratically tested or, at the very least, consulted on? You can imagine that businesses all over the North West do want to know where the roads are going to be built and the trains are going to be developed, or cancelled, or whatever. To have it made by a very small executive committee of co-opted people, is it not disturbing and do you not think something should be done in order to rein that in?

**Mr Smith:** I think, plans of that type tend to get reflected across various strategy bodies within the region, including the RDA, and I think there is significant consultation around the region on those major issues. Then that constitutes advice to Government about policy.

**Q91 Dr Pugh:** That is the crucial point. The consultation at the first stage is all very pleasant and very affable and everybody puts their projects in and everybody gets consulted on them. Then they make a decision and that decision goes to the Government without any recourse to a further process of consultation. What I am saying is that people are quite happy to put in their two-penny-worth but when the priorities are written down and it is decided what is going to be done and what is not going to be done that has enormous repercussions for the whole region. Therefore, there needs to be some further stage of accountability after prioritisation is done and not simply the list signed off and sent off to Government. Do you not think so?

**Mr Smith:** Clearly, there is a range of options about how you could consult further on these kinds of prioritisations. I do not think that ministers have any plans for that just at the moment.

**Dr Pugh:** Perhaps there ought to be.

**Chair:** It is clearly something we can take up when we have the ministers here.

**Q92 Mr Betts:** The new Firelink radio system, which we are all eagerly anticipating, as I understand it, now it is quite likely that some of the Regional Control Centres will be up and running before the Firelink system is installed. Is that the best way to go about things, to have a new control centre and then have to change the technology within a very short period of time?

**Mr Smith:** We are currently working on the plans for the interface between Firelink and Fire Control to make sure that, as both projects move forward, you get the best possible fit between the two. It is possible for the fire control rooms to operate under the existing technologies and for Firelink to be linked to the existing control rooms, so you have got some flexibility. The ideal would be to try to line up the control rooms and the Firelink technology as closely as possible.

**Q93 Mr Betts:** What I gather from that answer is that we are committing ourselves to a major investment in control centres, a major investment in Firelink and only now is the Department getting down to thinking about how they might relate to each other?

**Mr Smith:** There has been work on these interfaces which has been going on for a number of months before now. We needed to be clear about the need to keep refining that work as we were clear about the Fire Control decision, which was made only fairly recently, about the location and the number of the Fire Controls.

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**Q94 Mr Betts:** The principal decision on Fire Controls was made some time ago. Are you saying that we made the decision on the Fire Controls without thinking how it related to Firelink?

**Mr Kinghan:** No. The decision to go ahead with the Regional Control Centres was made and confirmed only in August.

**Q95 Mr Betts:** For the specific centres, the principal was agreed?

**Mr Kinghan:** No. The decision was left until after the general election to confirm. Ministers did consider, because, as I am sure you know, there has been a degree of controversy about regional control rooms, and a final decision was not made until after the general election and then announced in August.

**Q96 Mr Betts:** The locations were announced in August. I thought the decision actually to have Regional Control Centres was made earlier?

**Mr Kinghan:** No.

**Q97 Mr Betts:** Let me pick up the Firelink issue. In this brave new world of joined-up government, presumably you have attempted to learn some lessons from your colleagues in the Home Office about the disastrous implementation of the new systems in the Police control rooms?

**Mr Smith:** Certainly our experts talk to both the Police and to the Fire Service about lessons to be learned generally, in terms of introducing projects of this sort.

**Q98 Mr Betts:** Specifically, that is a very similar system, introduced for a major emergency service and unfortunately it did not work for months, and even now members of the public and police officers on the beat will keep telling you how bad it is, in terms of actually dealing with its job of receiving calls and passing them on. It does not work properly even now, does it, in many places?

**Mr Smith:** I think really that is something for Home Office officials to answer.

**Q99 Mr Betts:** Are you learning lessons?

**Mr Smith:** We are both in touch to learn the lessons and we hope the Firelink equipment will work as specified.

**Q100 Mr Betts:** One of the options you are considering basically is to extend the same system to the Fire Service, is it not?

**Mr Smith:** I do not think it is an identical system that we have specified.

**Q101 Mr Betts:** It is virtually the same, as far as I understand it. It is the same company, the same system?

**Mr Smith:** As you know, we have a competition at the moment for the Firelink contract.

**Q102 Mr Betts:** One of the firms under consideration, as I understand it, is the same system?

**Mr Smith:** It is the same supplier. I genuinely do not know whether it is right to describe it as the same system. Perhaps I could write to you about that.

**Mr Betts:** Perhaps we could have more information about that.

**Q103 John Cummings:** Could I follow on from that because I think it is a matter of extreme importance that I strengthen the argument made by Mr Betts. It is the same position prevailing in Durham and, quite frankly, this has gone on for 18 months. I am absolutely amazed that you have not had any feedback about this from your Regional Offices, having embarked on a new programme for the Fire Service. You are saying you are not sure whether there are lessons to be learned from the systems after they have been installed and which have been proved to be a disaster?

**Mr Smith:** I hope what I said was that we are learning the lessons from previous systems. Our experts are talking to the experts, we know about how the previous systems are working now, including regional people.

**Q104 Mr Betts:** What is the timetable now for making a decision?

**Mr Smith:** We hope that there will be a decision made and announced within the next few weeks.

**Q105 Chair:** A decision on what, precisely?

**Mr Smith:** A decision on the award. That was about the award of the Firelink contract.

**Q106 John Cummings:** Discussions have taken place between you and others. Would it be possible for this Committee to see minutes of those meetings?

**Mr Smith:** Certainly, I will see if I can provide that.

**Q107 Mr Betts:** One of the things which often cause controversy in our constituencies is when mobile 'phone companies apply for new masts. My understanding again is that, in looking at the successful bid on this issue, depending on which system you choose there has either to be a proliferation of new masts to deliver the necessary signals for the new service or, in fact, you will be able to manage without any extra masts, depending on which of the various systems is chosen. Is that a key factor, or a significant factor, that you will be looking at in determining how to award the tender?

**Mr Smith:** There is a set of critical factors around the specification of the two systems that ministers will be looking at when they come to make their final decision.

**Q108 Mr Betts:** Is that one of the issues?

**Mr Smith:** Clearly, one of them is about the way the systems will operate, but I do not want to speculate here on issues to do with planning around masts.

**Q109 Mr Betts:** I am not speaking about just the planning, I am actually speculating on the fact that if one system requires a lot of extra masts then the extent to which there might be some public reaction might be greater than if no extra masts were needed.

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Therefore, is not that a factor which ought to be taken into account when the decision is reached? It may not be the overwhelming factor or the overriding factor, it is not going to be the only factor, but should it not be a factor?

**Mr Smith:** All relevant factors will be taken into account.

**Q110 Mr Betts:** Is that a relevant factor?

**Mr Smith:** I think, genuinely, the environmental factors as a whole would be seen as being relevant to the decision.

**Q111 Mr Betts:** Will that issue of masts be one of the environmental factors which are considered?

**Mr Smith:** Ministers will take a broad view of how the operating systems work.

**Q112 Mr Betts:** Are you going to give advice to ministers?

**Mr Smith:** I do not know what weight ministers would put on that issue.

**Q113 Mr Betts:** I did not ask about weight, I asked whether it would be a factor that would be in the appraisal?

**Mr Smith:** It will be part of the description of the project that will go forward to ministers, yes.

**Anne Main:** If we are going to look at environmental health concerns over masts, any sort of mast, you cannot apply it just to those masts. As we know, there was a decision made that we cannot have health concerns, so unless you are looking at obtrusive street furniture I do not see why it would be any more of a consideration for the ministers. It would be for me. I would be very interested if it were considered a material consideration.

**Chair:** Mr Betts managed to bring out that it would be. It would be better if you tried not to undermine that view.

**Anne Main:** Perhaps Mr Horwood can extrapolate that from something else.

**Q114 Martin Horwood:** On the subject of the shift from the 46 local control centres to the nine regional ones, if I were mischievous I would explore the idea that you have to defer decisions which might be controversial until after general elections, though how you would know it was controversial if you had not taken it yet I am not sure. What I want to ask about is, if one of the rationales for doing this is as an efficiency saving, and we discussed earlier the difference between a cut and an efficiency saving as the latter preserves the same outputs, the same performance, that begs the question of how can you tell? The only way you can tell is by having, presumably, some kind of comprehensive impact assessment or a valuation of baseline data before and after this shift takes place. I would like you to explain how that is going to be done and whether it will be sensitive enough not just to look at things like overall performance data for the new regions but actually tease out whether in particular localities the service has been preserved or degraded. As I am sure you are aware, there is great concern in many of our

constituencies both about simple performance data, like response times, but also about things like local knowledge in these call centres and whether mistakes can be made, which, probably, statistically are not very significant but obviously are a matter of life or death for the people involved?

**Mr Kinghan:** We did have an extensive examination of the options before the decision to go ahead with the Regional Control Centres was made. The decision to go ahead was made on the basis that they would provide a more efficient service, that they would be better capable of dealing with potential terrorist threats and that they would provide a better service for local people. The question of whether or not local knowledge was important was, as I am sure you know, a big issue and the advice of the consultants and indeed the view of the Fire Service chiefs was that it was perfectly possible with modern technology to provide information which meant that local detail of knowledge was not a critical factor. As it is, in London, we have a London Control Centre, which did a good job in handling the aftermath of the bombs on July 7, and that Control Centre operates across the whole of London. I think to get really detailed local knowledge you are going down to a much smaller level than that.

**Q115 Martin Horwood:** My specific question was about how you are going to evaluate that. Is there baseline data now which is going to be local enough to be able to tell, after this is implemented, whether or not the service has been preserved at local level as well as just on average regionally?

**Mr Kinghan:** We have response times. I cannot answer the question at precisely what level they are kept but I can certainly check and come back to you about it.

**Mr Smith:** I think the response times would be kept at the current level, so it should be possible to make those comparisons.

**Q116 Martin Horwood:** Presumably, the data on incidents must be very specific, at the postcode level, so you should be able to cut it almost any way you want, for instance, cut it by constituency?

**Mr Kinghan:** I am confident that we will but we will confirm that in writing.

**Q117 Martin Horwood:** That is critically important to evaluating whether or not this has been a good thing or a bad thing?

**Mr Kinghan:** Indeed. I said earlier that ministers had not made a decision before the election. That was because this is a big decision and I think they needed to take account of all the issues that were being put to them and the information came together in a form that the decision could be made in August, which was when it was made. It was not a decision taken lightly.

**Martin Horwood:** I am glad to hear it.

**Q118 Mr Oler:** I have a question to do with technology, Madam Chairman. It just amazes me that the new Firelink radio system, to my mind, still has not been evaluated properly and still is not in

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place. Can I ask whether GPS systems are going to be used on all of the Fire Brigade appliances? If you are looking at regional centres that are hugely disparate in the areas that they serve, from the centre of Birmingham, in the West Midlands, to somewhere in rural Warwickshire, how on earth are you going to get the appliances to the right places? Are you going to use GPS, or not?

**Mr Smith:** My understanding is that GPS is a significant part of the fire control room.

**Q119 Mr Olner:** It has got to be a must, has it?

**Mr Smith:** I believe it is part of it, yes.

**Mr Unwin:** I want to come back on Mr Betts's questions about learning the lessons from the Home Office experience. As well as us talking to Home Office colleagues, as Rob Smith said, the Public Accounts Committee set out some pretty clear views on what they saw as having gone wrong with the Home Office contract and we took those into account in specifying and framing a contract for this competition. I would hope that the lessons as set out by the Public Accounts Committee to be learned from that project would be reflected in our contract for this one.

**Q120 Chair:** Are you confident that you will not be repeating the mistakes of the Home Office?

**Mr Unwin:** I certainly hope we will not be going back on those.

**Q121 Alison Seabeck:** On CPA, how many local authorities, based on the evidence and scores from the last CPA, would, if set against the new criteria, be expected to drop a grade?

**Mr Kinghan:** I do not know the answer to that question but nor, I think, does the Audit Commission.

**Q122 Alison Seabeck:** That was my next question really. Having discussed it with the Audit Commission, are there any exemptions?

**Mr Kinghan:** We know that this is a harder test and that therefore it is possible that local authorities will drop a grade. The point of the exercise has been to make the test harder. The Audit Commission consulted, as I am sure you know, on their proposals and went through a big exercise and announced only on Friday what they propose to go ahead with. I do not know whether there is any exemption of

how many would drop a band. I think my hope is that authorities will continue to improve and so that will not be an issue.

**Q123 Alison Seabeck:** Are you expecting those which achieve the higher standard to receive further freedoms and flexibilities?

**Mr Kinghan:** Yes.

**Q124 Martin Horwood:** A question on corporate identity. In the memorandum that you sent us, at Q16, you note that the cost of introducing the Department's revised corporate identity, brand and brand values was £52,117: good job, I have to say, as a former marketing consultant; that would be a very good fee. I noticed on the front of the Annual Report there is a logo with the strapline *Honi Soit Qui Mal Y Pense*, which looks like quite a well-established one to me. Can you tell us what the new corporate identity is?

**Mr Unwin:** I suspect that the answer you are referring to is talking about our strapline "Creating Sustainable Communities," which we developed as part of Excellence in Delivery last year and, alongside the Department's symbol, is on all our headed notepaper and all our signs, etc. That, I suspect, is the question you have referred to rather than to a new corporate identity that we will be launching in the future.

**Q125 Martin Horwood:** That would be about £17,000 a word. You are not serious that just that strapline is really what you are seeing from this project?

**Mr Unwin:** No, but changing all our signs and notepaper, etc. I do not know. Perhaps you could help me by saying where in the memorandum it is?

**Q126 Martin Horwood:** Question 16, on page 48 of the memorandum you sent in response to our questions.

**Mr Unwin:** I think the best thing will be if we offer you a further note on it.

**Chair:** That will be very helpful, so long as it does not cost the same amount of money. Thank you very much. I think it has been a very useful session. It has certainly given us a lot of I was going to say ammunition but that might be slightly unkind, it has certainly given us lots of thoughts that we can take up and pursue with ministers. Thank you very much.

## Tuesday 25 October 2005

Members present:

Dr Phyllis Starkey, in the Chair

Sir Paul Beresford  
John Cummings  
Martin Horwood  
Anne Main

Mr Bill Oler  
Dr John Pugh  
Alison Seabeck

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*Witnesses:* **Rt Hon David Miliband**, a Member of the House, Minister of Communities and Local Government, **Mr Phil Woolas**, a Member of the House, Minister for Local Government, **Yvette Cooper**, a Member of the House, Minister for Housing and Planning, and **Jim Fitzpatrick**, a Member of the House, Parliamentary Under-Secretary, Office of the Deputy Prime Minister, examined.

**Q127 Chairman:** Can I welcome the new ministerial team to what is a new ODPM Select Committee. It seems an extremely good opportunity at the start of this Parliament to explore the ODPM priorities and the intentions of the Department. Can I just get over a practical matter right at the beginning, which is that it would be helpful to the sound recordists if the Ministers could say one after the other who they are so that the sound recordists will then be able to recognise your voices and allocate your remarks to the right person.

**Jim Fitzpatrick:** Jim Fitzpatrick, Parliamentary Under-Secretary at the Office of the Deputy Prime Minister.

**Yvette Cooper:** Yvette Cooper, Minister for Housing and Planning.

**Mr Miliband:** David Miliband, Minister of Communities and Local Government.

**Mr Woolas:** Phil Woolas, Minister for Local Government.

**Q128 Chairman:** Thank you very much. Can I start off with the first question to you, David, which is to explore the way in which the Department is going to be operating given that it is one of the few departments that now has two Cabinet Ministers within it. Could you give us an idea of how you have divided the portfolio up, how both of you operate in the Cabinet in regards to the Department, and to what extent your role is influenced by the fact that at present the Secretary of State is focusing on his role as Deputy Prime Minister because the UK has the EU Presidency?

**Mr Miliband:** Maybe before I do that you could just permit me a couple of introductory remarks to say that we are very pleased to be able to come before you at a relatively early stage in your work. The issues that are covered by the ODPM do affect every single citizen in the land whatever their age and wherever they live. Whilst there are some issues of party political division in the Office's portfolio, others are prime candidates for work by Select Committees hopefully along with government departments and that is the spirit in which we want to work with you both at ministerial level and at official level. I think I am right in saying that you have chosen to focus your first study on housing and housing supply, which is an area where the more

minds that are put to it the better and so we are looking forward to working with you on that. It is certainly a very wide-ranging area and we are keen to make sure that you get all the collaboration and cooperation necessary. In respect of the question that you asked, my job is to support the Deputy Prime Minister right across the range of the Office's responsibilities. We work together to lead the Department. As you say, part of the thinking behind the appointment was that the DPM has some significant responsibilities as Deputy Prime Minister, most notably at the time of the European Presidency but not confined to that because obviously there are Cabinet Committee responsibilities, chairing Cabinet Committees and other responsibilities that go with being Deputy Prime Minister. I think that informed the decision to have a second Cabinet Minister.

**Q129 Chairman:** So there are not special areas of responsibility where your responsibilities differ?

**Mr Miliband:** No. We thought it was important from the outset not to split the Department in half or in any other proportions. I support the DPM in the Department right across its responsibilities.

**Q130 Chairman:** In what sense are you both needed in the Cabinet?

**Mr Miliband:** I think the fact that the DPM has so many responsibilities as part of his job as Deputy Prime Minister. In six months of our European Presidency those responsibilities take him abroad a lot, but at other times he has responsibilities that go with being DPM. The Prime Minister and the Deputy Prime Minister agreed it would be useful to have a second Cabinet Minister in this Department. Obviously it is not unique. The Chief Secretary of the Treasury sits in the Cabinet and the Minister for Europe attends the Cabinet. I do not know if that means he gets a Cabinet salary as well, but he attends. We do not have a vote so it has not come to that. It is not without precedent.

**Q131 Chairman:** Turning to the review on the ODPM policies, what conclusions have you reached thus far? How is the "core narrative" that has been published going to affect your programming?

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**Mr Miliband:** It was not a review that I conducted, it was a review that the whole ministerial team conducted with the board and civil servants in the Department. I think you will find that most departments take the opportunity after an election to take stock, to look forward four or five years and think how they can deliver most obviously on the manifesto commitments on which the Government was elected. We are in the fortunate position in the Government that a series of departments have published five-year plans, we even had two in January and in March, and so we have quite a significant policy base on which to look forward to the four or five years of work that are ahead of us. Our intention with the stock-take of departmental activity was to try and ensure that we did have the focus and the drive in the right areas and that we were able to deliver on the manifesto on which we were elected. My aim and the DPM's aim is that every single person who works in the ODPM or with the ODPM knows two things: firstly, that there is real clarity behind the idea of sustainable community, which is the defining idea of the Department; and, secondly, that when they come to work in the morning they are involved in a project that has clear links to that overall goal. That is why in the documents we sent over we set out the 11 critical areas that were focusing on five key ideas that exemplify the strategic goals and then four other really critical projects and then two crosscutting responsibilities that we have got. Our intention is that that gives a focus to departmental activity that is important in any organisation.

**Q132 Sir Paul Beresford:** Does stocktaking include a review of the budget?

**Mr Miliband:** The budgetary cycle is not always perfectly aligned to the electoral cycle. Obviously it is important as part of the review of our activities and as the preview of our activities that if we are looking forward, notably beyond the Spending Review cycle, we think about financial issues as well as policy issues. Our shared goal is to make sure that the goals of the Department, the programmes of the Department, the institutions it works with and the funding are all properly aligned to ensure that we deliver properly.

**Q133 Sir Paul Beresford:** So you are going to meet your portion of the efficiency savings that the Government is looking for, are you?

**Mr Miliband:** It would certainly be very unwise for me to say otherwise. There is a very strong ministerial interest in doing so because the more we can deliver on efficiency savings the more we can make sure that our priorities are delivered on the ground.

**Q134 Sir Paul Beresford:** What are the efficiency savings?

**Mr Miliband:** There are efficiency savings that belong to the Department (and our Departmental Expenditure Limits are called DEL) and there are efficiency savings in respect of local government. In respect of our own activities, you talked to a senior

official last Monday about it. The Committee had a discussion with him about the difference between £620 million and £681 million that are the savings that are being sought, but obviously in respect of local government there is a challenge in the Gershon efficiency agenda. I am pleased to say that local government, on the figures that have been published, outperformed the Gershon targets that were set for efficiency savings and that illustrates a more general point, which is that efficiency goals are not a ceiling, they are a floor.

**Q135 Chairman:** You will know from the discussions we had with the officials last week that we were concerned that the Department's efficiency savings were largely aspirational, they were intended for this coming year and beyond and there was very little that so far had been delivered. We accepted that there had been relatively low efficiency savings planned, but that does mean it is all very aspirational and not a great deal has actually been achieved.

**Mr Miliband:** In respect of local government that is maybe a little unfair.

**Q136 Chairman:** We were talking about the Department itself.

**Mr Miliband:** Within the DEL?

**Q137 Chairman:** Yes.

**Mr Miliband:** Peter Unwin tried to set out the reasons for that scheduling and obviously we have got to make sure that we deliver on them.

**Q138 Sir Paul Beresford:** The local government savings are actual cuts in budget, are they not?

**Mr Miliband:** The budget is rising. The budget at the end is less than the budget would be if you did not get the savings.

**Q139 Sir Paul Beresford:** Does that apply to your Department's savings as well?

**Mr Miliband:** They are certainly factored into our three-year budgeting exercise that we do with the Treasury and we are absolutely determined to deliver on them.

**Q140 Sir Paul Beresford:** Last year when we had this discussion it turned out that the savings were going to be recycled and the taxpayer would not have had any gain. Is that correct now?

**Mr Miliband:** These are three-year settlements. The old system was one where whenever the Department saved any money the Treasury came along and said, "Thanks very much. We'll have that." The three-year budgeting exercise means that if we make any savings in-year we can carry them forward into the next year. At each Spending Review it is open to the Government as a whole to decide whether it wants to reward people for the efficiency savings they have achieved or take them away.

**Q141 Sir Paul Beresford:** So effectively they are as last year, they are going to be recycled?

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**Mr Miliband:** We have moved on to three-year spending which I think is seen as a good thing right across the political spectrum, not a bad thing.

**Q142 Anne Main:** You said earlier that there is real clarity behind the document for sustainable communities. We have some budgetary concerns. For example, on the total costs for renting affordable housing, this will need a public subsidy of £50,000 per dwelling. This has been the figure estimated in Hertfordshire, south-east Bedfordshire and Essex. If there is this clarity between departments, are there appropriate mechanisms and sources of funding for the delivery of this?

**Mr Miliband:** I hope it is alright if I ask my colleague to answer that specific question, Chairman.

**Chairman:** I think we may have leapt on in our questions.

**Q143 Anne Main:** I am not talking about infrastructure, I am talking about the crossing of departments where the Government is going to have to be, for example in sustainable communities, looking for subsidies for dwellings and I am just wondering which pot this is going to be coming out of.

**Yvette Cooper:** Are you talking about funding for affordable housing?

**Q144 Anne Main:** Yes, social, rented, affordable housing for the three counties I have just mentioned.

**Yvette Cooper:** The funding for affordable housing will come primarily from two sources. There will be some that comes from Section 106 agreements and from local arrangements, but the main amount comes through the funding that goes through the Housing Corporation. They do have efficiency satisfaction targets that they are expected to make and in fact they have made quite considerable progress in terms of their savings over the last period. They look at things around procurement, possible savings around a whole process, about the way in which homes are commissioned and such things in order to make those savings. They have been relatively successful to date in terms of the savings that they have made.

**Q145 Anne Main:** You mentioned the Section 106 agreement. The £50,000 per dwelling figure Timms was commissioned to look at and the developer's subsidy was estimated to be £20,000 plus free land. You are confident, are you, that the efficiency savings could be delivered on a local level to deliver that subsidy?

**Yvette Cooper:** We think that the Housing Corporation is already delivering savings in the way that it procures homes for affordable housing. We also are trying other and innovative ways to try and get savings in different ways, for example by widening the number of providers who can come forward and build affordable housing so that it is not simply done by RSLs, other private house builders can come in and do so. We are also hoping that the RSL sector and social housing sector will benefit alongside the private house building sector from the

design to manufacture competition to build a house for £60,000 which is underway at the moment and which there has been a lot of interest in, because we think that this is another way of reducing construction costs as well which is something that we need to push forward into the future.

**Q146 Chairman:** I want to take us back to the "core narrative" document. The second critical project is "supporting robust local government finance; securing a strategic role for local government". We had a discussion with the officials last week about the consequences of the Lyons Review being extended by a year so that the current system of funding local government is likely to continue at least until 2007 if not beyond. How are you going to support robust local government finance given that a decision on any reform of the council tax has been put off for a considerable length of time?

**Mr Miliband:** This is something I have been working with Phil Woolas on. I am very happy for him to chip in. The Lyons Review has been set up to look at the reform of council tax, but our responsibilities in terms of running the system remain and obviously we have to make sure that we take an appropriate approach to the setting of council tax next year and the year after and that is what we are determined to do.

**Q147 Sir Paul Beresford:** Are the local authorities going to be able to use the same sort of smoke and mirrors that your departments are using on efficiency savings?

**Mr Miliband:** I do not recognise that description.

**Q148 Sir Paul Beresford:** I think local government does.

**Mr Miliband:** I do not know if you are saying that the local government numbers that have been produced by local authorities themselves are smoke and mirrors; that is something that I would not want to say.

**Q149 Sir Paul Beresford:** Neither did I.

**Mr Miliband:** Good, in that case we agree. I certainly would not want to say that dedicated public servants or people who volunteer to stand for election on their council would put forward figures that are not robust. I think they are as determined as we are to make sure that we get the money to the most important places.

**Q150 Sir Paul Beresford:** You are sliding round the question. Perhaps I will come up with a slightly different one. Is the Department going to go out of its way to help local government reduce costs, because a considerable proportion of their costs, particularly those that go directly into the council tax and are exaggerated by gearing could be removed if the Department stepped back from its leaning on local government? I am thinking of CPAs, all the inspections, the audit inspections and the bureaucracy that is required by any action virtually that local government wishes to do.

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**Mr Woolas:** In answer your first question, the overwhelming priority of our policy on financing is to provide stability and to provide predictability, hence the advantage of the goal of setting three-year settlements and to align those three years with the three year overall Government Spending Reviews. Within that policy we accommodate the Gershon agenda which is designed to deliver savings for improvements to front-line services and to reduce pressure on council tax. As for your second question, is it the policy to reduce the burden, the answer to that is an emphatic yes. The changes that have been made already in the Audit Commission CPA regime do that, the moves towards the smaller number of inspectorates do that and the reduction in performance indicators, particularly backed up by the development of local area agreements, also do that. I can report that the central and local partnership that we have with local government has a cross-party consensus on those two overwhelming goals. Obviously you will want to discuss over the course of months and years whether we are achieving those and whether we are on target, but I think it is a fair point that has been made.

**Q151 Alison Seabeck:** I want to ask you about local government funding and re-valuation. At our last evidence session I asked Neil Kinghan if the ODPM had shared any data with Sir Michael Lyons prior to the decision being reached to postpone the re-valuation. Mr Kinghan said the Department had not had a report from Sir Michael Lyons. On the following day in the House of Commons Sarah Teather for the Liberal Democrats quoted a figure of 2.2 million losers. I should add that I also asked Mr Kinghan how many winners and losers there would be in the process. Sarah Teather quoted a figure of 2.2 million which she had gleaned from a meeting of SIGMA at which a minister from the ODPM had given those figures. Can you tell me how the Department got those figures? Are they based on any information gleaned from the re-valuation or from another source?

**Mr Woolas:** I am very grateful for the opportunity to deal with this because this issue did come up on the floor of the House as well as in that meeting in the Committee corridor of the Special Interest Group of Metropolitan Authorities and I think there has been some misunderstanding as to the nature of this information. During the course of the summer, before our announcement on 20 September, there were many varied estimates as to the potential number of winners and losers as a result of the proposed re-valuation exercise and that number and variety of estimates was perpetuated by the reported situation in Wales. The 2.2 million figure is one of the figures that was used and is derived from the fact that that figure is 10% of 22 million, which is the total number of homes that would be re-valued in an English re-valuation exercise. The figure that was quoted has no official status. It is one of a number of estimates that were in the public domain. It would not be possible to give absolute estimates before any banding consideration were given.

**Q152 Alison Seabeck:** So this has not come from Sir Michael Lyons?

**Mr Woolas:** No. The figure of 2.2 million came from the fact that one of the comments that had been made in public, in response to the debate, had been that if only 10% of homes were to have their bands changed, then that would be the number. I would just like to say for the sake of clarity that the other statistic that has been used is the figure of £38 million which was the budget estimate made by the Valuation Office Agency as to the potential costs of dealing with appeals following re-valuation. That figure was in the public domain from a parliamentary answer that had been given in July.

**Q153 Alison Seabeck:** On the issue of costs, how much has been spent so far on re-valuation and how much has been saved? If we do not have another re-valuation until 2010 or beyond I assume current data will be a bit useless and we will have to start all over again.

**Mr Woolas:** The most accurate figures that we have on this information is that £45 million has been spent on the preparation of the re-valuation, which is a resource that can be of benefit in future work and future re-valuations. That is essentially in lay terms data capturing and computerisation. Of course one needs to update the data, but that would be a cost that was there anyway. Around £15 million was money that was spent in preparation that will not have a pay back. There were various figures used in the budgeting exercise. The most accurate figure that we had at the time was of £38 million budgeted for the potential cost of appeals, not all of which would be extra money. I think the figure was £140 million including all the costs. It is not possible to provide exact budget figures because some of the work for a re-valuation exercise is work on fixed costs and the Valuation Office Agency will not have it. There is no doubt that, as we explained in our statement and as we explained in the debate in the House, we announced the decision when we did in part to avoid further costs being incurred that were unrecoverable.

**Mr Miliband:** For the record, the report that Mr Kinghan was referring to was the report that Sir Michael Lyons is publishing before the end of the year.

**Q154 Alison Seabeck:** In the autumn?

**Mr Miliband:** Before the end of the year.

**Q155 Chairman:** If ministers did not have a detailed analysis of winners and losers, what was the basis of their decision to delay the process?

**Mr Miliband:** We laid this out in our statement on 20 September, which I think was printed in Hansard on 10 October when the House came back from its summer holiday, which is that we had had discussions with Michael Lyons on his work so far. We also knew that there were significant changes underway in local authorities, changes to the development of children's trusts, changes to the development of the work of the police on neighbourhood safety issues and changes to do with

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the devolution of powers to neighbourhoods. Secondly, we knew that there were significant changes in the local government finance system as well, most notably the move to three-year budgets. Thirdly, we were concerned to ensure that the financial reform should follow confidence and understanding about the changing role of local government and clarity about how those arrangements bed down. We think that the financial reform of council tax or re-valuation needs to follow that debate about the functions. Michael Lyons himself said that he believed that well-founded representations about reform of council tax needed to be based on a greater public and elite level of understanding and consensus about the role of local government in national life.

**Q156 Chairman:** When can we expect a fairer system of council tax to be introduced? What is the timescale?

**Mr Miliband:** There are obviously changes that can be made in the short term within the existing legislative framework. Last week in early PM questions I was asked about council tax and benefit take-up which is an important part of this whole agenda. Those things can be done in the short term. In the longer term the timetable we set out is for Sir Michael Lyons to spend the next six or seven months or so looking at this changing role of local government, to turn in the second half of next year to the financial issues and report at the end of 2006, and that fits very neatly with the Comprehensive Spending Review that is now scheduled to complete in the summer of 2007.

**Q157 Mr Oler:** This concerns me a little because we are moving down avenues of regionalised police forces and what have you and there will be various precepts for fire and rescue and for the police coming from an amalgamation of authorities. How is that going to be dealt with? When do the re-valuations get that sorted out? There are vast differences between values of properties in neighbouring areas. Will it be one precept that is being taken for police and fire and rescue in the future?

**Mr Woolas:** There are parts of the country, as Members will know, where the precept for authorities that cut across unitary and two-tier authorities are already in place. The upper tier authority in local council terms is the basis for the raising of the precept, but obviously the point that has been made is one of the points that have to be considered in the re-configuration of any police authority, as and when that takes place.

**Q158 Mr Oler:** How much work have you done on that?

**Mr Woolas:** In the review of the funding formula the police precept is obviously part of that consideration which the Home Office leads. In moving towards any possible changes in that one has to then determine the building authority which differs in different parts of the country and we estimate that work is quite straightforward and does not form a significant part of such preparations should that take place. It may

be worth adding that the significant cost pressure in the police and fire services is pensions, which is another major priority that is covered in the report.

**Jim Fitzpatrick:** I would like to respond to Mr Oler's supposition that we are going for regionalisation of fire services. I know he is aware that we had the Opposition half-day debate on this very question. We argued quite strongly from the despatch box that there is no imposed regionalisation structure for the Fire Service. However, as a result of the 2004 Act, because of the Baine Inquiry, because of an assessment of certain aspects of fire policy, resilience being the most important one, the ability of the fire and rescue service to respond to a major disaster, whether it is a terrorist incident or a natural disaster, there has to be closer cooperation and collaboration between fire authorities at a regional level to be able to cope with the scale of the potential disaster. There were other suggestions pointed out by Baine and by the Act in respect of recruitment and training where some of the smaller brigades do not and cannot operate a full-time training centre but where on a regional basis it would be much more appropriate. On procurements, again smaller brigades are not able to command in the marketplace the ability to make the savings which they are able to achieve. So we are moving towards more cooperative and collaborative structures. We obviously have announced the regional control centres which we can discuss if you want to move on to that because this clearly is an area where we could only achieve the level of resilience and the ability to operate at an appropriately efficient level for the service and therefore for the safety of fire-fighters and the public were we to go for that kind of a framework. We have regional resilience fora across the country. We believe the London Regional Resilience Forum is the furthest forward in terms of its planning and its ability to deal with incidents. The 7 July bombing's demonstrated very effectively why it is so important that we have these regional fora where all the emergency services and local authorities and businesses, health and others can get together to plan for disasters which we can now anticipate, whether they are major floodings such as in Boscastle, in Carlisle and Yorkshire, whether it is the 7/7 bombing or whether it is a factory building collapsing like we had in Glasgow where 14 people died. The ability and the need for the service to respond to these major incidents requires the ability of the service to operate at a different level than that which it has been used to. The Office of the Deputy Prime Minister has bought for the service what is called New Dimension Kits, which include high volume pumps for flooding, which is detection, inspection and monitoring equipment for chemical incidents and prospective dirty bombs, and search and rescue equipment which is for collapsed buildings and the like. This is several hundred thousand pounds-worth of equipment which brigades on their own would not be able to afford. We have purchased this equipment. The regional control centres is a £1 billion project. The firelink radio system, for which we are hoping to announce

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the winning tender of contract for within two or three weeks, is another aspect on the back of the September 11 World Trade Centre bombing. On the back of an inspection of the Service's ability to respond to these 21st Century disasters, we are putting a lot of money into the service to help it to modernise to enable it to respond to anything in terms of protecting the public that may have to come its way.

**Q159 Sir Paul Beresford:** I would like to take us back to the re-valuation. Thank you for that very full response. I will be using it when I go back to my own fire service. Re-valuation, would I be right or wrong to read into the delay that you are having second thoughts about the fact that local council taxation of whatever form should be based on a property valuation?

**Mr Miliband:** No, that would not be the right conclusion to draw. The Balance of Funding Review looked into this in—

**Q160 Sir Paul Beresford:** Keep going. For a change that is music to my ears.

**Mr Miliband:** The Balance of Funding Review looked into this. It concluded that a property base was the right base for local taxation and that remains the Government's position.

**Chairman:** Let us move on to sustainability and cross-departmental work.

**Q161 Martin Horwood:** Can I just commend you on your frequent use of the word sustainability throughout the annual report. It is the most used word in the entire document. We have had a copy of your 'core narrative' which uses it almost as much, although, strangely, not amongst the three core values which I find odd. Obviously there are different aspects to sustainability including economic sustainability and so on. One of the five key drivers you identify for a sustainable community is a good physical environment and you define this as clean, safe and environmentally sustainable. How do you define environmentally sustainable in this context?

**Yvette Cooper:** Environmentally sustainable would obviously cover a range of things and would not simply apply to areas of new housing growth where there are obviously specific issues that are raised, but also to existing communities, to housing market renewal programmes and to a wide range of programmes that we do. By environmentally sustainable we would mean including the contribution that we make towards the overall climate change programme that Defra is obviously leading, things like the improvement to the energy efficiency standards of buildings, issues around the green belt and wider environmental issues like the increase in the development of brownfields. I think we would use it to cover a range of different aspects of environmental sustainability.

**Q162 Martin Horwood:** That does not sound quite like a definition to me. Would you accept anything along the lines that something is sustainable if you can keep on doing it indefinitely without negative environmental impacts?

**Yvette Cooper:** I think you always have to have a balance. There are all kinds of things that you are trading off in different circumstances. There will be some things that will have consequences or costs to particular aspects of the environment that will be balanced by benefits elsewhere. I do not think I would accept your particular definition. I also think that you have to have a broader approach to this. I do not think you necessarily need a precise definition to be able to communicate what it is you are talking about.

**Q163 Martin Horwood:** I do. We can agree to differ on that. For instance, if you take the concentration that is certainly emerging in the Regional Spatial Strategy in the South West of concentrating development on principal urban areas where there is already high demand for housing and I gather that is an issue in the South East as well, do you think that constant concentration of new development in areas of high demand is sustainable in whatever definition you use?

**Yvette Cooper:** Yes, I think it is sustainable. I think it is unsustainable not to meet housing needs for the next generation. We have a growing ageing population and growing demand for housing which is a result of people living in single-person households compared to 10 or 20 years ago. I think we have had a very big increase in demand for housing, so much so that we have seen a 30% increase in the number of households over the last 30 years but a 50% drop in the level of new build. That is not sustainable. The only sensible approach to sustainability is to work out how you are going to address that housing need and that housing demand in the future. As part of that you have to make sure that it is environmentally sustainable, you have to make sure that you take account of things like water needs, things like the countryside in the area and improving energy efficiency. You also have to look at the sustainability of the community and make sure that you are not simply creating dormitories where everybody travels some distance to jobs elsewhere with all the impacts that this will have on increased traffic, transport use and the environmental consequences that this engenders as well. I think there are a wide range of environmental considerations that you have to take into account in order to make sure that it is both environmentally sustainable and also sustainable in terms of communities and housing need as well.

**Q164 Martin Horwood:** I think this is why it is useful to have a definition. If you went back to my definition of the ability to do something indefinitely without harmful impacts then I would have thought the idea of keeping on building in the countryside around principally urban areas is not sustainable. Even if you look at things like short car journeys, which are important, one of the effects again of

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trying to avoid what you call dormitory towns is that you take away the development from small market towns and villages which are dying through a lack of shops and schools and are suffering from a lack of new families. Obviously the issues of homelessness and housing supply are vital issues and this Committee is certainly going to be addressing those. I want to press you just on the question of the environmental sustainability of what you are potentially doing to the countryside which you have referred to quite a lot.

**Yvette Cooper:** Let us be clear what we are talking about in terms of the countryside because there are an awful lot of myths about this. We have increased the proportion of new homes being built on brownfields from 57% in 1997 to over 70% today, which is a huge increase. If you look at the different scenarios for housing growth that were put forward by Kate Barker and the highest level of housing growth that she had proposed, which is more than doubling the level of new houses being built; even at that level you are still affecting less than 1% of the undeveloped countryside and the undeveloped area across the South East. It seems to me that there are a lot of myths that are put out about the impact on the countryside. I think you can keep the priority for brownfield development and at the same time support new houses that we just desperately need.

**Q165 Martin Horwood:** You talked about 1% of the countryside. I would refer you to your own Countryside Agency's work on which percentages of the countryside are most used. I suspect that that 1% is in the most used part of the countryside, which is on the urban fringe. I think they calculated something like 80% of visits to the countryside were conducted around the fringes of urban areas. I would refer you to that Agency's work.

**Mr Miliband:** A recent report showed that we are one of the most urbanised countries in Europe. We have 8% of land urbanised compared to a European average of 15%. I think it is important to keep in perspective the challenges that are being put around. The maximum Barker figure involved less than 1% as the amount of development in the countryside. I think that does put it in perspective.

**Q166 Anne Main:** Currently in some areas—and I know this is definitely the case in St Albans and I sure other Members will tell you the same—there are environmental deficits because we have air quality and noise quality management areas. These are not being addressed currently. Do you not feel that you need to address the deficits the environment currently has before adding to them, which is what your proposals will do?

**Yvette Cooper:** If the question is whether it is right to improve the local environment then in every part of the country that must be absolutely right.

**Q167 Anne Main:** It is not happening now.

**Yvette Cooper:** It is why local councillors are doing an awful lot to improve the local environment, whether it is by running clean-up campaigns, addressing problems of fly-tipping or graffiti right

through to improvements in air quality. Local authorities are doing a lot on that. It is right that they should do more on it. We also have to recognise that many of the pressures that we face are those which are caused by a growing population and growing changes in attitudes and aspirations and lifestyles, for example growing car use, which is something that is facing every single area regardless of whether or not it is an area which is seeing new homes being built. I think you need to carry on addressing those. The consequence of saying you need to do more in that area is to say that we are not going to build any new homes and we are not going to provide the housing that the next generation needs and that is just keeping your head in the sand, it is just bonkers.

**Q168 Anne Main:** Most authorities will tell you, if they have an air quality management area, that all they have to do is identify it, they do not have to deal with it and they have very few tools to deal with it. There is the constant pressing feeling from many authorities that the Government is not helping them by adding to their car use. Has there been any improved mapping of regional assets, including the mapping of water? Do you propose any? To make sure things are truly sustainable is there going to be improved mapping of our regional assets including our water as well?

**Yvette Cooper:** As you will be aware, part of the Regional Spatial Strategies is to look at the need for water across a region and in addition to that the assessments that take place through the water industry and through OFWAT are all about what is the need for water. They have a statutory obligation to look at what is the need going to be in the future and to deliver that. A lot of that analysis takes place and is an obligation of the statutory processes that we already have.

**Q169 Anne Main:** And you are confident there is enough water in the right places to supply these houses?

**Mr Miliband:** We are not allowed to build if they do not because the Environment Agency has got an absolute key role in the plans. Anyone will tell you that the Environment Agency is a rigorous enforcer of its role.

**Q170 Anne Main:** That is not how it often comes out. It often comes out as a technical problem getting water from one place to another. In terms of minimising the use of water, will you be looking at the planning system to make sure that Houses are built to a standard, and which standards would you be looking at?

**Yvette Cooper:** We have standards in place as part of the building regulations. We are also setting out as part of the Code for Sustainable Buildings, which we will publish before the end of the year, a process of being able to set out improved standards for the future. We have already said that we want all of the publicly-funding housing to meet the Code for Sustainable Buildings because we do think you need to look at issues around water demand and water

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management for the future. In fact, you need to do that regardless of the number of homes that you have because a growing population uses more water in terms of the number of showers or times people flush the loo or whatever. These are things that are caused by growing populations, not simply by the growth of new housing.

**Q171 Anne Main:** Will you be looking through the tax system, since we are cutting across various departments, to make it advantageous to install things like solar panels, for example?

**Yvette Cooper:** As you would expect, we do not come to Select Committees to comment on the Chancellor's Budget process. There is already a series of tax measures that are in place which are about promoting environmental measures, and I think that is something you should probably contact the Chancellor about.

**Sir Paul Beresford:** All of us would recognise that there is a general need and a positive backing for developments in the Thames Gateway, but water is one of the big problems. Thames Water have talked about it and the Environment Agency is deeply concerned. If the point being made by Mr Miliband is that there will be no development until the water question is sorted, will that mean a delay?

**Yvette Cooper:** The Environment Agency is already heavily involved and so are the water companies in the plans for new growth areas, and they have been for some time. We believe that the developments are continuing, they are taking place and we are seeing considerable housing growth starting to take shape in the Thames Gateway. I do not anticipate this being a huge problem, because everybody is working together to address any problems that arise.

**Q172 Sir Paul Beresford:** That is not quite the way it is coming over in the press. I know they are not always right.

**Yvette Cooper:** You may believe everything you read in the press if you want to.

**Q173 Sir Paul Beresford:** I did qualify that, but this is persistent.

**Yvette Cooper:** It is always the case that things get reported in the press—all sorts of things appear in the press. We actually had more issues raised around Ashford than around water in the other growth areas, and the ODPM is actually funding the Environment Agency to look into the water needs of the area and to develop what is called an integrated water management strategy for Ashford. These things are taken very seriously throughout the growth areas; I do not think they are insurmountable problems for the growth of new housing.

**Q174 Chairman:** Can I try and pick up another issue in relation to the growth areas, which is that in order to deliver on the various growth areas, many other Government departments outside ODPM also need to be delivering, both on the funding of capital schemes and on making provision in the forward revenue plan for the fact that populations in those

areas in the future are going to be very significantly larger than they are at present. Are you happy with the current level of cross-government working in relation to the Sustainable Communities growth agenda, and are you confident that you will be able to get other departments to deliver their part of the growth agenda?

**Yvette Cooper:** Obviously you will know that some changes have already taken place as part of this; for example, in education funding we now have a trigger mechanism which means that in areas where there is high growth in housing or where there is a sudden increase in the need for schools as a result of a growth in pupil numbers, there are particular capital budgets that they can draw down, and that has already taken place in some of the growth areas.

**Q175 Chairman:** But in education, for example, the Learning and Skills Council has flatly said that it has no provision within its funding mechanism for taking account of growth.

**Yvette Cooper:** Let me just finish my answer on the things that I think have changed already. In health funding as well there have been changes in the funding of PCTs, so health funding has started to take account of future population growth rather than simply the previous figures as well, so those changes have already taken place too. We have also seen, I think, commitment from other agencies and other organisations across government to support the infrastructure funding that we need, whether it is transport infrastructure funding or through Learning and Skills—the Medway University, for example. That sort of future funding which is needed is not simply about the population growth and the new housing, it is actually about supporting the economic regeneration that we need to make communities viable and sustainable. We think, therefore, that there has been a strong commitment across the Government to supporting this; some changes have already taken place and we are working with colleagues right across government to try to support this into the future.

**Mr David Miliband:** This is a good area to push on, because if you look at how we define a sustainable community, the drivers that we have identified really call on a large number of government departments to come together. The revealed preference of Government is not to be the most perfectly joined-up organisation in world history; however, I have been struck in the last six months that if you look at the test cases, which are the growth areas along the Thames Gateway, I sense a real urgency on the part of other departments to take this seriously. The figure is £13 billion of infrastructure investment in the Thames Gateway alone, there are major decisions coming up, notably in transport, and we are engaging with the Department of Transport. There is also—and you hinted at this, Chairman—a responsibility for us because local authority funding formulae can anticipate changes, and maybe Phil could just say something about the consultation that is under way at the moment, precisely on this issue.

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**Mr Woolas:** To reinforce that point, as you would know, Chairman, the consultation over the formula, which closed on October 10, does examine the issue of population growth trends as opposed to historic growth in the funding formula. As you will know, many funding formulas are on a per capita basis, which in some budgets is an annual head count, but in trend growth that is one issue that is very important. We are working with the Office of National Statistics very closely to look at exactly the point that you are making.

**Q176 Anne Main:** Will the infrastructure come before the expansion, or will it come after?

**Mr Miliband:** Are you referring to local government funding in particular?

**Q177 Anne Main:** I mean the development of it.

**Mr Miliband:** Let me give you an example. I went to Barking in the Thames Gateway not long ago. The infrastructure there in the form of a primary school is coming first, it is being built. In other areas it will come along at the same time, but they have got to go together. The whole point of a sustainable community is that they have got to go together.

**Q178 Anne Main:** Can you explain to me then why some regional areas have refused to sign off plans because they do not believe the infrastructure deficit will be met or that funding will be available at the right time?

**Yvette Cooper:** I know that the Eastern Regional Assembly have changed their position a number of times on all of this and that is a matter for them, not for us. Going through the proper process with the independent panel and looking at all of these things, we have made clear our commitment to providing infrastructure and we have started providing infrastructure in a lot of areas already. I do not believe it is our job to comment on their views.

**Q179 Anne Main:** You firmly believe the funding will be adequate then for whatever . . .

**Mr Woolas:** Are you referring to individual local authorities or to infrastructure within a region?

**Q180 Anne Main:** Infrastructure within a region.

**Mr Miliband:** Our commitment is to make sure that the infrastructure is there to support the housing, social and economic growth that is needed, and the statistic that Yvette quoted really does deserve dwelling on. Over the last 30 years there has been a 30% increase in the number of households and a 50% drop in the amount of new building. That is the dramatic challenge that we have to confront, because you do not have to be an economist to know that this is the fundamental cause of the anxiety of literally millions of people about whether their kids are going to be able to get on the housing ladder.

**Q181 Anne Main:** You do not believe that they should dwell on the statistics of infrastructure deficit then.

**Yvette Cooper:** Let us be clear, we are already putting a lot of funding into infrastructure, so if you look at the transport infrastructure there is about £3.5 billion going in through the local authorities and Highways Agency major transport projects, we have £3.5 billion across the Thames Gateway and the other areas; we have got additional investment going in through health; additional investment going in through education, and in addition to that we have specific programmes that the ODPM is involved in, including the Growth Areas Fund which is £400 million to the three growth areas, in addition to a further £850 million for the Thames Gateway and on top of that we have the Communities Infrastructure Fund, so there is a lot of investment going into the growth areas and into the Thames Gateway. We do think that there is an issue about needing to support more infrastructure into the future; that is why we have been looking at the Barker Review recommendations around things like planning gain supplements and it is also why English Partnerships have been involved in the Milton Keynes example of looking at other ways through a tariff process to be able to get more money up front into needed infrastructure in order to speed up the process. There is a lot of infrastructure already being provided in order to support housing growth and there will continue to be a debate between different local areas involving the Government and local government about what the infrastructure needs are for the future, and we have made very clear our commitment to supporting that.

**Q182 John Cummings:** There is certainly an imbalance and a mismatch in the timetable for development of new housing and the infrastructure that supports it.

**Yvette Cooper:** No, I do not think so.

**Q183 John Cummings:** Let me give you an example: that is the development in the Thames Gateway to which you have just referred and the delay of Crossrail. Is there a risk that we will not be able to maximise development because of a lack of infrastructure and should we not be delaying it if the necessary infrastructure is not in place?

**Yvette Cooper:** As you know, there are already checks in the planning system—for example, the Highways Agency can block developments going ahead if the roads infrastructure is not adequate or there has not been a proper solution to the roads problems that an area may face when a new development is proposed, so there are already those checks in the system. There will always be demands for new infrastructure from different local communities and it is the local authority representatives' jobs to make sure they articulate those demands, and we always recognise that. There are equally demands that come from other parts of the country where they do not have new housing growth but where they also want new and improved infrastructure, and we have to take that on board as well. Where I would disagree is the idea that we are simply not going to have housing growth, or that we will have inappropriate housing growth without the

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infrastructure. We are providing the infrastructure. There is a debate about how we fund greater infrastructure provision over the next few years, which is exactly why we are looking at this as part of the Barker Review.

**Q184 John Cummings:** That is extremely useful, but I am not quite sure how it will work out in practice. It will be interesting to see what happens in the future.  
**Yvette Cooper:** We will be able to say a bit more about this when we publish our response to the Barker Review before the end of the year.

**Q185 John Cummings:** How much should the housing market renewal pathfinder bodies be focusing on managing the decline of their areas, as opposed to trying to attract new populations and new businesses?

**Yvette Cooper:** The housing market renewal pathfinders face very different challenges in different places and there are some areas where they have seen very big population declines. Look at Liverpool, they have had a 50% population decline since the Second World War and a 15% population decline just in the last 20 years, so there is inevitably an issue about how you deal with population decline. Big cities are starting to attract people back in. Economic regeneration of our northern cities, of our industrial towns, is starting to see people move back—we have population growth in the northern regions, and where we have seen population decline for many years, in the last three or four years we have seen a population increase now. I think the issue for the housing market renewal pathfinders, in terms of responding to your question, is that firstly they have to work out what is the pace of population growth that they can realistically sustain and, secondly, how actually do they attract people back in because sometimes it might be an economic answer and not simply a housing answer. Sometimes they may need to change the way in which houses are provided in an area in order to address the aspirations of people who might move into the area.

**Q186 John Cummings:** The Committee has received evidence that house prices have certainly taken off in the housing market renewal areas. Does this have an effect upon the renewal programme and are targets having to be cut back because the funding that is available will not stretch that far?

**Yvette Cooper:** We certainly expect them to take account of house price growth, so there are some areas where actually the housing market seems to be recovering very well. What we do not know in some of those areas yet is whether it is a temporary recovery or whether this is a long term sustained recovery, but there are certainly areas where house prices are growing. There are some areas however where, although the house prices have grown, they are still falling even further behind the average or the nearby areas, so the growth in the average area has been even higher. They have got funding through for the next year and we are looking at the moment at

their proposals for the next wave of funding after that, and we do expect them to take account of the changes in the market as part of their future plans.

**Q187 John Cummings:** Are you saying that there is certainly a greater emphasis now on refurbishment rather than demolition?

**Yvette Cooper:** That is an issue for local areas to decide, what is the right balance in their area? They always have a much greater emphasis on refurbishment than demolition, the numbers have always been far higher.

**Q188 John Cummings:** Do you have any views on this?

**Yvette Cooper:** It is right that there should be overall higher returns on refurbishment than demolition, but individual areas have got to come up with their own solutions rather than us saying “in this area you have to do this, in this area you have to do that.” They have got to come up with that and certainly there are lots of areas where refurbishment is much cheaper, so you would expect them to look at that, but they have to take account of all the options and decide what is actually going to work in those areas.

**Mr Miliband:** Would it be helpful to have a practical example? I was in the North-West yesterday and there is one situation in Blackburn and a different situation in Birmingham. I was in Blackburn yesterday where the refurbishment was being priced at about £25,000 and for new build it would be £60,000; they are focusing on refurbishment. However, there is some demolition going on as well and they are trying to balance that to create a buoyant housing market, but more than that they are trying to create a stronger community, and maybe the exchange that we had about developing the infrastructure is an important debate that we can have, because it is those communities as well that need a strong infrastructure, in the widest sense of the term. The housing market renewal pathfinders are a brave attempt to say that we are not actually going to write-off any part of the country, but if we are going to make them attractive for people to live in, we have to address housing as well as other issues.

**Q189 Dr Pugh:** Can I make a point about the pathfinders? I am very familiar with a pathfinder project in the North-West and I am largely supportive of its overall objectives. I recognise that the Government has had something of a small success in encouraging better use of brown field sites and higher densities, all that sort of thing, but is there a need, on a regional basis, for plans to be a little more fine-grained, because if a local authority draws lines for building development too narrowly, too closely around a pathfinder area and nowhere else, people who can get jobs elsewhere, but not very well-paid jobs, often find it extraordinarily difficult to get affordable housing—and I obviously speak here as the representative of a seaside resort where precisely that problem occurs. How do we get that kind of fine-graining in housing planning which does not appear to be there at the moment; a recognition in a sense that the North-West is far more varied—

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it is not wall-to-wall Burnley, if I can put it like that—there are real housing hotspots and housing needs to be provided in those areas as well as in the pathfinder areas, but due to housing limits in planning guidance it has not been possible to do that.

**Yvette Cooper:** A lot of people have talked about high demand in the south and low demand in the north, but it is just not the case; right across the north there are areas where there is very strong demand for housing or rising house prices. You are completely right to say that within the North-West or within Yorkshire and Humberside in the North-East, there are actually very wide variations in terms of the local housing market and in terms of the local labour market as well. One thing we are interested in is how to get more flexibility around different sub-regional housing markets so that we can actually look at what is the right sub-regional housing market, which probably matches the sub-regional labour market as well, and within that area what is the appropriate response to housing need as well, rather than simply treating the entire region as a single entity in terms of the different pressures, just assuming that the entire region is affected in the same way, which it is clearly not. The planning system does attempt to do this and the housing system does attempt to do this, but we hope that linking the regional housing boards and the regional planning bodies together will allow them to look more at the variations within regions.

**Dr Pugh:** That is helpful, thank you.

**Q190 Mr Oler:** It is slightly connected, Minister, but one of the things that concerns me a little, particularly in some of the regeneration areas—whether they are pathfinders or not—is that the scheme is grandly put up and everybody signs into it, but sometimes by the time you get to enact the latter part of the scheme prices have risen so much that you know there is then a battle for money between, say, English Partnerships or the Regional Development Agency. Some of these schemes do stand a chance of not being completed because of this overrun, and I have to say that unless you get a mechanism to answer this, all of the excellent and good work that has probably gone on over three or four years on regeneration and revamping, will be wasted if the final package cannot be delivered.

**Yvette Cooper:** The approach to the housing market pathfinders is to try to anticipate changes in the market, so changes in the housing market into the future as well. Clearly, all the programmes are under pressure to keep their costs down and not to end up with overruns, and we cannot just guarantee that there will be overruns for the end of programmes as well.

**Q191 Mr Oler:** The policeman for these things is the RDA and English Partnerships and they are under pressure by you, quite rightly I suppose, to be careful how they spend their money. All I am saying is that the schemes were all approved and everything and through no fault the scheme had been delayed a

little and had now increased in price. Where do they get that sort of money from so the scheme is completed?

**Mr Woolas:** On the regeneration, particularly the neighbourhood regeneration side, one has of course a number of other factors that come about in addition to rising prices—the cost of materials, for example, the concrete, steel and cost of labour. That is a factor that we try to deal with through stronger planning across agencies; for example, the efforts of the Learning and Skills Council and funding of FE colleges to direct and predict what skills are required, but certainly there has been a number of schemes where the point has been made that these are real world impacts. Of course, part of the purpose of the private public partnership is to share the risk in that, and that would be, on the whole, our experience in these schemes.

**Q192 Mr Oler:** I do not want to labour it, Chairman, but it would be useful if you take on board the fact that you should be looking at schemes that are not able to be completed because of lack of money at the end of them. Sometimes a lot of people have had to make really hard, tough decisions to get these regeneration schemes off the plan because not everybody is happy at having their house demolished and the area regenerated, so all I am saying is that having taken those decisions probably four or five years ago, there needs to be money there so that they are finally delivered. All I am asking, Chairman, is that that be taken back.

**Mr Woolas:** If we are talking about regeneration here as opposed to housing schemes in particular I recognise the point has been made across both. One of the prime goals is having financial stability and predictability in the settlements both on local government and on neighbourhood renewal, and in the local Government case we intend to put capital allowances as well as revenue allowances on a three year cycle. In respect of neighbourhood renewal, of course, we have announced provisional figures for a two year financial cycle, partly in order that capital allocations can be better planned and predicted, and indeed to avoid some of the risk that inevitably occurs if it is publicly known that a funding stream has an end point.

**Mr Miliband:** Maybe it is worth saying that often on these occasions we end up having to write letters to you to explain ourselves, but Bill has obviously got some important issue in mind, so if you drop us a line about it we will look into it. It is obviously a sensible point that has been made and we must make sure that we do not miss it.

**Q193 Martin Horwood:** Just on the use of trends and statistics, the Treasury gave you the Barker Review which relies heavily on what you call the dramatic challenge of democratic changes, but it seems to me that the pathfinders are one example of you actually not just accepting that trend, and indeed there should really be acceptable trends in every set of statistics—we do not accept the number of par divisions, we do not accept them on crime or anything else. Sometimes if there are negative

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impacts—and I would point to the negative environmental impact of this, explicitly outside London’s remit—you should look at policies that will challenge the trend and not just accept it. I am sure you are doing so, but what I specifically want to ask about is the cross-departmental issue, are you actually sending any messages back to the Treasury that they should use fiscal means to challenge health inequality.

**Mr Miliband:** It is time to challenge health inequality, but it is easier to do that than to persuade people not to live longer. That is the fundamental trend that is driving this.

**Martin Horwood:** I am not sure that that is fair.

**Q194 Chairman:** Could you just clarify?

**Mr Miliband:** What are the three trends that are going on? One, people are living longer; two, they are getting divorced; three, young people are living on their own, away from their parents, before they get married and set up home.

**Q195 Dr Pugh:** They are not any more.

**Mr Miliband:** They go to university.

**Q196 Dr Pugh:** They come home again.

**Mr Miliband:** We have seen those trends and they are of a different nature to the fact that you have got health inequalities, and they are different again from the housing market issue because it is not about the total demand across the country, it is about specific places where there is massive loss of demand. The housing market is not too hot, it is far too cold and we have to try and sort it out. That is what we are trying to do, but that does not obviate the need to sort out the basic supply point, that unless we get more housing units for people to live in, we are going to have a massive problem.

**Q197 Martin Horwood:** My question actually was, are you encouraging any other ways to address the issue such as fiscal measures from the Treasury?

**Mr Miliband:** To do what?

**Anne Main:** Stamp Duty.

**Q198 Martin Horwood:** To release empty property for use, to share houses more, student finances.

**Mr Miliband:** On empty homes, we have half as many empty homes as comparable European countries. We of course want to get it down, but of the total number of empty homes, half of them are empty for less than six months which is really a sort of frictional event, but of course anything we can do to get more houses into circulation the better, and the best thing we can do is to make sure they are up to decent standards. That is what we are trying to do. There is a lead-in to the next question.

**Chairman:** Mr Olnier, and then Alison Seabeck.

**Q199 Mr Olnier:** Let me move on to the point on decent homes. Richard McCarthy last week told us that the Government may not meet its target for refurbishment of non-decent homes because of a small number of cases where people were not happy with the options that were put before them. I have

three quick questions really. He did say that a ministerial decision would have to be made on how to pursue these outstanding matters, but what he did not say was what options are you considering on this little lump of non-decent homes that need to be looked at and he certainly did not say when your decision will be made. Will you make additional resources available to meet those targets?

**Yvette Cooper:** If I could clarify what Richard was saying, he was saying that 90% of homes that previously failed the decent homes standard are now covered by the newly approved programmes to raise the standards—to sort out the kitchens, the bathrooms, the roofs, whatever it might be. What we are looking at now is the remaining 10%. Most of those are the ones where they had delays in doing their option appraisals or where they have only just come forward, so they are not covered by any existing programmes at the moment, but they have been through the options appraisal process and the issue now is how we take those forward. That is actually what we are looking at, at the moment.

**Q200 Mr Olnier:** Is there a timescale?

**Yvette Cooper:** We would hope to be able to say something relatively shortly.

**Q201 Mr Olnier:** What is “relatively shortly”?

**Yvette Cooper:** I would anticipate us being able to say more about this before the end of the year. There was a specific separate issue around Camden, which is the local authority where they put forward the proposal, it was voted against and they do not currently have an alternative. We have been talking to Camden about whether there are ways for them to use their existing resources, their own assets in different imaginative ways in order to address the issues that they face; clearly what we cannot do is change the entire framework because of the experiences of one local authority.

**Q202 Alison Seabeck:** It is a housing issue, it is helping people into home ownership, and in the core paper we received one of the key priorities is a step on the housing ladder. How is the Department going about addressing the fact that if you look at the Joseph Rowntree paper on the intermediate housing market there is a large chunk of people who, at the moment, fall outside of being able to get onto the home-owning ladder? What are you planning on doing to try and target those people specifically?

**Yvette Cooper:** There are two approaches to that group of people who currently cannot afford to buy their own home but who want to, or want to be able to buy a share of their own home. There is an issue about sustainability and there are some families who, for income reasons or because of instability in their income, might find it difficult, but we know there are an awful lot of people who want to, who would be able to sustain it with the right kind of support or opportunity but currently cannot. One approach is that simply increasing housing supply makes housing more affordable so on the one hand actually it is the whole programme to increase housing supply, but secondly there is an issue about

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being able to promote more kinds of shared equity programmes and opportunities for people to own part of their own home, even if they are not able to afford the full purchase. We have set out proposals to help over 100,000 people into different kinds of shared ownership programmes, key workers but also going wider than key workers, working with the Council for Mortgage Lenders as well on this. I think this is an area which we will see grow in the future. I think we are still really at a relatively early stage in the development of the whole shared ownership programme but it is something that we will see grow in the future, it is certainly something that we are very interested in.

**Q203 Alison Seabeck:** Is the Community Land Trust model something that the Department is perhaps looking at?

**Yvette Cooper:** We have had some discussions about this and it is something that we are very interested in looking at further.

**Q204 Anne Main:** Briefly on the question of making homes more affordable, it depends which area you are talking about and it is a significant challenge in the south and east. Again, I know you cannot speak on behalf of the Chancellor, but I know that a lot of residents in St Albans, for example, are hoping that there would be something addressing Stamp Duty. A £4,000 payment can stop people buying their own homes, and also they are considerably worried about, for example, the Home Sellers Pack which is going to affect everybody as well. If you are looking at trying to make it more affordable, surely you should be addressing some of these other points.

**Yvette Cooper:** The Chancellor has announced changes in Stamp Duty and I think that was the right approach. The Home Information Pack is actually going to be strongly to the benefit of consumers—it has been supported strongly by Which? and by consumer groups—because we know that a lot of people have suffered very considerable costs from having the whole process of trying to buy a house fall apart at a late stage, after you have paid the legal fees, after you have done the searches, after you have done a whole lot of work on the process and suddenly the whole thing falls apart and you have to start again, you get gazumped or whatever. We know that there are huge transaction costs in this market that could be reduced if we had the right information at the right stage, upfront. From the point of view of first-time buyers, they will not have to produce a seller's pack, so they are the people who will actually get even more benefits from the system due to the fact that the information will be provided as part of the seller's pack. The Home Information Pack is a big opportunity in terms of improving the way in which the housing market works.

**Q205 Anne Main:** Do you have any concerns on the other side about people being able to buy into homes with their pension investments and drive up prices?

**Yvette Cooper:** Do you mean by this the SIPPs?

**Q206 Chairman:** Yes, SIPPs.

**Yvette Cooper:** We have looked at this and it is worth setting out exactly the way in which the SIPPs will work, because there have been quite a few misunderstandings about this and I know there has been some concern about whether or not they will be used for second homes and things like that. Firstly, the number of people for whom SIPPs are an appropriate type of pension fund is relatively small. The second factor is that actually if you buy property as part of your pension fund it is owned by the pension fund, not by you. That means that if you then use it—and we are talking about putting your own home into your pension fund—you will have to pay rent to the pension fund, or be taxed on it as a benefit in kind. There are actually a lot of safeguards in the system, therefore, in terms of the way the SIPPs process works and in terms of any impact that it will have on the housing market.

**Chairman:** Partly because I am conscious of the time and I want to get a couple of other topics in, could we ask the Department to do us a note on SIPPs and also on REITs, because the issue is that SIPPs are encouraging people to invest in domestic property, thereby potentially competing with people are trying to get onto the housing ladder, whereas REITs, if I understand it properly, give them a route to invest in commercial property. It would be helpful to the Committee to have a note on what the ODPM input has been into the Treasury decisions on SIPPs and REITs and what the implications of those two schemes are for the housing market. Can we move on to a completely different area of local democracy. Dr Pugh.

**Q207 Dr Pugh:** Changing gear a little bit now, if you remember there was a document from the Commission called *We Can't Go on Meeting Like This* which then led to a reform of local government structures which, having been piloted, were then proposed universally. In a previous incarnation, this Committee interviewed Mr Raynsford who, when he was confronted with various complaints reaching us from councillor sources about feelings of disenfranchisement, lack of involvement and inability to gain appropriate experience and so on, said that it was really too early to judge, that a proper evaluation would take place at some point in time and we would look to see whether or not some of the objectives behind the new cabinet system were actually being achieved, and he included things like diversity of involvement of different categories of people and so on. Has the Government any plans to do such an evaluation, such an assessment, or to relax the requirement that most major authorities have to have a cabinet or similar system?

**Mr Woolas:** Thank you very much for the question. The answer to your question is that there are no plans to change legislation, there is no legislative framework change that is proposed. We did publish a document *Vibrant Local Leadership* in the spring of this year and we have had responses to that, but no decisions have been made about that as yet and

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obviously local government, as members of the Committee will know, are having a debate about that amongst themselves. There are other developments that I would put in to back up the report and the first is the development of the theme of neighbourhood, neighbourhood empowerment and neighbourhood representation. Within that, of course, the role of the individual ward councillor is an important one, and within the overall structure is the examination of the scrutiny role where important new powers of course have been given on the other side of the coin, as I know that you know, and I can report that there was another mayor elected in Torbay on 20 October.

**Q208 Dr Pugh:** I will be very happy to talk about that, in fact I was going to bring that up myself, but what you have done is you have mapped out what functions councillors are currently performing, you have not actually said there is wholesale satisfaction with these roles as they are defined, nor have you said noticeably what attempts have been made to assess whether the objectives—which were quite clear when the cabinet system was introduced—are actually being achieved in terms of creating quality leadership, in terms of encouraging wider participation and more people wishing to be local representatives in one form or another. The information is out there, are you saying that basically you are not collecting it or you are not intending to collect it, or you are about to collect it some time?

**Mr Woolas:** Thank you. I obviously need to clarify what I said before. We are in the process of collating and assessing the responses to the *Vibrant Local Leadership* document. I hope I do not come across as avoiding the question, but it is too early to draw conclusions from that, apart from in this regard, and that is that there are great differences in the response in different parts from different types of local authorities. We have also developed, as you know, the local area agreements at a faster pace than was intended originally, so that by April 2007 every area within England will have a local area agreement in place. That changes the relationship between the council and the other public service authorities and indeed other partners, and that changes the leadership requirements of the local authority at both the executive and at scrutiny level, which is a very important part of the debate for the future. I hope that does answer your question.

**Q209 Dr Pugh:** The impression you are giving is that in a sense the system is still evolving and therefore cannot finally be judged, and we are in a similar position as we were, I think, when we last asked this set of questions. If we can move back to Torbay, you have a situation there where 24% turnout or something like that got the town a mayor and an even smaller percentage actually requested a mayor. I suppose you could argue, could you not, that 76% of people did not actually want a mayor but nonetheless are landed with it. Given the relative lack of enthusiasm for mayors across the country—

and it is certainly reflected in the comments in Torbay and in discussions I have had with people in Torbay, the ordinary electors of Torbay—

**Mr Miliband:** Were you canvassing for the yes or the no side?

**Q210 Dr Pugh:** I actually contacted a good number of people to find out whether they were or were not going out to vote that day and I have to say that by and large a good number informed me they did not want a mayor.

**Mr Miliband:** Were you trying to persuade them to vote or not vote?

**Q211 Dr Pugh:** My persuasive abilities are not mentioned—

**Mr Miliband:** We have a new Lib Dem targeting strategy; I am intrigued by the deployment of resources in Torbay.

**Chairman:** I think you should move on, please.

**Q212 Dr Pugh:** Indeed so. There is less than maximum enthusiasm for mayors right across the country, is that not the case?

**Mr Miliband:** You can look at this in two ways. You can either say that Government should impose a single solution and get it done everywhere, or you can say that you can try and take people with you. The truth is that when you confront people with votes that really affect their daily lives—for example, the housing transfer ballots that take place—60 to 70% of people turn out. When you have a referendum, as in this case, about the structural issue, it is tougher, and the course that we have chosen, trying to work by consent, is necessarily a gradual one. However, one mayoral model has certainly captured local minds and that is the one in London. I do not know whether you are going via Torbay to Greater London, but the review of the Greater London Authority, the review of the mayor and GLA powers, is an interesting chance to take stock of the mayoral system in one part of the country, admittedly the capital, and that is something that we are doing in a very public and open way at the moment, about whether there is scope for further devolution of responsibilities to the mayor and the other players locally, the GLA and the boroughs. That is an opportunity to ask the question—given that there is this greater accountability through the mayoral system with a four year mandate—should voter power be devolved?

**Q213 Chairman:** Would you not accept though that the issues around mayors such as the Mayor of London or the mayors of other very large cities—Birmingham, for example, if there were such a proposal—are rather different from the issue of mayors in places such as Torbay? That is not in any way to denigrate Torbay, but it is not the same sort of community as London, and London of course has a very significant tier of local government underneath the mayor.

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**Mr Miliband:** London is not the same as anywhere, but if you go to Middlesbrough or Doncaster, they would say they are pretty significant places. It is a new idea, it is being developed and, yes, London is different, but so what?

**Q214 Chairman:** So one should not extrapolate pluses and minuses of the London mayoral system into other areas.

**Mr Miliband:** I can see that you might not want to put London and Torbay in the same bracket, although some people might, but it seems to me that if you are asking are the larger cities in a different category from others, there are pros and cons to do with scale. I do not think it is an issue where scale means you should go for a mayor and absence of scale means you do not. You can be more open than that.

**Chairman:** I am conscious of the fact that we have got one minute left. Unless there is a burning question on that I would like to give Mr Olnier a chance to ask a question on something completely different, as I know he would want to.

**Mr Olnier:** Yes, Chairman, it is something that affects all of us as Members of Parliament. The Chancellor, on March 16 2005, announced that all pensioners and disabled people would be entitled to free local bus travel from 2006. I just wondered how much work the Department has been doing to make sure that those schemes that are going to be put in place actually do provide what we want them to, to help our pensioners and disabled people. Mike O'Brien is the next door neighbour to me and I have one side of the street and he has the other side of the street and there are different local authorities. All I am saying is I do not want this scheme, which I think is an excellent scheme for the disabled and pensioners up and down the country, to fail on a technicality because they cannot interchange to another authority.

**Q215 John Cummings:** If I could just follow up on that, I represent an area where all the hospitals are outside the constituency, all the major shopping areas—you will know it, Minister—lie outside of the area, so cross-border travel is absolutely imperative if this scheme is going to work.

**Mr Miliband:** I think we have used up the minute so we do not have to answer, is that right?

**Q216 Chairman:** No, taking lessons from the European Union, the clock has stopped.

**Mr Woolas:** You and me both is the answer. The serious point is that the Chancellor has provided £350 million to provide for free pensioner travel outside the peak morning hour at 9.30. The intention is to distribute that money through the formula in the revenue support grant as part of the EPCS block. The discussion that we are having with local government and individual local transport authorities is to ensure that the money which we believe to be adequate to compensate the bus companies for pensioner travel is distributed in a way that it is fair and that involves no changes to services or changes in their budgets. That is quite a challenge, but the alternative of course is not to distribute it through the grant. The question that has been asked in addition to that is how to ensure interoperability between regional transport authorities, and that of course is a matter that is being discussed at the moment. It is a goal that we have, and I say that because you will be aware that this is not a national scheme, bus operators have a relationship with the individual transport authorities. There are of course many schemes in existence throughout the country, not least between districts and counties, but the goal behind the question is of course shared by ourselves.

**Q217 Mr Olnier:** You would have a team that would be able to troubleshoot so that for pensioners who are disenfranchised by two authorities not working together, you would knock their heads together and make it work. If you do not, people are going to be seriously disadvantaged.

**Mr Woolas:** What we must not also do is allow bus operators to charge for more than their costs to the transport authority. You have to differentiate between average costs and marginal costs of the extra passenger that is carried as a result of the concessionary scheme, so we have a responsibility to the central taxpayer as well.

**Chairman:** Thank you very much, we are going to have to call it a day there but I am sure we will have many other opportunities. Can I thank you all very much for answering a wide range of topics which I am sure we will continue to explore with you over the coming period. Thank you very much.

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**Memorandum by the Office of the Deputy Prime Minister (AR 01)**

**RESPONSE TO COMMITTEE QUESTIONS ON ANNUAL REPORT 2005–06**

**PSAs, TARGETS AND EXPENDITURE**

1. *Please provide a table setting out and linking:*

- the Departmental priorities;
- the SR 2004 PSAs;
- the programmes and activities underpinning and supporting each PSA;
- the resources allocated to each programme and activity; and
- the targets against which progress in the activity/achievement of the PSA will be measured.

A table setting out the priorities and PSAs is at Annex A, with the resources allocated to each. Our Business plan for 2005–06 (published in September 2005) sets out the main milestones and targets for each. A copy at Annex B.

Within the context of the Office's high-level objective of creating sustainable communities, we regularly assesses our priorities and targets to meet shifting challenges and evidence of the impact of our policies. This is particularly relevant in the period running up to spending reviews, where departments undertake a fundamental assessment of the investment they have made.

2. *Why was a new "Liveability" PSA added in 2004? What effect will it have on Departmental strategy and outputs, and how is it reflected in the Department's spending allocations?*

(i) *Why was a new "Liveability" PSA added in 2004?*

Delivering improvements in the quality of public spaces and the built environment is a national and local priority. Delivery of these priorities, however, requires co-ordinated and complementary action across Whitehall to support local authorities and their partners in improving their performance in addressing liveability issues that affect their localities.

The PSA8 (Liveability) target was therefore introduced to provide visible national leadership and focus cross-government action on liveability issues and enhance collective outcomes. It was also introduced to encourage local and public authorities to show similar leadership and close partnership working at the local level.

(ii) *What effect will it have on Departmental Strategy and outputs?*

The PSA8 (Liveability) target provides a set of clear objectives against which performance can be measured for the first time. These include specific targets for delivery in deprived areas. Through its delivery plan, there is a strategy for delivery based on a better understanding of the levers, workstreams, and resources available to achieve tangible outputs.

(iii) *How is it reflected in the Department's spending allocations?*

The PSA8 (Liveability) Delivery Plan sets out our strategy for achieving cleaner, safer, greener communities. It recognises that local authorities are essential to this delivery, both as providers of services themselves and in their community leadership capacity and that priorities will vary between local areas. A range of sources of funding are available to address liveability issues at local level, aligning their priorities to increase the outcomes delivered. The plan therefore sets out our approach to help local authorities prioritise and make better use of existing resources, in particular, the rationalisation of funding streams through the Stronger, Safer Communities Fund (SSCF) and Local Authority Agreements (LAAs).

It also recognised that there is already a wealth of good practice and innovative approaches that can be used to achieve more, so through the "How To" programme we will be supporting the sharing of learning and wider application of good practice.

#### EFFICIENCY SAVINGS—CENTRAL

3. *How does the department expect to deliver £620 million of efficiency savings by 2007–08?*

As part of its programme of efficiencies ODPM plans, by 2007–08, to:

- achieve savings in administration costs of £25 million, including the rationalisation of back office functions;
- deliver efficiencies gains in Regional Development Agencies (RDAs) of £120 million;
- improve social housing procurement methods by introducing new partnering arrangements, achieving efficiencies of £160 million in the delivery of new social housing;
- realise efficiencies of £195 million in the Registered Social Landlord (RSL) sector on capital works, management and maintenance and commodities;
- continue the modernisation of the Fire and Rescue Service (FRS) to provide efficiencies to fund further enhancements in the effectiveness of the service reaching £105 million;
- deliver savings of £10 million on sustainability work associated with existing FRS radio schemes; and
- add contingency to the efficiency programme to reduce the level of homelessness and households living in temporary accommodation to achieve efficiency savings of £66 million.

#### 4. *What efficiency savings have been made to date?*

ODPM is confident it will achieve its efficiency targets. The efficiency savings are planned to be delivered over the next three years and we are on track to deliver them. Recent performance in workstream areas demonstrates reinforces our confidence. For example:

- RDAs—efficiency plans for achieving savings of £139.5 million (£120 million for ODPM) by 2007–08, were submitted on 25 April 2005 and have been signed off by the Department of Trade and Industry and the Office of Government Commerce;
- New supply—Housing Corporation strategy for investment partnering for new affordable housing launched. On track to exceed the target of £130 million for 2005–06 for new supply (savings to be realised on practical completion of construction).
- RSL capital works—national change agent now in place to establish network of local procurement consortia to maximise efficiencies throughout the supply chain. £33 million Efficiency Challenge Fund launched to facilitate consortia set up (three consortia have already won funding).
- RSL procurement of commodities—national collective agent launched last year offering savings through joint procurement of commodity goods and services (telecoms, gas, office supplies etc). It has achieved well over 60% coverage of the RSL sector.
- Fire and Rescue Services—Integrated Risk Management Planning is now firmly embedded in all FRAs. The Audit Commission’s Fire CPA reports were published on 28 July. CPA improvement planning now underway and providing major opportunity to reinforce efficiency messages and share good practice.
- Firelink operational continuity—99% of all Phase 1 high-risk replacement work is now complete. As a result of negotiations the work has been completed for £1.5 million less than budget.
- Homelessness (added to efficiency programme as a contingency)—2005–06 grant allocations have been made to local authorities and other agencies, linking funding more strongly to performance in tackling homelessness. ODPM is implementing a new homelessness strategy—“*Sustainable Communities—settled homes; changing lives*”—which includes a commitment to halve the number of households in expensive and insecure temporary accommodation by 2010. National statistics confirm that there have been sustained reductions in new cases of homelessness since the start of 2004 and show no further increase in the number of households in temporary accommodation since September 2004. These positive changes have occurred a year ahead of ODPM’s projections.
- Admin: Our corporate modernisation programme includes projects on shared HR services with HM Treasury and Cabinet Office, the outsourcing of IT, rationalisation of ODPM accommodation and an end to end review of finance.

In line with expectations and trajectories, main efficiency gains are anticipated in 2005–06 and 2006–07.

#### 5. *What is the cash savings element to date?*

Please see question 4 above. By 2005–06, we expect to have delivered some £279 million in efficiency savings, of which £212 million will be cashable.

#### 6. *What are the implications for the Department if it does not reach its target for efficiency savings? What penalties will be applied? What contingency arrangements are being made in the event that the savings are not delivered?*

The Office’s budgets received as part of the 2004 Spending Review settlement assumes that the efficiency targets will be met. The penalty therefore, if ODPM were not to meet its targets, would be reduced outputs.

Substantial contingency has now been included within the programme such that efficiency forecasts are now above SRO4 targets. An area of recent progress for the programme has been the formal inclusion of the new Homelessness workstream which is expected to deliver efficiency gains of £66 million by 2007–08. Contingency plans to deliver additional efficiency gains are in development and as plans become firmer will be added to the programme.

#### 7. *ODPM has committed itself to achieving £835 million of efficiency gains by 2007–08 covering social housing, capital works, management and maintenance. How does the Department expect to achieve this target with no reduction in outputs and outcomes?*

The delivery of the efficiency gains in social housing will involve the following actions:

New Supply: the Housing Corporation is committed to making efficiency gains in the procurement of new social housing supply both through improvements to procurement and the allocation of investment, including promoting the use of supply chain partnering in the RSL sector. The Corporation published its

strategy for procurement in August 2005. The Housing Corporation also launched in March an innovative scheme to extend social housing grant to non-registered bodies. By widening the competition for grant, this should encourage better value for public money.

**Capital Works:** a National Change Agent is in place to establish a network of local procurement consortia to maximise efficiencies throughout the supply chain through “work smoothing” programmes, collective purchasing of materials and services, setting standard specifications, and expanding the local labour pool through training. A £33 million Efficiency Challenge Fund is in place to facilitate consortia set up. Three consortia have already won funding. These include 28 LAs, ALMOs and RSLs in London and South Yorkshire covering 340,000 dwellings. They plan to set up arrangements to procure jointly over £2 billion of capital works by 2010. There is evidence that these type of arrangements can produce net savings of at least 10%.

**Management and Maintenance:** ODPM have commissioned a review of “systems thinking”. This is an approach, originally developed by Toyota, that involves (a) looking at a whole process from the point of view of the customer in order to identify the parts that add value for the customer and the parts that do not; and (b) redesigning the system to eliminate the waste. It has produced impressive results in manufacturing and ODPM commissioned Northern Housing Consortium to work three pilot organisations to test its potential application to social housing. The results are encouraging, and the report is due to be launched in September.

The Audit Commission have been commissioned to identify and disseminate innovation and good practice in management and maintenance and will be publishing a series of “efficiency packs”, containing case studies and guidance, in October 2005.

**Procurement of commodity goods and services:** A national collective agent for the RSL sector, Procurement for Housing (PfH), was launched last year offering savings through joint procurement of commodity goods and services (telecoms, gas, office supplies etc). It has achieved well over 60% coverage of the RSL sector and is now offering its services to local authorities and ALMOs. Savings reported by members on office supplies range from 7% to more than 40%. Additional efficiency gains are derived from the centralisation of the OJEU tendering process, enabling members to avoid the costs of tendering for PfH offerings, and the administrative gains derived from the central billing system.

Progress on efficiency gains will be monitored by the Housing Corporation. They require lead regulated RSLs to submit an Annual Efficiency Statement (AES), similar to that required of local authorities. The RSL AES will set out their plans to deliver efficiency gains over the coming year and a self-assessment of progress in delivering efficiency gains. The AES provided by lead regulated RSLs will be signed off by its governing body. The Housing Corporation will scrutinise and cross-check RSL AESs against the results for the published performance indicators and the operating cost indices. This will include a review of the AES by the RSL’s Lead Regulator. The Corporation will confirm the completion of the AES in the Housing Corporation Assessment (HCA) of that association.

#### EFFICIENCY SAVINGS—LOCAL GOVERNMENT

8. *Why has the SR2002 requirement for “overall annual improvements in cost effectiveness of 2% or more” been removed from the equivalent PSA for SR2004?*

SR2004 set all local authorities a target to make annual efficiency gains equivalent to 2.5% of their 2004–05 baseline. This superseded the previous target on cost effectiveness of 2% per annum. The new PSA reflects this change and recognises the fact that our aims in this area have been strengthened and have a wider scope than previously. It also links to the changes in the arrangements for CPA, which will use local authorities’ annual efficiency statements as part of the assessment of “Use of Resources”.

9. *What assurance can the Department give that the local government efficiency plans will deliver the target efficiency savings of £6.45 billion?*

Real progress has been made since local government was set efficiency gain targets. Hard evidence that local authorities are more than capable of meeting their share of the £6.45 billion target has been provided by the first Annual Efficiency Statement submissions, which demonstrate that local authorities are already expecting to deliver £1.9 billion efficiency gains by 2005–06 against a target of £1.0 billion.

It should be remembered that a large proportion of the £6.45 billion relates to efficiencies in schools (approx 40%), DFES has put in place separate structures to support this target.

A structure is also in place to help local authorities share and develop their experience in identifying and making efficiency gains, and also how to measure and report those gains. Central to this are the nine Regional Centres of Excellence, which are hosted by local authorities and funded by the ODPM. Each centre is supported by a governance structure covering the authorities across their region and therefore they understand their needs and have built good local relationships. Following local consultation, they have produced individual business plans that set out the projects they intend to undertake to support the achievement of efficiencies in their region.

At a national level, ODPM has set up cross-departmental groups to co-ordinate the activities of government departments to ensure that local government bodies receive clear and consistent messages about what they are required to do and what support is available to them. Working with partners in the local government community, we have built awareness in the efficiency agenda and engagement with the goal of demonstrating real improvements in the efficient delivery of better public services. Together, we have also been able to implement a measurement approach that meets the needs of both local authorities and central government.

10. *Now that local authorities' first annual efficiency statements are in, what analysis has been undertaken to see what areas the bulk of the efficiency gains will come from?*

The Annual Efficiency Statements have been reviewed by the ODPM and each section of the statements has been reviewed by the relevant government department. The analysis that has been undertaken suggests that the areas where local authorities expect to make the biggest gains are in crosscutting corporate services (£307.1 million by the end of 2005–06) and in the delivery of adult social services (£289.6 million). Together, these comprise nearly one third of the total value of efficiency gains expected by the end of 2005–06.

11. *Please give a breakdown of where the local government efficiency savings will be made.*

The table below shows the total value of efficiency gains reported by local authorities in each service sector or crosscutting workstream in the 2004–05 Backward Look Annual Efficiency Statement (ie gains achieved in 2004–05) and 2005–06 Forward Look AES (ie gains expected in 2005–06). The final column shows the total of these two figures.

<i>Local Authority Efficiency Gains (£):</i>	<i>Achieved in 2004–05</i>	<i>Expected in 2005–06</i>	<i>Total Expected by end 2005–06</i>
<i>Service Sector</i>			
Adult social services	112,590,284	177,003,948	289,594,232
Children's services	52,194,220	75,040,111	127,234,331
Culture and sport	28,405,732	47,497,316	75,903,048
Environmental services	53,427,480	83,842,499	137,269,979
Homelessness	15,747,417	10,880,209	26,627,626
Local transport	46,196,936	78,951,293	125,148,229
LA social housing	88,804,525	71,213,109	160,017,634
Non-school educational services	35,639,433	50,941,977	86,581,410
Supporting people	20,982,436	39,115,163	60,097,599
<i>Crosscutting Workstream</i>			
Corporate services	102,764,111	204,309,953	307,074,064
Procurement	56,727,282	112,470,043	169,197,325
Productive time	55,266,564	64,899,764	120,166,328
Transactions	36,499,953	38,429,459	74,929,412
Miscellaneous efficiencies	52,358,304	125,469,899	177,828,203
<i>Total</i>	<i>757,604,677</i>	<i>1,180,064,743</i>	<i>1,937,669,420</i>

12. *What issues were raised by the Audit Commission and the NAO following their scrutiny of the Department's efficiency technical notes, which support the efficiency statements?*

The Audit Commission assisted in the development of the Efficiency Technical Notes and recommended that the approach set out should be as simple and flexible as possible, with the onus placed on the councils to justify the quantification and identify the supporting evidence. In addition, the Audit Commission confirmed its willingness to provide what it sees as an adequate level of assurance on the backward-look Statements produced by councils based, as with all Commission audit work, on a review of the arrangements in place to underpin and produce the Statements.

13. *What other bodies reviewed the notes? What were the results?*

ODPM consulted with a number of bodies in developing the notes. These included CIPFA, the Society of County Treasurers, the Society of District Treasurers, the Society of London Treasurers and the Society of Metropolitan Treasurers. In addition, ODPM commissioned a study from the Institute of Local Government of the University of Birmingham which assessed the views of a range of councils.

In the light of these consultations, ODPM developed a note that sets out a Self-Assessment approach to measuring efficiency in local government. It also undertook to co-ordinate future work to provide assistance to councils in completing their Statements.

A full process of consultation on issues raised by the notes has been undertaken with the instigation of a Measurement Taskforce to advise ODPM. The members of this Taskforce are representative of a full range of local government bodies. The Taskforce was created so that issues relating to the measurement of efficiency gains can be discussed and resolved in a co-operative manner, ensuring that the needs of both local authorities and government departments are met.

#### DELAYED SPENDING REVIEW

14. *How will the delay in the spending review affect the ability of ODPM, and organisations in receipt of ODPM funding, to plan their budgets and activities?*

The announcement of a 2007 Comprehensive Spending Review will allow ODPM (with its delivery partners) to undertake a more extensive examination of the effectiveness of its programmes to date—and how to respond to future challenges—than would be possible under the normal Spending Review timetable.

The announcement included a decision that departmental budgets for 2007–08 will not be re-opened.

15. *The Government's response to the Committee's Fourth Report of Session 2004–05, on the ODPM Annual Report and Accounts 2004, notes that evidence is being drawn together to support transport scheme proposals that will be put to Government as part of the (now delayed) spending review. What will be the impact on the Northern Way programme and the work of the relevant RDAs if these transport schemes are not agreed until 2007? When, at the earliest, would the Department expect transport schemes agreed in 2007 to be fully implemented?*

The decision by Government to delay the spending review process and undertake a comprehensive spending review will not affect the formation of the Northern Way Transport Compact. As the Northern Way Business Plan (published June 2005) states, the Compact will be formed to provide a unified voice on pan-regional transport priorities. The delay of the spending review will not affect this role but will provide the Compact with more time to collect their evidence and decide upon priorities in order to make a more effective case should they wish to the comprehensive spending review.

The Northern Way Business Plan also referred to a number of “early win” interventions that would be supported to demonstrate the economic impact of transport investment. These interventions will be unaffected by the decision to delay the spending review as they are being funded with resources from the Northern Way Growth Fund. This is a £100 million fund established by the three northern RDAs and the Office of the Deputy Prime Minister (£50 million provided by ODPM and £50 million jointly provided by the three RDAs). It will allow the Northern Way to pump-prime and pilot innovative ways of working to achieve their objectives, which is unaffected by the spending review decision.

#### STAFF

16. *What are the revised corporate identity, brand and brand values of ODPM (page 48 of the DAR)? What has been the cost of introducing these changes?*

The revised corporate identity was launched on 1 April 2004. The cost of developing and introducing the revised identity was £52,117.

17. *In October 2004, Dame Mavis McDonald told the Committee that the Department intended to conduct a staff survey in early 2005 (HC 1115-L, Session 2004–05). Can the Committee see the results, and any analysis which has been conducted of them?*

The 2005 ODPM staff survey was rescheduled from March to July. We are currently awaiting the survey results and their full analysis.

18. *Page 45 of the DAR notes the requirement for ODPM to achieve a reduction of 400 posts in overall staffing by March 2008 of which 250 will be in HQ and Government Offices. Table 6 on page 121 of the report suggests that the Department will just meet its target for reductions in HQ and Government Office posts, but notes also that “Figures [for staff] may differ from those in previous years due to adoption of a new definition”. What has been the change in definition, and does it impact at all on the achievement of the target?*

19. *Can the Department provide projections equivalent to those in Table 6 (see q18 above) for staffing in its NDPBs?*

The baseline figure against which the reduction of 400 Full Time Equivalent (FTE) staff will be monitored was set in June 2004. The baseline figure was defined as permanent staff, staff on inward loan and secondment and staff on Fixed Term Appointments (sometimes referred to as casual). Figures shown in the DAR 2005 are all on this basis and therefore the reference to a change in definition has no impact on the achievement of the target. Figures published in previous reports were produced and reported on a less

consistent basis than that established for the setting and monitoring of the baseline and target reductions. The footnote to Table B6 in DAR 2005 was therefore a health warning that the figures in DAR 2005 are not necessarily comparable with figures (both actuals and forecasts) published previously.

The table in DAR 2005 omits both the baseline figure for HQ, Government Offices and Agencies and does not include the projected staffing figures for the financial year 2007–08, which is the end date for the target reductions.

A table attached below shows the baseline, reported staffing (expressed as FTEs) at 31 March 2005 and planned staffing for 2005–06, 2006–07 and 2007–08 for ODPM (HQ), Government Offices, Agencies and NDPBs. Although there is inevitably uncertainty attached to forward projections, the table indicates that on current plans ODPM (HQ) and its associated bodies will more than deliver against the target. However, the figures for NDPBs and agencies are initial estimates.

**Table 1**

STAFF<sup>1</sup> IN POST IN ODPM(C), GOS, AGENCIES AND NDPBS IN 2004–05 AND PLANNED STAFF FOR 2005–06 TO 2007–08

Year	ODPM(C)	Govt Offices	PINs	QEII	FSC <sup>3</sup>	Executive NDPBs	Total staff	Annual Change	Cum change
June 2004 <sup>2</sup>	2,431	968	758	88	208	3,773	8,226		
2004–05	2,408	987	748	52	305	3,637	8,136	–90	–90
2005–06	2,456	916	748	54	289	3,336	7,800	–337	–426
2006–07	2,292	861	768	54	289	3,374	7,639	–161	–587
2007–08	2,239	828	788	54	289	3,361	7,560	–79	–666
Total reduction by organisation	–192	–140	30	–34	81	–412			

<sup>1</sup> Includes permanent staff, staff on Fixed Term Appointments (FTAs), staff on inward loan and secondment, but excludes agency staff and contractors. Excludes vacancies and staff temporarily out of the office, eg on maternity leave, secondment.

<sup>2</sup> Baseline figures set as part of the Gershon review and against which the target for reductions in posts will be monitored.

<sup>3</sup> Figures for June 2004 are thought to be an underestimate and are currently being checked. If correct there may be a small reduction in headcount rather than an increase.

20. Can the Department provide a full progress report on the relocation of NDPBs outside of London, and the savings to date?

English Partnerships, Housing Corporation and the Audit Commission have submitted their relocation proposals to Ministers. On current planning assumptions, 126 posts have been identified as suitable for relocation outside of London by 2007–08, of which 34 posts have already been moved. We are working to collect more information on savings from our NDPBs and will report back to the Select Committee when we have more information.

21. Please explain why the 2004–05 estimated out-turn for housing demand and supply—under “consumption of resources” in the table for total public spending—is lower than the previous year (see p116 of DAR).

The main variances relate to the following programmes:

SPEND

Programme name	Category	Amount £000		Comments
		2003–04	2004–05	
Starter Home Initiative	Resource Investment	172,282	6,436	This was a £250 million programme aimed at assisting key workers into home-ownership over a three year period. The difference between the two years figures is that the 2004–05 spend reflects payments made in a fourth year where key workers had exchanged contracts on house purchases but were unable to complete the legal transactions before 1 April.

Programme name	Category	Amount £000		Comments
		2003–04	2004–05	
Planning Delivery grant	Resource Consumption	50,313	96,653	PDG was set up in 2003–04 and it was agreed as part of the implementation process that there would be a phased increase in resource provided to local authorities in subsequent years.
English Partnerships— CNT	Resource Consumption	– 74,151	12,595	In 2003–04 a high level of receipts from the disposal of land exceeded expenditure
Total		148,444	115,684	

22. Please explain (a) why capital expenditure for housing supply and demand has doubled in 2004–05 and (b) why planned expenditure reduces by half in subsequent years.

(a) The main variances in expenditure relate to the following programmes.

#### SPEND

Programme name	Category	Amount £000		Comments
		2003–04	2004–05	
<i>Housing</i>				
Housing Market Renewal	Capital	21,102	169,985	In 2003–04 we had not allocated funding to all of the pathfinders. By 2004–05 eight of the nine had received funding and begun delivering on the ground. Therefore, we fully expected spend to be much higher in 2004–05 than 2003–04. <i>Note:</i> On an annual basis the programme's resource is switched from Resource Investment to Capital. The switch in resource category is not taken into account in the table to the ODPM Annual Report.
<i>UPD</i>				
English Partnerships— Urban Renewal Agency	Capital	60,015	311,500	The answer in the case of English Partnerships (EP) is simply as a result of a change to accounting procedures, and due to the annual report figures being expressed in resource accounting terms. As a result of the change, EP's expenditure on acquiring and developing land now scores as capital DEL, which it did not before. As this is EP's main business, HMT provided additional DEL cover for the classification change in 2004–05. In addition, surpluses and deficits from disposal of land have scored, from 2004–05 as both a hit on resource consumption and on capital—so double-counting in line with resource accounting rules, again counting for additional DEL. These differences would not have made any difference if the annual report had been expressed in terms of cash income and expenditure, but in Resource Accounting Budgeting terms they were instrumental. <i>Note:</i> For years beyond 2004–05 no additional DEL cover has been provided by HMT to cover for the change in accounting treatment for land acquisition.
Total		81,117	481,485	

(b) The Capital DEL budget for English Partnerships is 2004–05 was significantly higher, reflecting the impact of changes to the accounting treatment for land acquisition. The increased resource cover provided by HMT was to compensate EP for the Resource Accounting and Budgeting implications for completed transaction up until the point of the change in accounting policy.

In addition, the budget figures in the Capital table for 2005–06 and beyond are understated, as they do not include a switch of resource for the Housing Market Renewal programme from Resource Investment to Capital.

23. *What steps has the department taken to reduce the backlog of local authority repairs, what is the backlogs' current value?*

The work to homes carried out under the decent homes programme is also work that will help reduce the repairs backlog.

From the 2003 EHCS we estimate that the value of the Local Authority backlog of repair and improvement work was around £15 billion at 1997 construction prices.

24. *Please provide an update on progress by local authorities in addressing slippage against the target for reduction of non-decent housing by 2010 together with a breakdown of those authorities where such slippage has occurred.*

With work completed and existing plans in place we expect to have met 90% of the target by 2010. We are concentrating on delivering the remaining 10%. By early 2006, we expect that all Option Appraisals will have been submitted, with the possible exception of one authority.

However, LAs do not have intermediate individual targets set by ODPM. Intermediate milestones for the Decent Homes programme are set based on an estimate of what would be achieved at the national level. Low initial progress in terms of reducing non-decents in individual LAs can occur for a number of reasons including:

- Many Local Authorities now have better data which has increased the number of non-decents reported in their stock from their early estimates, this does not mean that these LAs are at risk of meeting the 2010 target.
- Some Local Authorities are choosing to adopt a strategy of tackling their worst dwellings first. Others are taking an element based approach, for example tackling all their roofs, followed by all their windows, with their dwellings only becoming decent after all the work on them is complete. Both of these strategies will mean that delivery against the target will increase as we approach the 2010 target, this does not mean that these LAs are at risk of meeting the 2010 target.
- Some Local Authorities are unable to meet the target through their own resources. These will need to obtain additional funding through ALMO, transfer or PFI which will increase their rate of progress to the target, these LAs will be at risk of not meeting the 2010 target if they do not get plans in place for additional funding.

When local authorities have put a plan in place to deliver Decent Homes they set out what they expect to achieve on an annual basis. We are putting in place a system to monitor progress against these plans.

25. *What is the ODPM's estimate of the cost of the infrastructure required to promote the Government's housing development programme in the Growth Areas?*

26. *What provision has the ODPM made to cover those infrastructure costs over the next 15 years, and what provision has been made by other Government Departments?*

Government continues to support work to assess overall infrastructure requirements for growth as in the approach taken in the Milton Keynes Prospectus and in other growth location business plans. Inevitably this is a complex and evolving process as both the detailed layout of development and new approaches in the nature of service provision affect what is needed. Government's aim is to provide as much information as it can on likely future levels of support but this needs to be made in the context of the public expenditure cycle. However, infrastructure lies at the heart of the Government's Sustainable Communities Plan and our commitment to public investment in the growth areas is clear. For example, between 1998–99 and 2002–03 public spending in the South East and Eastern Regions increased by over 17% in real terms per head of population.

We are working closely with other Government Departments to ensure that planned investment in schools, hospitals, green infrastructure and other facilities supports new housing in the growth areas. Good progress has been made but it is important that this continues in the future as the plans for the growth areas develop.

This progress is reflected in current spending plans, which include:

- Around £1.25 billion by ODPM to support projects in the growth areas and lever in over £3 billion from other public and private sector partners.
- Around £3.5 billion committed or planned by Department for Transport to infrastructure investment in the growth areas.
- A £200 million Community Infrastructure Fund to support transport infrastructure projects linked to housing growth.
- The Department of Health have included a Growth Area Adjustment to revenue allocations for PCTs in the Growth Areas. Amongst other factors, this led to the PCTs in the Growth Areas receiving funding increases of £860 million in 2006–07 and £970 million in 2007–08 (an increase over the two years of 20.8% compared to a national average of 19.5%).
- An additional £20 million of capital resources in 2005–06 to be allocated to Strategic Health Authorities in the growth areas and an extra £20 million revenue funding per annum for 2004–05 and 2005–06 for Primary Care Trusts in the growth areas.
- Increased funding for affordable housing to reflect the needs of growth areas and affordability pressures—Housing Corporations’ Approved Development Programme for 2004–06 to provide £396 million for projects in the growth areas, funding 9,700 homes.
- Recognising the pressures on local authorities of rapid growth, the Local Government Finance Settlement for 2005–06 has abolished grant ceilings. Also, as part of the three-year settlement process ODPM are consulting on the use of forward looking population data, which will be beneficial to LAs experiencing significant levels of growth.

27. *What grounds does the Department have for “assume[ing] that we will reach RPG9 delivery levels [for additions to dwelling stock in the South East] by 2007–08, and have recouped previous shortfalls [for additions to dwelling stock in the South East] by 2007–08 and have recouped previous shortfalls by 2011–12” (p64 of the DAR)?*

The area covered by Regional Planning Guidance for the South East, 2001 (“RPG9”) is the whole of the London and South East Regions and the southern part of the East of England.

Net additions to the housing stock across the RPG9 area as a whole (that is, new build adjusted to take account of conversions and demolitions) are estimated to be running above an overall annualised planning allocation of 58,000 units. Running above the overall annualised planning allocation has helped recoup the backlog in the early years of RPG9.

The trajectory against which ODPM assesses progress on housing delivery across the RPG9 area is one of the indicators of performance against PSA5.

The trajectory was developed using a set of assumptions including the then-current Regional Planning Guidance (RPG) targets and the need to make up the deficit in housing delivery in the early years of the 2001–16 period. The trajectory also reflects the additional homes to be built by 2016 in the Thames Gateway and the other three Growth Areas, insofar as they will fall into the RPG9 area (ie excluding the northern end of the London-Stansted-Cambridge-Northampton Growth Area).

The starting point for the RPG9 trajectory was a three year average of housing delivery up to 2001–02. This level was below the required “target” annual rate for delivering the housing numbers in RPG9, which it was assumed would be being met by 2006–07.

The assumptions made in developing the trajectory have proved robust in practice and net annual additions to the housing stock across the RPG9 area as a whole are above trajectory.

Recent housing industry statements that it would be capable of delivering a 10% compound increase in housing delivery year-on-year suggest that capacity should not be a barrier to future delivery. The Mayor’s recent London Capacity Study also provides a positive assessment of the potential for delivery in London.

An assessment of the current position therefore suggests that housing delivery remains on track to meet the planning allocations set out in RPG9, although changes in trends in housing delivery in future years cannot be ruled out.

#### FIRE AND RESCUE

28. *What steps are being taken to reverse the slight increase in sickness levels for full-time firefighters and control room staff noted on DAR p103, and to promote progress towards the SR2000 SDA target?*

Sick absence management is an issue for which fire and rescue authorities have direct responsibility in their role as employers. ODPM is aware that some authorities have introduced policies which are beginning to have a direct impact on sickness absence within their organisations. Where good practice is identified ODPM is encouraging fire and rescue authorities to share their policies with colleagues across the service.

ODPM has undertaken to provide good practice guidance to help those fire and rescue authorities which are struggling with this issue. As a first step towards the provision of this guidance ODPM, in partnership with HSE, is undertaking a study into sickness absence in the fire and rescue service to establish the causes, establish what measures authorities are taking to reduce sickness absence and to identify and disseminate good practice.

The scoping study for the project is currently being undertaken and it is envisaged that the research will begin in April 2006. The study should be completed and the report issued by March 2007.

#### CIVIL RESILIENCE

29. *Have any changes in allocation of resources been made/are changes projected in light of the London bombings in July 2005 (p107 of the DAR)?*

Current allocation of resources was made after the events of 11 September 2001. We will be reviewing the lessons arising from the recent emergencies and will be considering options for future allocation of resources.

30. *Has the Contract Award for the Firelink radio system been made? What steps are being taken to bring the programme back to its original schedule?*

Revised Final Offers were received from the two bidders EADS Defence and Security Systems and Airwave 02 Ltd on 31 August. The current plan is to award the contract by the end of November 2005, with a view to rolling out the Firelink system England, Wales and Scotland by 2009.

31. *Have the regional delivery plans been agreed? When is implementation expected to be completed?*

Regional Delivery Plans (now termed Delivery Priorities) have been agreed in all nine Government Office regions. The Priorities represent the agreed views of regional resilience forums on the priorities for emergency planning in the region, and are based on an assessment of risk and current response capability. The agreed Priorities drive the work of Regional Resilience Forums and are under continual review.

Current key priorities in each region include developing generic capabilities to respond to an infectious disease outbreak, and for dealing with a mass fatalities incident.

32. *Can the Department explain how it expects that a "smaller number of authorities will be classified as either poor or weak and a higher number as excellent" when more exacting standards have been applied in the CPA (comprehensive performance assessment) methodology for 2005?*

33. *How does this expectation by the Government correlate with the evidence noted on p100 of the DAR that "the level of [customer] satisfaction with local authorities overall has declined on average by 10 percentage points over the past three years"?*

The performance indicator quoted is for PSA4 against the SR 2002 PSA target. It was agreed before the development of new methodology for CPA to be implemented from 2005, which will apply a more stringent test to the performance of local authorities. This will include more emphasis given within the methodology to the council's focus on users and their satisfaction with the services delivered.

Analysis suggests that the key drivers of satisfaction are the quality of service provision, communication—the more informed people are about the council the more likely they are to be satisfied with overall performance (90% of people who felt the council kept them very/well informed were very satisfied); value for money, liveability and deprivation—people living in the most deprived areas are less satisfied. The new methodology will include an assessment of how well the council meets users' needs, including those in more deprived areas, and a greater focus on value for money. The "Harder Test" is likely to mean that some councils will move down a CPA category. However, the Government believes it is right that CPA recognises the need for continuous improvement in councils' delivery of services to local people.

We are currently considering performance indicators for the SR 2004 PSA target to take account of the likely impact of the new methodology on overall CPA scores.

34. *Is the content of the IEG (implementing electronic government) statements audited (p93 of the DAR)? If so, by whom?*

The content of annual IEG statements produced by all local authorities is subject to examination and verification by independent assessors, as well as being assessed by ODPM officials. IEG statements also form prima facie evidence for auditor certification of IEG capital grant expenditure, by auditors appointed by the Audit Commission.

## ADMINISTRATION AND OTHER COSTS

35. Please explain the 13% in administration costs in 2004–05 (see page 120 of DAR).

As in earlier years, the 2004–05 figures in the Departmental Annual report are an estimate of outturn. These estimates are entered on to the Treasury database in January/February in advance of year end and the production of audited accounts. The estimates do not take into account a credit against the capital charge for the Office of £14,879,000. The credit is the result of a large negative working capital balance (total creditors significantly exceeding debtors) producing a credit on costs of capital (a negative charge). The Office has now refined procedures for calculating the charge during the year which will result in a more accurate estimated outturn. The administration costs outturn for 2004–05, recorded in the audited accounts, was £310,743,000, some 7% higher than in 2003–04.

The increase in expenditure is across a number of areas; additional work being undertaken by the Government Offices on behalf of sponsor departments (£7 million); extra resources for staff and projects in major policy areas in tackling disadvantage, urban policy and civil resilience (£3 million); an increase in Office-wide costs (£9 million) including IT services provided by Department for Transport for the main headquarters buildings (£3 million), a rise in the number of staff leaving on early retirement (£2 million) and major initiatives to produce efficiency savings across the spending review period.

36. Please give a breakdown of the capital employed or projected for employment in “Plant, equipment and other” from 2003–04 to 2006–07 (p119 of DAR); why is such a significant increase required?

(a) a breakdown of the capital employed or projected for employment in “Plant, equipment and other” from 2003–04 to 2006–07:

## ANALYSIS OF PLANT, EQUIPMENT AND OTHER CAPITAL EMPLOYED/PROJECTED FOR EMPLOYMENT

	Year-end of 2003–04 £m	Year-end of 2004–05 £m	Year-end of 2005–06 £m	Year-end of 2006–07 £m
Total	94	143	224	283
of which Corporate (Central Admin and the Government Offices):	26	48	69	76
and Non-Corporate (Programme):	68	95	155	207
comprising: Civil Resilience New Dimensions Programme and Fire Projects	67	91	150	203
Social Housing Database	0	3	4	3
Other Programme	1	1	1	1

(b) why such a significant increase is required:

The vast majority of the £189 million increase (£139 million) is in the major projects delivering nationwide capabilities for the civil resilience and fire programmes. Of the £50 million increase in corporate capital employed, most is planned for electronic transformation projects.

## TECHNICAL

37. Why, in the top pie chart on p40 of the DAR, does PSA 4 not appear?

In 2004–05 there was no expenditure on this PSA in ODPM main DEL (RfR1). Expenditure fell in the Local Government DEL (RfR2).

38. Is Table CR (p127) set out in thousands, or millions, of pounds?

The table is in millions of pounds. The table was wrongly annotated to be in £'000.

## Annex A

Strategic Priority	2005–06 ODPM DEL Resources Allocated (£k)	PSA Target
1. Tackling disadvantage by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.	2,297	PSA 1—Neighbourhood renewal Tackle social exclusion and deliver neighbourhood renewal, working with departments to help them meet their PSA floor targets, in particular narrowing the gap in health, education, crime, worklessness, housing and liveability outcomes between the most deprived areas and the rest of England, with measurable improvement by 2010. (also contributes to Priorities 3 and 5).

<i>Strategic Priority</i>	<i>2005–06 ODPM DEL Resources Allocated (£k)</i>	<i>PSA Target</i>
2. Promoting the development of the English regions by improving their economic performance so that all are able to reach their full potential, and developing an effective framework for regional governance, taking account of the public's view of what is best for their area.	1,683	PSA 2—Regional Economic Performance Make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006 (shared with the Department of Trade and Industry and HM Treasury).
3. Delivering better services, by devolving decision-making to the most effective level—regional, local or neighbourhood: Promoting high-quality, customer-focused local services and ensuring the availability to local government of adequate, stable resources. Clarifying the roles and functions of local government, its relationship with central and regional government and the arrangements for neighbourhood engagement, in the context of a shared strategy for local government.	249	PSA 3—Fire By 2010, reduce the number of accidental fire-related deaths in the home by 20% and the number of deliberate fires by 10%. <i>(also contributes to Priorities 1 and 5)</i> PSA 4—Local government performance By 2008, improve the effectiveness and efficiency of Local government in leading and delivering services to all communities. <i>(also contributes to Priorities 4 and 5)</i>
4. Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment	3,095	PSA 5—Housing Markets Achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions whilst protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities. <i>(also contributes to Priorities 2 and 5)</i> PSA 6—Planning The planning system to deliver sustainable Development outcomes at national, regional and local Levels through efficient and high-quality planning and development management processes, including through achievement of best value standards for planning by 2008. <i>(also contributes to Priorities 2 and 3)</i>
5. Ensuring people have decent places to live by improving the Quality and sustainability of local environments and neighbourhoods, reviving brownfield land, and improving the quality of housing.	1,540	PSA 7—Decent homes By 2010, bring all social housing into decent condition, with most of this improvement taking place in deprived areas and, for vulnerable households in the private sector, including families with children, increase the proportion who live in homes that are in decent condition. <i>(also contributes to Priority 1)</i> PSA 8—Liveability Lead the delivery of cleaner, safer, greener public spaces, and improvement of the quality of the built environment in deprived areas and across the country, with measurable improvement by 2008. <i>(also contributes to Priority 1)</i>

### Supplementary memorandum by the Office of the Deputy Prime Minister (AR 01(a))

#### OFFICE CORE NARRATIVE

As Peter Unwin mentioned in his evidence to the Committee on Monday, the Deputy Prime Minister and the Ministerial Team have been taking stock of current policies and programmes to ensure that these are aligned as effectively as possible in creating sustainable communities and ensuring the Office is successful in setting out its priorities clearly during the Comprehensive Spending Review 2007.

Members of the Committee may be interested to see the outcomes of this work, summarised in the attached core narrative for the Office. The goals set out in the narrative focus on the outcomes that our strategic priorities and PSA targets aim to deliver. Ministers have today circulated the narrative to all staff in ODPM and the Government Offices for the Regions.

*David Hill*

#### CORE NARRATIVE

Sustainable communities are about things that matter to people: decent homes at prices people can afford, good public transport, schools, hospitals, and shops; people able to have a say on the way their neighbourhood is run; and a clean, safe environment.

The job of the Office of the Deputy Prime Minister is to help create sustainable communities, working with other Government departments, local councils, businesses, the voluntary sector, and communities themselves.

We have five year plans and a challenging set of Public Service Agreement targets which set the overall framework. We have now completed a stocktake to ensure that we have full alignment across these programmes to maximise our impact in delivery and to sharpen our focus in advance of the Comprehensive Spending Review in 2007.

#### *What did we conclude?*

Our programmes are underpinned by three core values. All our policy and practice should be tested against them. The values are:

- Empowerment: are we giving people more power and control over their lives?
- Equity: are we ensuring that we narrow the gap between disadvantaged groups and areas and the average?
- Value for money: are we reducing costs and bureaucracy, increasing productivity, and using public money to lever in resources from the private and voluntary sectors.

There are five key drivers of sustainable communities. They are central to the delivery of our overarching goal.

- high quality services: focused on continuous improvement and the delivery of visible results in service delivery and public perceptions;
- a good physical environment: clean, safe and environmentally sustainable;
- a strong economic base: a good infrastructure, employment and opportunity for all, and a good climate for enterprise and investment;
- strong leadership: reinvigorated local democracy, strong partnerships; and
- shared values: building cohesion and respect across communities.

These are mutually reinforcing and if a community lacks one or more of them it is unlikely to be sustainable. Good policy and delivery will bring out these synergies.

Flowing from this work we have developed 11 key priorities for the Office: these consist of high level goals, critical projects and cross-government priorities:

#### *High-level goals*

- A step on the housing ladder for new generations of homeowners; quality and choice for those who rent; ensuring mixed sustainable communities based on public and private investment.
- High quality public services for all, shaped by individuals and communities to meet their needs, delivering value for money and visible results.
- Communities—especially the most disadvantaged—connected to economic activity and social opportunity.
- Towns and cities world class for their economic and social life; more power for neighbourhoods to decide things that matter to them.
- Inclusive communities that are bound together by values of decency and mutual respect—where we help prevent anti-social behaviour, enforce rules consistently and swiftly, and build respect in all communities.

#### *Critical projects*

- Improving regional arrangements to maximise the effectiveness of planning and investment at this level.

- Supporting robust local government finance; securing a strategic role for local government.
- Modernisation of the fire and rescue service.
- Delivering the Thames Gateway programme as a cross-Government project.

*Cross-government priorities*

- Managing the Office's contribution to delivering the Olympics.
- Tackling disadvantage and social exclusion.

These goals focus on the outcomes that our strategic priorities and PSA targets aim to deliver. As we prepare for the 2007 Comprehensive Spending Review, we will work to ensure that our targets, funding, institutions and workforce are aligned as effectively as possible to achieve our mission to create sustainable communities.

Building on our work to create sustainable communities at home, the Deputy Prime Minister is leading efforts across Europe, under the UK presidency of the EU, and through the development of a Bristol Accord to agree an integrated approach to the creation of sustainable communities across Europe.

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**Supplementary memorandum by the Office of the Deputy Prime Minister (AR 01(b))**

**RESPONSE TO COMMITTEE FOLLOW-UP QUESTIONS ON ANNUAL REPORT 2005**

**1. EFFICIENCY SAVINGS**

Officials were asked to provide a full breakdown of the efficiency savings achieved by ODPM in 2004–05 (Q4), together with the annual profile for projected savings in future years (Q19).

Since officials appeared before the Select Committee, updated figures have become available for efficiency savings. These show some significant interim savings in our main programme areas of social housing, regional development agencies and homelessness. The table at Annex A sets out these gains by year. Savings to date should be treated as interim until such time as the data has been subject to third party scrutiny and validation. Additional forecast gains in homelessness mean that we are now expecting total 2007–08 savings to be well in excess of the £681 million previously given in oral evidence. Under OGC monitoring procedures, savings recorded against 2005–06 will include any savings achieved in 2004–05. Of the £181.7 million achieved to date, it is estimated that about £168 million were achieved by the end of 2004–05. Please note we expect further savings to be made in 2005–06 and believe the savings achieved to date reinforce earlier statements that we are on track to deliver our savings as forecast.

**2. END-YEAR FLEXIBILITY**

At Q13, Mr Unwin indicated that he would provide a final figure for the expenditure of end-year flexibility in 2004–05. Please also provide a breakdown of how the money was spent.

*Please see the tables and information at Annex B*

**3. DECENT HOMES**

At Q57 Mr McCarthy promised the Committee a breakdown of those local authorities which were having difficulty meeting the Decent Homes targets.

*Please see the information at Annex C*

**4. KEY WORKERS**

At QQ64–5 Mr McCarthy promised the Committee further information on the number of key workers who have been housed through the Key Workers initiative and other programmes; please also provide an assessment of (a) progress against the 2006 target and (b) whether the Department expects to meet the target.

- (a) Since 2001, a total of 17,627 key workers have been helped through the Starter Home Initiative (SHI) and Key Worker Living (KWL). The Starter Home Initiative, which ran from 2001 to the end of March 2004, helped 10,322 key workers to buy their first home, exceeding the original target. The Key Worker Living Programme, launched in March 2004, is on course to exceed its first target, to help 10,348 key workers by March 2006.
- (b) The KWL Programme is on track to meet the second part of the target to complete 6,000 new-build units for key workers by March 2007.

Further information on the Starter Home Initiative and Key Worker Living Programmes is contained in Annex D.

## 5. EMPTY DWELLINGS MANAGEMENT ORDERS

Please inform the Committee when EDMOs will be implemented (Q66).

The Government published the detailed programme for commencement of the Housing Act 2004 on Monday 10 October. There will be a phased introduction of the provisions in the Act, leading to a common commencement date of 6 April 2006 for the provisions contained within the Housing Act 2004, including Empty Dwelling Management Orders.

## 6. HOUSING-RELATED INFRASTRUCTURE

Mr McCarthy said the Department would provide the Committee with an analysis of the level and cost of infrastructure provision required to deliver homes in the Growth Areas, (a) as a total and (b) broken down by Area and forecast programme spend (eg roads, civic amenities) (QQ73, 76-77).

*Please see the information at Annex E*

## 7. FIRE SERVICE

Mr Smith indicated that he would provide the Committee with further information about the Firelink contract:

- (a) Who are the suppliers competing for the contract, and how does the specification for Firelink differ from the specification for the police radio system, referred to in QQ97-102?

The suppliers competing for the Firelink contract are EADS Defence and Security Systems; O<sub>2</sub> Airwave.

The high level differences between the Fire and Police systems are:

- (i) Firelink used an output-based specification which was developed in close consultation with user representatives from the fire and rescue services. Broadly it mirrors the best of existing requirements, only adding new features to enable interoperability and resilience to ensure affordability.
  - (ii) The Firelink specification did not specify a particular technology, whereas the Police first assessed their user requirement against the available technologies and then went out to contract for a Tetra-based system.
  - (iii) The specification for the Firelink system was developed in the light of the tragic events of 9/11 and therefore resilience became a high priority. However, improvements are being made to the existing police system to increase this to a level more in line with the resilience requirements of the FRS.
  - (iv) Firelink radio coverage requirement is based on geographic coverage, whereas the police system's coverage is demographic-based.
  - (v) The Firelink radios are fitted to vehicles/appliances not, as in the police, on vehicles and mobile phones for individual officers.
  - (vi) Firelink provides the same radios and mobile data terminals in all fire appliances and ensures interaction with the control rooms (ultimately to all regional control rooms). The police system supplied a network up front with the individual police forces supplying the rest of the equipment which, whilst all compatible with the TETRA technology, was not all supplied from the same company, or at the same time.
- (b) Can the Department provide the Committee with minutes of the meetings at which the Firelink specification and contract have been discussed, referred to by Mr Cummings at Q106?

The committees which have dealt with the early development of the Firelink specification are the Principal User Group, which has received advice from the Technical User Group. In the later stages, discussion about the specification and the eventual contract took place at Project Board meetings. For all committees there is representation from England, Scotland and Wales along with the Chief Officers Association. The papers from these meetings are and will remain commercially confidential and cannot therefore be released for publication by the Committee.

- (c) Please confirm how the Department intends to evaluate performance of the new regional call centres against existing arrangements; and what baseline data will be used (QQ114-116)

Currently response time data before 2005 are available at Fire and Rescue Authority level for primary fires only (ie those that affect life and property). From 2005 onwards, because of changes in the way information on primary fires is processed, it will be possible to produce response times by local authority and constituency. Further improvements in data collection will provide response times for other fires and other types of incident at an even more local level. Response times are calculated from the point at which a call is received by fire control.

Data currently collected do not identify the time taken to process calls in the control room; nor are data collected on multiple calls (ie calls about the same incident).

The FiReControl system will be able to provide data on the full range of incidents dealt with by the Fire and Rescue Service, including the time taken to process calls and the time taken to deal with multiple calls, and will produce this at the most detailed geographical levels required. Since earlier data sets do not include this additional information, it will be necessary to establish a new baseline over the next two years in order to be able to measure the changes effected by FiReControl when it is implemented. So response times to primary fires will be baselined against past data before 2005, and responses for a whole range of incidents will be baselined against data collected over the next two years.

It should be noted that these data sets are not intended to provide a direct comparison in terms of response times from the local station to a particular location. This is because the FiReControl/Firelink technology solution will make it easier to send the nearest available vehicle to an incident, so that vehicles will be less likely to be sent from the local station. For example, with FiReControl system, operators will be able to send vehicles that are on the road already, instead of only using those that are on the station. It will also be easier to send appliances across a regional or Fire Authority border.

What we will have is a firm evidence base to evaluate the performance of regional control centers against current arrangements for a range of incidents on the key factor; the speed of response from the time the call is received to arrival of the appliance at the incident. This is clearly the most important measure as far as members of the public are concerned.

#### 8. CORPORATE IDENTITY

Please confirm what the Department's new corporate identity, brand and brand values are (referred to in the Department's memorandum to the Committee Q16, and at QQ124-6 in oral evidence).

The new ODPM Corporate ID, together with an updated supporting statement and Office narrative was designed to help us to be more effective at telling our story to our stakeholders. It has been used on all our internal and external communications products, stationery etc from 1 April 2004, when the full set of guidelines was published.

This new corporate identity replaced the logo, which was simply the Royal Coat of Arms with the wording "Office of the Deputy Prime Minister" beneath. This was an immediate measure designed to serve the Office after the division of responsibilities of the old DTLR.

The figures quoted to you earlier were research & design costs relating to the:

- corporate identity;
- its strap-line;
- the Office functions line;
- corporate identity guidelines; and
- the corporate literature guidelines (attached at Annex G).

The Committee would be grateful if written answers to the following supplementary questions could also be provided:

#### 9. SHORTFALLS IN EFFICIENCY PLANS

At QQ7-8 Mr Unwin indicated that in some circumstances the Department might fall short of its targets for efficiency savings in specific programmes. Please indicate what circumstances might prevent the achievement of efficiency savings, giving examples if available.

ODPM is confident it will achieve its efficiency target and the savings it is proposing to secure from individual programme areas. The savings are to be delivered over the next three years and we are on track to deliver them. The possibility remains, however, that there may be slippage against an individual programme's forecast, such that some savings fall out of the review period and can't be counted towards our target.

Whilst ODPM is in the lead, most of our savings are secured through third parties and we are ultimately dependent on them to deliver. Other key risks to delivery include insufficient buy-in and/ or capacity to deliver among our stakeholders, failure to capture and properly record claimable savings, and in general, increased or uncertain demand in the programme areas. We have good management systems, clear communication strategies and support programmes in place to manage these risks.

#### 10. LOCAL AUTHORITY EFFICIENCY GAINS

At Q10 of the Department's original memorandum, cash values were provided for the efficiency gains expected in each local authority service sector. Please indicate what percentage of the budget for each sector these figures represent.

The table below sets out the total efficiency gains achieved in 2004-05 and those expected to be made in 2005-06 as reported by local authorities in their Annual Efficiency Statements, and their equivalent value as a percentage of the 2004-05 baseline expenditure:

<i>Year</i>	<i>Efficiency Gains (£m)</i>	<i>As % of 2004–05 Baseline</i>
2004–05	759	1.9%
2005–06	1,180	2.9%
2004–05 + 2005–06 cumulative total	1,939	4.7%

The table below sets out for each service sector the approximate 2004–05 spend, the total efficiency gains expected to be achieved by local authorities by the end of 2005–06, and their equivalent value as a percentage of the 2004–05 spend:

<i>Service Sector</i>	<i>Total expected by end 2005–06 (£m)</i>	<i>Approx. spend (£bn)</i>	<i>Total by end 2005–06 as % of 2004–05 spend</i>
Adult social services	289.6	8.7	3.3%
Children’s services	127.2	3.7	3.4%
Culture and sport	75.9	2.0	3.9%
Environmental services	137.3	2.6	5.4%
Local transport	125.1	3.4	3.7%
LA social housing	160.0	6.7	2.4%
Non-school education	86.6	4.8	1.8%
Supporting people Homelessness	60.1	1.8	3.3%
	26.6	0.6	4.4%

Since there is no commonly agreed way to allocate overall expenditure to each crosscutting workstream, we are not able to provide percentage information for these areas.

#### 11. VERIFICATION OF EFFICIENCY STATEMENTS

At Q37 in oral evidence there was discussion of the work carried out by the Audit Commission to verify the efficiency savings made by local authorities. Please:

- provide details of the work being carried out by the Audit Commission in respect of annual efficiency statements; and
- provide assurances that the Audit Commission is auditing the figures supporting the efficiency gains reported by local authorities.

The auditors appointed by the Audit Commission carry out an annual “use of resources” assessment covering five broad areas of financial management, one of which is value for money (VfM), which will include a review of the Backward Look Annual Efficiency Statements (these are the statements in which local authorities report the gains that they have achieved in the financial year just passed).

Efficiency gains evidenced and any concerns will be reflected in auditors’ overall VfM assessment. In reporting back on the results of their VfM assessment, auditors will report where they have specific concerns about the process followed by the council in compiling the backward looking efficiency statement or where the statement is not consistent with the auditors’ knowledge of the council obtained through other audit work.

This work does not constitute a formal audit of the figures in the Annual Efficiency Statements. Such work would be costly and add significantly to the burden of regulation, and would therefore be counter to the purpose of the efficiency agenda.

#### 12. FINANCIAL MANAGEMENT REVIEWS

*The Committee understands that HM Treasury have undertaken financial management reviews across all Government Departments. Can the Department provide the Committee with a copy of the financial management review report for ODPM, including the action plan?*

Please see the information at Annex F.

#### 13. ENGLISH PARTNERSHIPS

*In the table at Q22 of the Department’s memorandum the increase in capital spending for English Partnerships is said to be due to “double counting in line with resource accounting rules”. Can you explain this please?*

The previous response given was inadvertently misleading, for which we apologise.

The increase in capital DEL cover for English Partnerships reflected changes in the way acquisitions and disposals of land held as stock were treated in Departmental Expenditure Limits. These changes were made following lengthy discussion with the Treasury.

Previously acquisitions and disposals of development assets were scored at the time of disposal in the resource DEL. The acquisition scored at book value, offset against the disposal proceeds. The net difference therefore, the profit or loss, scored against the resource DEL at the time of disposal. This treatment arose because acquisitions of land and buildings are treated as development assets (stock) in English Partnerships' accounts.

The new budgeting treatment required EP's acquisitions and disposal of development assets to be scored in the DEL in exactly the same way as fixed assets are scored. It did not alter the accounting treatment.

The new treatment is that acquisitions of development assets score in the capital DEL at time of acquisition at purchase price; at the time of disposal the net book value of disposal scores in the capital DEL and the profit or loss in the resource DEL.

In order to preserve existing levels of activity, Treasury agreed to increase the Capital DEL and reduce the Resource DEL for 2004–05 and subsequent years. This did not give EP extra or lower spending power—it was designed to enable the same levels of activity to continue under the new scoring arrangements.

The new budgeting rules for development assets require, as with fixed assets, for acquisitions to score against capital DEL, and write downs and depreciation to score in the resource DEL. This is a long established arrangement for fixed assets which could be termed as double counting. For fixed assets, and in future for development assets, Departments need to assess in the context of spending reviews their requirements for both resource and capital DELs on this basis. For the change in the scoring for development assets, the reclassification and uplifting of English Partnerships' budgets took account of the impact of this change so that EP was not disadvantaged.

#### 14. PSA8

*The Committee notes that the Department intends to reduce the percentage of local authority districts nationally judged to have unacceptable levels of litter and detritus. What key performance indicators will be used for this assessment?*

The percentage of local authorities judged to have unacceptable levels of litter and detritus is measured through Best Value Performance Indicator (BVPI)—BV199 (BV199a as of 1 April 2005). This is measured through detailed surveyor assessments of a large number of sites on several occasions within each local authority district, using a methodology developed for DEFRA by ENCAMS; the percentage of sites surveyed by the authority that fall below an acceptable level (below grade B as set out by the Code of Practice on Litter and Refuse).

Performance will be assessed using the 2007–08 BVPI results that will become available by the end of 2008. BV199(a) is measured annually.

[BV199 was measured for the first time in 2003–04. Audited results for 2003–04 report that 23% of local authorities nationally and 33% of local authorities in receipt of NRF have unacceptable levels of litter in excess of the national benchmark set within BV199. Results exclude non-returns and returns about which the Audit Commission expressed some reservation in order to set the baseline as accurately as possible.

By the end of financial year 2007–08 no more than 10% of local authorities nationally and 17% of local authorities in receipt on NRF will have unacceptable levels of litter and detritus in excess of the national benchmark.]

#### 15. FUNDING FOR REGENERATION

*What arrangements have been made to support regeneration programmes financed by European Structural Funding, once the current European spending programme ends next year?*

*If arrangements have been made, where is the money coming from?*

*If arrangements have not been made, what support is the Department providing to organisations which are looking for other sources of funding?*

The current round of European Structural Funds programmes does not finish spending next year. Although the programming period is 2000–06, projects have until 31 December 2008 to finish spending. This overlaps with the next programming period from 2007–13.

Negotiations on the Structural Funds Regulations for 2007–13 are ongoing, but cannot be finalised, and funding allocated, until Member States and the European Commission have reached agreement on the budget.

Having said that, it remains the UK Government position that there should be an EU framework for devolved regional policy, and that the 2007–13 Structural Funds should be focussed on the poorest Member States. Wealthier Member States should take primary responsibility for funding regional development from domestic resources.

If the UK's reform proposals are accepted in full, the UK Government has guaranteed to increase domestic resources to be spent on regional policy within the UK so that the nations and regions do not lose out as a result of the reform.

This amount would be the amount the UK would receive if the current eligibility criteria for structural funds were reapplied to the enlarged EU for the 2007–13 financial perspective. It will use the latest regional data available before the next financial perspective is agreed.

This will be less than presently. Under all scenarios the UK will receive less funding for regional policy, (due to enlargement and the strong economic performance of the UK's regions).

#### How the guarantee would work

It is more efficient for the UK to fund domestic regional policy directly, through the Guarantee, than to recycle the spending through Europe and lose more in domestic spending than it gains in EU receipts. (Currently the UK pays €1.6 for every €1 it receives). Increasing the UK receipts from Europe would reduce domestic spending on regional policy and reduce the Barnett consequential for the Devolved Administrations.

#### Regional Funding Allocations

In terms of planning for future domestic spending programmes, we are asking Regions, through the Regional Development Agencies and Assemblies, to prioritise within and across key elements of regional spend and to advise Government where the resources should be targeted. This is intended to align more effectively investment and resources in the regions within regionally agreed priorities.

We have undertaken to consider the scope for bringing any regional European funding into any future RFAs exercises (depending on an assessment of the first round).

#### 16. REGIONAL CENTRES OF EXCELLENCE

*(a) How will the effectiveness of these centres be assessed? (b) What is their expected annual cost? (c) Will they be staffed by new appointments or redeployments?*

- (a) An RCE Programme Management Team has been established to monitor the performance of the RCEs and co-ordinate activities with the ODPM. The Team has regular meetings with the RCEs and requires each RCE to submit a quarterly report on their activities. These reports are used to monitor RCEs' progress against their Business Plans and any areas of concern identified can be raised with the appropriate RCE and a resolution sought.
- (b) So far, the ODPM has provided £11 million in 2004–05 and a further £11 million in 2005–06 to fund all nine RCEs. Discussions on further funding for the RCEs are ongoing. In addition to the funding from ODPM, individual RCEs have applied for other government funding to assist with the delivery of specific projects.
- (c) The Directors of each RCE have either been seconded from the host local authority or are new appointments. Similarly, their staff have been either seconded from the host local authority or another authority within the region, or are new appointments.

#### 17. STAFF RELOCATION

*The Departmental Annual Report notes at p46 that 103 of 240 posts identified for relocation have been relocated. What plans does the Department have to relocate the remaining agreed posts out of London and the South East?*

At the forefront of our relocation plans is to devolve work where possible to our Government Office Network and existing satellite offices thus greatly reducing the costs of relocation. A significant amount of ODPM's remaining relocation will be delivery/policy based posts that ODPM is choosing to create in the GOs rather than in London. We are looking at where roles need to be carried out so that they add more value—there is no point being based in London if your interactions are with Humberside and will be for several years to come. There will also be a number of posts that we will relocate from head office. These will mainly come from back office/operational support functions, such as finance, information management and the like.

## 18. SENIOR CIVIL SERVICE

*What are the ODPM's current figures for employment of women, the disabled and those from ethnic minority backgrounds within the Senior Civil Service? What is being done to encourage individuals from these groups to move into the Senior Civil Service within ODPM?*

Percentage of women in Senior Civil Service (SCS)	40%
Percentage of staff from an ethnic minority in SCS	4%
Percentage of staff with a declared disability in SCS	2.2%
Percentage of women in top management posts	24%

ODPM participates in Cabinet Office led schemes such as Pathways, the Fast Stream Summer Development Programme for Ethnic Minorities and the Fast Stream Summer Placement Scheme for disabled candidates.

We are also, as part of our commitment to the Cabinet Office-led 10-point diversity plan, developing new targets for representation of women and minority groups in the SCS, including what additional positive action is needed to help ensure delivery of those targets.

## 19. ACCOMMODATION

*What is being done to rationalise ODPM accommodation, and over what timescale? Do these changes incur any cost, and what savings does the Department expect from these changes in the long term?*

We have already made net savings of £1 million in this financial year by moving staff from serviced accommodation to cheaper accommodation on the Government estate in June of this year.

ODPM HQ currently occupies part or all of four buildings in central London. We plan to make more efficient use of these buildings with a view to reducing to three or two buildings by April 2008 depending on circumstances at that time. This would be achieved by a major refurbishment of one of the four buildings, to enable full open plan working. A pilot has just been successfully completed.

The estimated cost of the necessary works is between £7 million and £8 million which will be spread over the three year period. The savings on rent and running cost would, at current costs, be between £1.3 million and £3.5 million in 2008–09, and between £1.4 million and £3.8 million in every year thereafter.

## 20. STAFF SURVEY

*When will the results and analysis of the 2005 staff survey be available to the Committee?*

ODPM intends to release the detailed results and the summary report in electronic format to staff in the first half of this month. A copy of the summary report will be sent to the Select Committee at that time.

## Annex A

## ODPM CENTRAL EFFICIENCY PROGRAMME

<i>ODPM (C) Target: £620 million by 2007–08, of which at least two thirds will be cashable.</i>	<i>Profile (£m) By Year</i>		<i>Total (£m) Targets</i>	<i>Interim Savings (£m) —figures yet to be audited</i>	<i>Comments</i>
	<i>2005–06</i>	<i>2006–07</i>	<i>2007–08</i>	<i>Savings to date</i>	
<i>ODPM (C) Efficiency Proposals</i>					
Administration	8	16.5	<b>25</b>	0.05	Merger of Internal Audit Services with Cabinet Office Audit team successfully completed. Admin funding in the line already reflects savings efficiencies.
Regional Development Agencies	40	80	<b>120</b>	11.9	Plans for achieving savings of £139.5 million (£120 million for ODPM) by 2007–08, were submitted in April 2005 and have been signed off by DTI and OGC. First reports from each of the eight RDAs and the LDA were submitted in October.
Social Housing: New Supply	130	140	<b>160</b>		Housing Corporation (HC) strategy for investment partnering for new affordable housing was launched in August. HC also launched in March an innovative scheme to extend social housing grant to non-registered bodies. By widening the competition for grant, this should encourage better value for money.

<i>ODPM (C) Target: £620 million by 2007–08, of which at least two thirds will be cashable.</i>	<i>Profile (£m) By Year</i>		<i>Total (£m) Targets</i>	<i>Interim Savings (£m) —figures yet to be audited</i>	<i>Comments</i>
	<i>2005–06</i>	<i>2006–07</i>	<i>2007–08</i>	<i>Savings to date</i>	
Social Housing: RSL spend on capital works	2	30	<b>60</b>	66.4	National change agent now in place to establish network of local procurement consortia to maximise efficiencies throughout the supply chain. £33 million Efficiency Challenge Fund launched to facilitate consortia set up (five consortia have already won funding).
Social Housing: RSL management and maintenance	35	60	<b>80</b>	74.6	ODPM commissioned a review of “systems thinking”. Results of pilots testing its application to social housing are encouraging, and the report was launched in September.
Social Housing: RSL spend on commodities	10	30	<b>55</b>	11.5	National collective agent launched last year offering savings through joint procurement of commodity goods and services (telecoms, gas, office supplies etc). It has achieved well over 60% coverage of the RSL sector.
Fire and Rescue Services	25	75	<b>105</b>		Integrated Risk Management Planning is now firmly embedded in all FRAs. The Audit Commission’s Fire CPA reports were published at the end of July. CPA improvement planning now underway and providing major opportunity to reinforce efficiency messages and share good practice. Consultation on Annual Efficiency Statements closed on 5 October, subject to which FRAs’ first reports should be made on 17 November.
Firelink: Operational Continuity	8	8	<b>10</b>	1.5	Phase 1 work is complete. This replaced high-risk items identified through an initial risk assessment process. As a result of negotiations this work has been completed for £1.5 million less than budget.
Homelessness <sup>1</sup>	21	58	<b>125</b>	15.7	2005–06 grant allocations have been made to local authorities and other agencies, linking funding more strongly to performance in tackling homelessness. National statistics confirm there have been sustained reductions in new cases of homelessness since the start of 2004 and show no further increase in the number of households in temporary accommodation since September 2004. With these positive changes occurring a year ahead of ODPM’s projections we are on track to deliver.
<b>Total (£m)</b>	<b>279</b>	<b>497.5</b>	<b>740</b>	<b>181.7</b>	

<sup>1</sup> Homelessness: Added to programme in 2005–06 as contingency. New forecast/ target corrects error in data originally supplied so that it is now expressed in cumulative terms.

## Annex B

## END YEAR FLEXIBILITY 2004-05

The following Tables set out the EYF available at the start of the year (2004-05), what was taken up during the year and what was carried forward into 2005-06 including underspends in 2004-05.

<i>Type of expenditure</i>	<i>Total carried forward from 2004-05 (£m)</i>
Resource Consumption	242.0
Resource Investment	56.6
Capital	102.8
<b>TOTAL</b>	<b>401.40</b>

## 2004-05 (£m)

<i>Programme</i>	<i>Start of Year</i>			<i>Take up in Year</i>			<i>Remaining Entitlement (End Year) to be carried forward (A)</i>			<i>Underspend in 2004-05 carried forward as EYF (B)</i>			<i>2005-06 EYF (A) + (B)</i>		
	<i>Res C</i>	<i>Res I</i>	<i>Cap</i>	<i>Res C</i>	<i>Res I</i>	<i>Cap</i>	<i>Res C</i>	<i>Res I</i>	<i>Cap</i>	<i>Res C</i>	<i>Res I</i>	<i>Cap</i>	<i>Res C</i>	<i>Res I</i>	<i>Cap</i>
Ringfenced	70.5	56.6	13.9	41.4	18.9	6.1	29.1	37.6	7.8	0.5	188.4	40.3	29.6	226.0	48.0
Non Ringfenced	135.2	0.0	72.9	1.0	0.0	46.4	0.0	0.0	26.6	27.8	17.1	141.5	27.9	17.1	168.0
<i>Total Programme</i>	<i>205.7</i>	<i>56.6</i>	<i>86.8</i>	<i>42.4</i>	<i>18.9</i>	<i>52.5</i>	<i>29.1</i>	<i>37.6</i>	<i>34.3</i>	<i>28.3</i>	<i>205.4</i>	<i>181.8</i>	<i>57.5</i>	<i>243.1</i>	<i>216.1</i>
Administration	36.4		16.0	36.4	0.0	7.8	0.0	0.0	8.1	39.3	0.0	15.4	39.3		23.3
<b>TOTAL ODPM</b>	<b>242.0</b>	<b>56.6</b>	<b>102.8</b>	<b>78.7</b>	<b>18.9</b>	<b>60.3</b>	<b>29.1</b>	<b>37.6</b>	<b>42.5</b>	<b>67.7</b>	<b>205.4</b>	<b>197.2</b>	<b>96.8</b>	<b>243.1</b>	<b>239.3</b>

## KEY POINTS

- EYF is an aggregate of unused EYF from previous years plus underspends in the current year 2004-05
- The main use of programme EYF in 2004-05 was as follows:
  - Resource Consumption*
  - £37 million—Fire Services programmes including transitional funding
  - £51 million—Housing programmes
  - £30 million—English Partnerships
  - £21.5 million—Civil Resilience programmes
  - £21 million—Regional Development Agencies
  - £9.5 million—Regional Assemblies
  - £3 million—E-Planning
  - Resource Investment*
  - £19 million—Housing programmes
  - Capital*
  - £15 million—European Regional Development Fund
  - £12 million—English Partnerships
  - £9 million—Housing programmes
  - £5 million—Coalfields Enterprise Fund
  - £4 million—New Dimension
  - £2 million—E-Planning
  - £2 million—New Ventures Fund
  - £1.4 million—Fire Smoke Alarms
- In addition £36 million administration EYF was drawn down to meet the planned expenditure of the Office

## ODPM EYF POSITION IN 2004-05

(£ million)

Programme	Start of Year			Take up in Year			Remaining Entitlement (End Year) to be carried forward (A)			Underspend in 2004-05 carried forward as EYF (B)			2005-06 EYF (A) + (B)		
	Res C	Res I	Cap	Res C	Res I	Cap	Res C	Res I	Cap	Res C	Res I	Cap	Res C	Res I	Cap
EC structural funds												4.19			4.19
NDC	19.71	2.39	0.00	19.71				2.39				5.95		8.34	
NVF		0.05	0.13					0.05	0.13		0.03	1.18		0.08	1.31
RDAAs	8.97	20.32		8.97				20.32	0.00					20.32	
LDA	40.87		7.62	12.05			28.82		7.62	0.00		0.00	28.82		7.62
Starter Homes Initiative		6.44			6.44										
Safer Communities		27.36			12.50			14.86			1.99			16.85	
Disabled Facilities <sup>3</sup>			0.00							0.07		7.99	0.07		7.99
Housing Defects	0.28						0.28						0.28		
GAP Funding											180.40			180.40	
CMF			6.07			6.05			0.02			26.70			26.72
ISB	0.64		0.05	0.64		0.05				0.43		0.22	0.43		0.22
<b>TOTAL RINGFENCED</b>	<b>70.47</b>	<b>56.55</b>	<b>13.86</b>	<b>41.36</b>	<b>18.94</b>	<b>6.10</b>	<b>29.10</b>	<b>37.62</b>	<b>7.77</b>	<b>0.50</b>	<b>188.37</b>	<b>40.28</b>	<b>29.60</b>	<b>225.98</b>	<b>48.05</b>
Non Ringfenced Prog <sup>4</sup>	135.21	0.00	72.95	135.19	0.00	46.39	0.03	0.00	26.55	27.84	17.07	141.47	27.87	17.07	168.02
<b>TOTAL NON RINGFENCED</b>	<b>135.21</b>	<b>0.00</b>	<b>72.95</b>	<b>1.00</b>	<b>0.00</b>	<b>46.39</b>	<b>0.03</b>	<b>0.00</b>	<b>26.55</b>	<b>27.84</b>	<b>17.07</b>	<b>141.47</b>	<b>27.87</b>	<b>17.07</b>	<b>168.02</b>
<b>TOTAL PROGRAMME</b>	<b>205.68</b>	<b>56.55</b>	<b>86.81</b>	<b>42.36</b>	<b>18.94</b>	<b>52.49</b>	<b>29.13</b>	<b>37.62</b>	<b>34.32</b>	<b>28.34</b>	<b>205.44</b>	<b>181.75</b>	<b>57.47</b>	<b>243.05</b>	<b>216.07</b>
Admin	36.37		15.96	36.37	0.00	7.83	0.00	0.00	8.13	39.33	0.00	15.44	39.33		23.27
<b>TOTAL ODPM</b>	<b>242.05</b>	<b>56.55</b>	<b>102.77</b>	<b>78.73</b>	<b>18.94</b>	<b>60.32</b>	<b>29.13</b>	<b>37.62</b>	<b>42.45</b>	<b>67.67</b>	<b>205.44</b>	<b>197.19</b>	<b>96.80</b>	<b>243.05</b>	<b>239.34</b>

## Annex C

## LOCAL AUTHORITIES HAVING DIFFICULTY IN MEETING THE DECENT HOMES TARGET

LA	Route	2005 non-decent stock
not signed off	Basildon	ALMO 5,277
	Blackpool	ALMO 722
	Charnwood	ALMO 2,227
	Enfield	ALMO 3,242
	Haringey	ALMO 8,487
	Havering	ALMO 3,249
	Redbridge	ALMO 1,696
	Sedgemoor	ALMO 1,667
	Stevenage	ALMO 2,724
	Sutton	ALMO 5,832
	Waltham Forest	ALMO 7,966
	Lewisham	ALMO/Partial LSVT/PFI 14,742
	Salford	ALMO/partial LSVT/PFI 15,579
Berwick-upon-Tweed	LSVT	104
	Blaby	LSVT 495
	Braintree	LSVT 5,148
Brighton and Hove	LSVT	7,307
	Castle Morpeth	LSVT 524
	Castle Point	LSVT 185
	Crawley	LSVT 3,350
	Daventry	LSVT 20
	Fenland	LSVT 987
	Gedling	LSVT 714

	<i>LA</i>	<i>Route</i>	<i>2005 non-decent stock</i>
signed off but not on program	Gravesham	LSVT	262
	Harborough	LSVT	236
	Mole Valley	LSVT	1,017
	North East Derbyshire	LSVT	1,959
	North Shropshire	LSVT	528
	North West Leicestershire	LSVT	982
	Oswestry	LSVT	1,815
	Ribble Valley	LSVT	0
	Rochford	LSVT	633
	Salisbury	LSVT	132
	South Northamptonshire	LSVT	986
	Three Rivers	LSVT	831
	Torridge	LSVT	465
	Wansbeck	LSVT	2,002
	Watford	LSVT	2,039
	Wellingborough	LSVT	2,643
	Chester-le-Street	LSVT (partial)	1,013
	Plymouth	LSVT (partial)/retention	6,359
	Camden	OA not yet submitted	18,839
	Corby	OA not yet submitted	1,825
	East Devon	OA not yet submitted	1,086
	Ellesmere Port and Neston	OA not yet submitted	883
	Isles of Scilly	OA not yet submitted	91
	Reading	OA not yet submitted	1,710
	Southwark	OA not yet submitted	17,427
	Tamworth	OA not yet submitted	1,371
	Wokingham	OA not yet submitted	855
	Barking and Dagenham	Retention	9,618
	Birmingham	Retention	43,662
	Greenwich	Retention	15,708
	Harrow	Retention	2,698
	Kingston upon Thames	Retention	1,318
	Lincoln	Retention	1,705
	Merton	Retention	2,138
	North Tyneside	Retention	10,906
	Stroud	Retention	693

**Annex D****THE STARTER HOME INITIATIVE AND KEY WORKER LIVING PROGRAMMES****KEY WORKER LIVING**

1. In some areas, particularly in London and the wider South East, front line public service workers and their families are unable to find a home and are being priced out of their communities. Even if they can afford a home as first time buyers, many key workers find that as their families grow, they cannot afford to buy a bigger home locally and are forced to move away.

2. This is putting extra pressure on our public services, making it harder to recruit and retain people who want to work in their community, and therefore to improve standards in our hospitals and schools and to win the fight against crime. Assisting key workers to buy or rent a home will help keep them in the jobs they have trained for, retaining the essential skills needed in our public services.

3. Government key worker initiatives have so far been very successful. Since 2001 (to 30 September 2005), a total of 17,627 key workers have been helped through the Starter Home Initiative (SHI) and Key Worker Living (KWL). Because the schemes were so popular, resources have had to be directed at the most pressing needs, in particular nurses and other NHS clinical staff, teachers, police officers, prison and probation service staff and social workers. Eligibility criteria vary between regions.

4. SHI was a £250 million programme which helped key workers, primarily teachers, police, nurses and other essential health workers to help achieve home ownership where the cost of housing was undermining recruitment and retention. It ran from 2001 to the end of March 2004, and helped 10,322 key workers to buy their first home, exceeding the original target.

**Table 2****STARTER HOME INITIATIVE COMPLETIONS BY FINANCIAL YEAR AND PROFESSION**

	<i>2001–02</i>	<i>2002–03</i>	<i>2003–04</i>	<i>2004–05</i>	<i>Total</i>
Health	37	1,084	2,743	31	3,895
Teachers	57	1,221	1,887	31	3,196
Police	10	255	1,048	8	1,321
Others	3	56	320	7	386
<b>Total</b>	<b>107</b>	<b>2,616</b>	<b>5,998</b>	<b>77</b>	<b>8,798</b>

Note: The total of 8,798 does not include 306 cases where a second key worker was assisted in the same household, and 1,218 cases where further funding from the ADP programme was used to help key workers whose purchases were in the pipeline when SHI ended. This brought the total helped to 10,322 exceeding the original target of 10,000.

5. The £725 million KWL programme was launched in March 2004 to provide housing options for key workers in London, the East and South East of England. It is targeted at key workers in the health, education and community safety sectors in London, the South East and the East of England, where there are severe recruitment and retention problems. It can help those who are not home owners buy their first home, help existing home owners buy larger properties to meet their household needs (eg family sized homes), and provides shared ownership schemes and properties for rent at affordable prices (ie intermediate rent).

6. Most KWL funding has been committed ahead of schedule. It is on course to exceed its first target, to help 10,348 key workers by March 2006 and on track to meet the second part of the target to complete 6,000 new build units for key workers by March 2007. To ensure that subsidy is efficiently spent, clawback arrangements have been introduced: a key worker who leaves qualifying employment must repay the subsidy in a reasonable timescale, so it can be recycled to help others.

**Table 3****KEY WORKER LIVING: COMPLETIONS BY YEAR AND REGION**

	<i>London</i>	<i>East</i>	<i>South East</i>	<i>Total</i>
Open Market Purchase				
2004–05	1,572	496	1,328	3,396
2005–06 (to date)	1,225	440	1,017	2,684
New Build				
2005–06 (to date)	276	982	107	1,365
<b>Total</b>	<b>3,073</b>	<b>1,918</b>	<b>2,452</b>	<b>7,443</b>

**Annex E****SUPPLEMENTARY INFORMATION ON GROWTH AREAS INFRASTRUCTURE**

There have been a number of studies and assessments into the Growth Areas, some of which have included proposed costs for infrastructure. For example, consultants Roger Tym & Partners estimated in the MKSM Study (September 2002) that the total cost of infrastructure in the Milton Keynes South Midlands Growth Area, from both public and private sectors, would be c£8.3 billion.

Such figures are useful tools in highlighting the potential scale of funding that will be required but will inevitably be subject to major revision when more detailed local planning gets underway, both to the layout of development and to prioritisation. Local partners, investors and developers need to agree what infrastructure is needed and/or desirable for growth and is additional to infrastructure that will in any case be needed in the ordinary course without growth.

We are encouraging our local delivery partners to focus on identifying, prioritising and sourcing investment in their areas—based on their individual circumstances and priorities. This approach is being taken forward in Milton Keynes and is being developed in other growth location business plans.

For example, Milton Keynes Partnerships (MKP—the local delivery vehicle in Milton Keynes, part of English Partnerships) has developed a “prospectus” identifying and costing the local (eg schools) and strategic (eg roads) infrastructure. They have estimated that the infrastructure required until 2016 to accommodate 15,000 new homes in the expansion areas of Milton Keynes will cost a total c£1.2 billion. MKP has negotiated with the developers a total S106 contribution of around £300 million—around £18,500 per house, and inclusive of contributions for commercial space. In addition, developers will also contribute land for social infrastructure and will make available affordable housing in accordance with local policy.

The remaining c£900 million would be sought through Government funding (subject, in some cases, to decisions by the council as to how much funding to direct towards meeting the needs of growth versus other demands for capital expenditure). Much, but not all, of this funding is already in process via mainstream funding channels, eg Highways Agency programmes.

We very much welcome this initiative and approve the overall approach underpinning the framework. We will offer support to other local delivery partners working on similar proposals for their growth locations.

Clearly there are limitations in how and when funding levels can be agreed in each location. For example, in proposed key growth locations where local distribution of development has yet to be agreed, such as Luton and Harlow, it is not possible, or realistic, to have a list of agreed infrastructure requirements or costs in place prior to large scale development decisions being made. In addition, local and regional partners have been given strengthened roles in setting and deciding the strategic and funding priorities for their respective areas and this will affect future funding.

Similarly Government commitments need to take into account:

- The Government does not set expenditure decisions over a 15–30 year timescale.
- Government spending decisions on some services will not necessarily reflect the administrative boundaries of the Growth Areas (eg education funding).
- The distinction between capital and revenue is not always clear-cut (eg where revenue funding is used to meet capital expenditure on PFI projects).
- The distinction between “growth-related” infrastructure spending and general spending on infrastructure is seldom clear-cut.
- In a number of cases (eg transport) allocation of funding will be subject to the priorities of regional partners or bid-based.
- Finally, a significant proportion of the infrastructure will be built either directly by the private sector (eg utilities) or with developer funding via S106 contributions.

However, Government is working to ensure that mainstream programmes are responsive to the growth agenda. ODPM is working closely with other Government Departments to ensure that planned investment in transport, schools, hospitals, green infrastructure and other facilities supports new housing in the Growth Areas. Good progress has been made but it is important that this continues in the future as the plans for the growth areas develop. Some examples of this progress include:

- We have negotiated several recent improvements to enable that “people driven services”, such as education and health, respond to population growth. For example, the Department of Health have included a Growth Area Adjustment to revenue allocations for PCTs in the Growth Areas. Amongst other factors, this has led to the PCTs in the Growth Areas receiving funding increases of £860 million in 2006–07 and £970 million in 2007–08—an increase over the two years of 20.8% compared to a national average of 19.5%.
- We are recognising the pressures on local authorities of rapid growth. The Local Government Finance Settlement for 2005–06 has abolished grant ceilings. Also, as part of the three-year settlement process ODPM are also considering the use of forward looking population data, which will be beneficial to Local Authorities experiencing significant levels of growth.
- Continued high levels of mainstream investment in infrastructure—for example, c£3.5 billion is committed or planned by Department for Transport for infrastructure schemes in the four Growth Areas.
- SR04 additional ODPM funding for the Growth Areas—now totalling c£1.25 billion from 2003–04 to 2007–08 to support local and community infrastructure and regeneration projects within the four areas.
- Around £850 million of this funding is to be allocated to regeneration projects in the Thames Gateway. Over £500 million of this has already been approved in principle to a range of projects, in the three sub-regions:

#### THAMES GATEWAY PROGRAMME—ANNUAL SUMMARY

<i>2003–04 Actual Expenditure</i>	<i>2004–05 Actual Expenditure</i>	<i>2005–06 Forecast</i>	<i>2006–07 Forecast</i>	<i>2007–08 Forecast</i>
£41 million	£168 million	£191 million	£213 million	£216 million

Please note that these figures are current forecasts and remain subject to change

## COMMITTED/APPROVED IN PRINCIPLE FUNDING—SPLIT BY AREA

- Essex—£89 million
- London—£226 million
- Kent—£210 million

## COMMITTED/APPROVED IN PRINCIPLE FUNDING—SPLIT BY TYPE OF PROJECT

Masterplanning and delivery vehicles	£25 million
Land purchase and remediation	£199 million
Employment	£22 million
Housing	£72 million
Environment	£28 million
Town Centres	£27 million
Education	£55 million
Liveability	£15 million
Transport	£72 million
Utilities	£10 million
<b>TOTAL</b>	<b>£525 million</b>

Please note that these figures do not include administration expenditure

- The remaining c£400 million of ODPM funding is to be allocated to support the objectives of sustainable development in the three newer growth areas. Below is the split of this funding profiled to be spent in each of the three areas to 2005–06:

## NEWER GROWTH AREAS PROGRAMME

	<i>2003–04 Actual Expenditure</i>	<i>2004–05 Actual Expenditure</i>	<i>2005–06 Forecast</i>
MKSM	£11.7 million	£25.2 million	£62.4 million
LSCP	£9.4 million	£20.0 million	£33.0 million
Ashford	£1.2 million	£15.7 million	£9.8 million

Please note that figures for 2005–06 are current forecasts and remain subject to change. Also, as the bidding process is currently underway for funding for 2006–07 and 2007–08 we are unable to provide an area split for these years.

- A new £200 million Community Infrastructure Fund has been set-up to support transport infrastructure projects linked to housing growth between 2006–07 and 2007–08. This Fund is held within the Department for Transport's budget but is being jointly administered by ODPM. A final allocation has not yet been decided but schemes were provisionally approved in March 2005 and have now submitted further, detailed appraisals. Based on the split of Expressions of Interest announcements, the CIF funding split of schemes being taken forward by Growth Area are as follows (but note that some may fall away as a result of the detailed appraisals):

- Thames Gateway—£57.4 million\*
- MKSM—£94.4 million
- LSCP—£39 million
- Ashford—£7.7 million

\* Please note that this is in addition to £34 million allocated from CIF for two bus transit schemes in the London Thames Gateway area, announced in November 2004.

## Annex F

## FINANCIAL MANAGEMENT REVIEWS

## INTRODUCTION

1. The Treasury are undertaking a programme of reviews of financial management in Government departments. A review of ODPM has been undertaken but the Treasury do not intend to release individual reports in full while the programme is still underway. This note provides a summary of the findings and recommendations in the ODPM review.

## SUMMARY OF THE REVIEW REPORT

2. The central findings of the review were that ODPM had successfully tackled the legacy of financial problems and uncertainty that followed successive Machinery of Government changes, including the

creation and break up of the Department for Environment, Transport and Regions. This had taken the form of increased skills in central finance and a commitment from the top of the Department to build on this and enhance financial skills in the line. There was also a sound understanding of the challenges ahead to move the quality of ODPM's financial management to the next stage.

3. In respect of Local Government expenditure, the systems for payment of grant were found to function well and there was sound expertise amongst staff working on local government finance.

4. The key areas the review identified for development pointed to the Department achieving a further enhancement of its financial management by end 2006–07, including:

- improving strategic financial planning and developing a systematic linkage between strategy, finance, performance and risk throughout the Department. A significant component of this should be to strengthen the culture of identifying and delivering efficiencies;
- defining clearly the financial management responsibilities at key levels: the Board, central finance and the line (including NDPBs). This should be accompanied by increased importance attached throughout the Department to regular monitoring and detailed scrutiny of financial performance data, with risks identified early and action taken swiftly to address poor performance. It should also include a strengthening of cost awareness, so that value for money is more consistently achieved in procurement and the delivery of programmes and projects;
- given capital-rich pattern of spending, strengthening the understanding of Resource Accounting and Budgeting (RAB) in key financial posts, particularly in the line, and developing a greater understanding of the resource implications of capital spending to ensure effective delivery will be very important;
- rolling out the Local Management Accountancy Teams (LMATs) which sit in the line providing professional financial support to Directors, and promoting best financial management practice and compliance with corporate policies; and
- establishing a closer and tighter financial relationship with the Housing Corporation and English Partnerships, which account for about a quarter of ODPM's main DEL. A separate internal review is underway on this.

5. For the Local Government DEL the key challenge identified was to develop more robust structures, mechanisms, and modelling tools, both to understand the cost implications of policy decisions and risks to the DEL, and crucially to link them to decision-making in a stronger and more collective way.

6. This challenge involves using the levers available to ODPM and HMT to improve these aspects of financial management across Government as a whole, for instance through the New Burdens assessments.

7. The Review also considered the relationship between ODPM and the Treasury, which it found to be generally strong and open. It highlighted areas for improving ODPM's financial management where the Treasury could assist. These include clarifying and revisiting the thresholds for which capital projects need Treasury approval; considering whether capital grants to the private sector should score in Capital DEL rather than Resource DEL, as at present; and assessing the accumulated impact of "ring-fenced" budgets (ie budgets which can only be spent on a purpose specified by Treasury).

8. An action plan for taking forward the review findings is attached listing each of the detailed recommendations.

*ODPM Finance*

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#### **Supplementary memorandum by the Office of the Deputy Prime Minister (AR 01(c))**

My colleagues and I gave evidence to the Committee on 25 October as part of your inquiry into my Department's Annual Report and Accounts.

During questioning over the changes to local authority governance arrangements we introduced through the Local Government Act 2000, I referred to the discussion document—Vibrant Local Leadership—which ODPM published in February 2005 in order to stimulate discussion on local leadership issues.

That document is underpinned in a large part by evidence drawn from the long term evaluative research we have commissioned the University of Manchester to lead. Evaluating Local Governance: New Constitutions and Ethics is a five year evaluation of changes to local government arising from the Local Government Act 2000. The evaluation—which is funded by my Department—is studying the working of new council constitutions and the integral new ethical frameworks. It is part of a group of evaluations of the local government modernisation agenda.

The early years of the project have explored how the new arrangements have been implemented. The project is now assessing the outcomes and impact of the changes on key criteria such as efficiency, transparency and accountability, and in improving trust, consistency and clarity in conduct. A variety of approaches are being used over the five years including postal surveys, visits and interviews. Details of the project can be found at: <http://www.elgnce.org.uk>.

This major project is being supplemented by other in-depth studies, including two projects just announced on overview and scrutiny and mayors.

*Phil Woolas*

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**Supplementary memorandum by the Office of the Deputy Prime Minister (AR 01(d))**

**RESPONSE TO COMMITTEE'S SUPPLEMENTARY QUESTIONS ON  
ANNUAL REPORT 2005, FOLLOWING THE MINISTERIAL ORAL HEARING  
ON 25 OCTOBER 2005**

1. SIPP and REITs. At Q206 the Chair asked Yvette Cooper for a note on what the ODPM input has been into the Treasury decisions on SIPP and REITs, and what the implications of those two schemes are for the housing market.

**SELF INVESTED PERSONAL PENSIONS (SIPPs)**

The changes to SIPP come into effect in April 2006 and form part of a package of tax simplification reforms of pensions. The aim of pensions tax simplification is to remove unnecessary obstacles to retirement planning and saving by creating a single set of investment rules for pension schemes. That is a substantial prize which this Government believes is important. Simplification has been widely welcomed by savers and the financial services and pensions industry.

The majority of pension savers—over 15 million—are already members of schemes free to invest in residential property. Simplification merely provides a level playing field by allowing some specialised registered pension funds, held currently by around 200,000 people, to invest in residential property for the first time.

If a property is purchased through a SIPP it will become an asset of the pension fund and all rental income must go to the fund. Any private use of the property, for instance if a parent buys a property for their child to live in whilst at University will result in a benefits in kind tax charge, unless the user pays a full market rent to the pension fund. Although any rental income or capital gains from the disposal of the property will be tax free in the pension fund when the money is extracted, once the 25% tax free lump sum is taken, tax will be payable on the pension at the marginal tax rate of the taxpayer.

The new rules do not put these investments in a tax-privileged category over and above any other investments in a pension scheme. The tax relief given works in exactly the same way as any other contribution into a pension scheme. We are aware of concerns that the changes may lead to an increase in the number of second homes and about the impact that an increase in second homes may have on the housing market. However, the number of people for whom SIPP are an appropriate type of pension fund (currently just over 1% of pension funds are held in SIPP) and the inherent limitations attached to this type of investment mean that it is unlikely that there will be any appreciable effect in the housing market.

A recent report by the Royal Institute of Chartered Surveyors, *A-day—Implications for the Housing Market*, concluded that “there are few reasons to expect that the changes from April 2006 will create an immediate swell of buy-to-let or second home purchases from most taxpayers”.

**REAL ESTATE INVESTMENT TRUSTS (REITs)**

Real Estate Investment Trusts or REITs (originally known as Property Investment Funds or PIFs) are investment vehicles for property, which pay little or no tax. The investment income they generate is paid directly to investors who pay tax on it in the normal way. This avoids the current system of double taxation by the fund and again by investors.

The main focus for REITs is the commercial property sector. However, REITs could support ODPM objectives by providing a critical opportunity to diversify the residential Private Rented Sector (PRS). Unlike the recent announced changes to Self-Invested Personal Pensions, which apply to individual investment in residential property, among other assets, REITs are expected to encourage institutional investment. This would avoid over-reliance on the buy-to-let market, which is dominated by small private investors (fewer than 10 properties).

REITs could provide broader access to property investment on a stable, well-regulated basis, and enhance the quantity and quality of investment. Additional investment and competition should reduce property costs to users, and improve quality of buildings and their management. A number of institutions and investors see direct development, rather than purchasing through house builders as more attractive, which could broaden the housing stock. There is also potential to diversify housing development through the spreading of risk.

The market for residential REITs is expected to be small initially, because existing institutional activity in this sector is modest and will take time to build. ODPM recognises the need for a supportive REIT framework to create an embryonic residential investment market, and has provided advice to the Treasury team engaged in REITs and as part of the consultation process. In his Budget 2005, the Chancellor announced that, subject to finding a workable solution that meets the stated objectives, including a reform at no overall cost to the Exchequer, the Government aims to legislate for a UK-REIT in the Finance Bill 2006.

2. Regeneration. At Q192 the Minister of Communities asked Mr Bill Olnier for further information relating to a regeneration project where exceptional rises in house prices had put completion of the final phase in doubt owing to insufficient funds (the Pride in Camp Hill project, paper attached). What mechanisms does the Department have in place to support regeneration projects where there is a late risk of failure owing to genuinely unforeseen costs? Is there any procedure for cases of particular urgency?

David Miliband will be responding personally to Bill Olnier on this point.

The Committee would be grateful if written answers to the following supplementary questions could also be provided:

3. Liveability.

(i) *What powers does the Minister for Communities have to achieve the liveability target through cross-government action?*

Liveability issues cut across a number of Government departments that share responsibilities for the quality of public spaces—in particular, ODPM, Defra, Home Office, Department for Transport, and DCMS. Ensuring that our policies and actions work together and are effectively co-ordinated is vital to achieving the liveability target—ODPM PSA8. We are doing this through the Cleaner Safer Greener Communities (CSGC) programme.

Local authorities, working in conjunction with public authorities and local communities, are mainly responsible for delivering the improvements in services that underpin the target. Therefore providing local authorities with the right powers and tools to take action to improve the quality of local environments is a top priority of the CSGC programme, and our strategy for delivering PSA8.

ODPM supports and takes action to achieve the PSA8 target through its responsibilities (and associated powers) for:

- Local government policy, finance and performance.
- Rationalising funding streams through Local Area Agreements and the Safer and Stronger Communities Fund which are giving local authorities flexibility to put in place innovative ways to organise and deliver liveability type services.
- The planning system and design policies, which are key to ensuring that new developments are of a high quality and encourage a strategic approach to the provision, management and maintenance of parks and public space.
- Sustainable Communities and regeneration programmes, which go beyond “bricks and mortar” solutions by mainstreaming liveability principles to help create attractive, decent places that people want to live in now and in the future.
- Supporting community-led environmental regeneration which engages and involves people in transforming the quality of their neighbourhoods and can encourage greater responsibility and a sense of local pride.
- Tackling inequality by prioritising our actions on liveability in deprived areas—where people are more likely to live in a poor quality environment—and introducing a new liveability floor target to ODPM’s neighbourhood renewal target—PSA1.
- Good practice and innovation in tackling liveability issues. We launched the “How To” programme in March to engage with practitioners to encourage greater take-up and use of new and existing powers and tools for example powers under the Clean Neighbourhoods and Environment Act 2005 to help tackle litter, graffiti and abandoned vehicles.

(ii) *What tangible benefits will citizens receive from the liveability PSA? How will progress be monitored?*

Achieving the target will make a significant difference to peoples’ experience of where they work, live and play and respond to the priorities they identify for improvement. It will mean:

- Cleaner and more attractive streets with less litter and rubbish and with fewer abandoned vehicles.
- Better quality parks and green spaces with more achieving the Green Flag Award standard for management and maintenance.
- Local authorities across the board delivering better quality and more effective environmental services, with no more than 10% rated as “poor”.

- Fewer households in a poor-quality environment, where they encounter problems like graffiti, vandalism, dereliction and neglect.
- As a result of tangible improvements, higher levels of public satisfaction with their local area.

Progress will be monitored against the suite of success indicators set out in the Technical Note, published on the ODPM website at <http://www.odpm.gov.uk/index.asp?id=1123014>. Performance management will be undertaken by the ODPM Board and Ministers.

#### 4. Community cohesion.

(i) *What planning is being done to make sure that the new communities will be mixed and cohesive?*

#### PLANNING

- Planning policies on the delivery of sustainable development through the planning system state that development plans should promote development that creates socially inclusive communities, including suitable mixes of housing.
- Planning Policy Guidance Note 3: Housing (March 2000) sets out the Government's planning for housing policies. One of the objectives of PPG3 is to create mixed and inclusive communities which offer a choice of housing and lifestyle. Local planning authorities are required to create mixed and balanced communities and should avoid large areas of housing of similar characteristics.
- ODPM has announced that it will be consulting on a new PPS3. It is intended that draft PPS3 will be published by the end of the year. Draft PPS3 will set out the Government's proposals for planning for mixed communities, having regard to the consultation responses to "Planning for Mixed Communities".

#### GROWTH AREAS

- The Growth Areas provide an exciting opportunity to reinvigorate existing communities as well as forming new ones—by building infill developments and urban extensions to well-established growth locations and also directing growth to regeneration priorities, providing urban renaissance.
- As part of the Growth Area development/regeneration, a range of housing provision is called for; a variety of housing tenures is required to help provide wider housing opportunities for mixed communities. Affordable housing is being built into local delivery plans and is a priority in the major growth locations.
- A central part of the Growth Area proposals is to work with local communities, Government agencies and the private and voluntary sectors to develop our proposals, taking account of the impact on existing communities and ensuring that the social, economic and environmental factors are taken into consideration. A vision of the future of the community is needed, but cannot simply be imposed from above—it must be developed taking into account the circumstances and views of the locality.

#### THAMES GATEWAY

- Several areas of the Thames Gateway suffer from relatively high levels of social deprivation, with residents suffering poverty, poor health and low educational levels. The Gateway programme of investment and growth provides a unique opportunity to improve life chances and outcomes for residents in these communities.
- The Thames Gateway Programme is funding a range of local projects to help achieve these aims. These include community facilities, cultural, health and educational facilities, and environmental and town centre improvements.
- To support the changes, the Government is funding a range of community and cultural projects that will bring people together socially; cementing relationships and making them feel part of the community.
- ODPM work through Local Authorities and Local Regeneration Partnerships who are familiar with local conditions and needs which, are being developed in consultation with local people. ODPM also engage at a variety of levels with Voluntary and Community Sector organisations across the Gateway to ensure that the needs of vulnerable groups are addressed.
- ODPM funds a range of local projects from the Thames Gateway Programme Fund to unlock development and support the delivery of sustainable communities and discourage anti-social behaviour.
- 35% of new housing will be affordable for rent or purchase, giving more people more housing choice.

(ii) *How can ODPM's contribution to community cohesion be measured and monitored?*

## THROUGH LOCAL GOVERNMENT

- The Audit Commission's Comprehensive Performance Assessment (CPA) 2005 Key Lines of Enquiry for Corporate Assessment (KLOE) cover community cohesion. This is the key means of measuring and monitoring cohesion within local authorities, although we believe that Local Public Service Agreements and Local Area Agreements can also deliver measurable improvements in community cohesion where cohesion is identified as a local priority. In relation to CPA, within sub theme 5.2 on the council's achievement in relation to Safer Stronger Communities, key question 5.2.6 asks what the council, with its partners, achieved in its ambitions for building stronger communities.
- Under this question, inspection focuses on whether the council has made progress towards achieving its ambitions for civil renewal and active citizenship; and for community cohesion, race equality, addressing disadvantage, and better-integrated communities.

## THE CRITERIA FOR JUDGEMENT IS:

- Whether the council uses effective forms of engagement which empower local people. Whether there are formal structures and resources in place which ensure that community engagement and cohesion are reflected in the decisions taken by the council and constitute a standard feature in the development of new policies.
- Whether the council listens and responds to the local community and the voluntary and community sector, and involves them extensively in service delivery. Whether the voluntary and community sector recognises that the council supports their delivery of public services and helps them to build capacity.
- Whether the council has negotiated a compact for partnership working with the voluntary and community sector and whether it is applying compact principles across the organisation.
- Whether the council has demonstrable and sound knowledge about community cohesion issues in the area and its strategy, delivered in partnership with other agencies and stakeholders, is leading communities to be more active, cohesive and empowered. Whether it is delivering on its responsibilities under race equality and disability legislation.
- Whether the council funds voluntary and community organisations for more than one year at a time where appropriate, and ensures equal access to funding opportunities.

## SUSTAINABLE COMMUNITIES

- Monitoring arrangements are being made by ODPM in the Growth Areas. For the Thames Gateway, ODPM is currently developing an evaluation framework. It is expected that this framework will be based largely on the State of the Cities database, which will include measurements of community cohesion. In the newer Growth Areas, monitoring of the business plans will begin once a full set is in place for the main growth locations, which is expected next year. ODPM has also committed to undertake Race Equality Impact Assessments in the newer Growth Areas in 2006.
- In terms of the mixed communities demonstration projects, ODPM is currently working with a selection of potential areas to develop large scale proposals for the redevelopment of these areas into a more mixed community. ODPM will ensure that cohesion is central to their plans and this will form part of the initiative's evaluation programme. ODPM will use current data collection on tenure mix and ethnicity as a proxy to map progress on cohesion and other issues in these areas and more widely. We will ask local projects to collect their own local data if a specific need is required. ODPM will discuss specific data requirements with each Demonstration Project in our ongoing discussions with them.
- The Learning Action Framework (LAF) project, although still in its infancy, will be used as a practical guidance by Housing Managers once it is set up. The framework will be used to review local authority data and strategic plans to identify emerging community cohesion priorities for the locality and assess a range of activities for social landlords that impact on community cohesion through best practice examples.

## NEIGHBOURHOOD RENEWAL—ETHNICITY MONITORING

- The Neighbourhood Renewal Unit (NRU) recognises that improving outcomes for BME groups relies on adequate data being available to secure a better picture of the nature of the problem. Better monitoring of ethnicity in service and outcome delivery is therefore critical and, for this reason, NRU has written and published ethnicity monitoring guidance to support practitioners in their work on securing better data. This is all the more important given the lack of consistent

ethnicity monitoring across public service delivery. We believe that better ethnicity monitoring will enable practitioners to ensure that they are better able to meet needs of BME groups, which should in turn contribute to addressing some of the underlying causes of tensions which can undermine community cohesion.

5. Bus travel for vulnerable groups. At the evidence session on 25 October Members raised the Chancellor's plans to provide free bus travel universally for the elderly and disabled, from April 2006 (QQ214-217). However, under the Public Service Vehicles Accessibility Regulations 2000 (SI, 2000, No. 1970) many buses currently in use will not have to comply with the Disability Discrimination Act until the period 2015–20. What steps is the Department taking to encourage bus operators to comply early with the DDA? Is the Government considering formally bringing forward the date of compliance, to support the free travel scheme?

#### RESPONSE BY THE DEPARTMENT FOR TRANSPORT

The Public Service Vehicles Accessibility Regulations 2000 (PSVAR), SI 2000 No. 1970 were introduced under powers granted to Government by the Disability Discrimination Act 1995. The Regulations apply to new buses and coaches with a capacity of more than 22 passengers used to operate local or scheduled services, and require that they are accessible to disabled people, including wheelchair users. Smaller buses up to 7.5 tonnes, and coaches, are required to provide access for wheelchair users from 1 January 2005.

The regulations allow operators to achieve the full economic life from each vehicle type and therefore end dates of 2015, 2016, 2017 and 2020 are specified for small buses, large single-deck buses, double-deck buses and coaches respectively, by which time all such vehicles must meet the requirements of the PSVAR. It is important that the regulations are affordable and sustainable and following both informal and formal consultation, which included a full Regulatory Impact Assessment, these dates were considered to represent a reasonable compromise between the needs of disabled passengers, and the vehicle manufacturers and operators.

The transition to a fully compliant fleet will take place over time and operators will inevitably use a mixed fleet of low floor accessible vehicles and older, non-accessible vehicles. How that fleet is allocated and replaced is entirely a matter for the vehicle operator, and neither the Regulations nor the Act permit the Department for Transport to intervene in this respect. Local Authorities may specify requirements for tendered services and this can include the provision of accessible vehicles as a contract condition, if they wish to do so.

Nevertheless, to ensure industry was well placed to meet these end dates, DfT negotiated a voluntary agreement with industry that 50% of the full size bus fleet should be low floor and accessible (though not necessarily DDA compliant) by 2010. Therefore, DfT does not intend to formally bring forward the date of compliance.

6. Local area agreements. IDEa has recently published an assessment of the East Midlands pilot LAA which found that "central government departments are not seen as engaging with the spirit of the Local Area Agreement and are not expected to change significantly in this regard; they are characterised as 'anonymous and faceless' and 'unwilling to let go'". What is the Department doing to address these problems?

LAAs represent a radical new approach to relations between central government and local areas, and we expected there to be learning points arising from the changes. Research into the LAA pilots, commissioned by ODPM and led by the Office for Public Management, elicited a broad range of views about respective roles and responsibilities. These views have been captured in refreshed guidance, a good practice toolkit and learning events involving representatives from central government departments, government offices and local areas. We are continuing to evaluate progress with the implementation of LAAs and to work with central government departments and government offices to help resolve issues that arise.

#### 7. Local Government efficiency savings

(i) *Public Servant magazine reported on 23 September that local authorities will be asked to make even more substantial efficiency savings in the second wave of the Gershon agenda. What level of savings is the Department expecting, and in which service sectors are future savings likely to be made?*

The article in question refers to a speech made by the Minister for Local Government, in which the Minister recognised the significant achievement by local authorities in delivering efficiency gains to date and also the challenge that lies ahead to maintain that good progress through the remainder of the Spending Review 2004 period.

The speech did not suggest that new or harder targets were being set for local authorities. The target for at least £6.45 billion annual efficiency gains by 2007–08 remains unchanged. The handling of the efficiency agenda beyond 2007–08 will be dependent on the outcomes of the CSR07 process.

(ii) *It was reported in the same article that many local authority efficiency savings to date had been made on small short-term projects, rather than mainstream activities. What action is the Department taking to encourage local authorities to apply saving measures to mainstream services, and achieve real cultural change?*

The point that was being made in the speech was that, so far, the majority of efficiency gains achieved could be characterised as the “quick wins”; discrete projects to reduce administrative costs in a particular delivery chain. Clearly there is a limit to the opportunity for this kind of efficiency gain and local authorities need to be thinking about longer-term projects now that will deliver both better services and efficiency gains in future years.

ODPM is working with other departments, the Regional Centres of Excellence and other partners to help develop and support projects that will give local authorities the tools they need to implement this kind of project.

The local e-government national projects are a case in point; they should help enable significant improvements in the way that services are delivered, making them more customer-focused and accessible, while also providing efficiency gains in the major workstreams of corporate services, procurement, productive time and transactions.

(iii) *Reference was made during the meeting on 17 October to the importance of joint procurement as an efficiency measure. What evidence is there for the success of joint procurement, and have local authorities expressed any concerns over efficiency and quality control?*

The term “joint procurement” encompasses a range of activities, including (but not limited to) involvement with purchasing consortia and development of framework agreements. These types of arrangement have existed for some time in local government, and are widely seen as possible ways to increase efficiency and provide opportunities to focus local authority spending on frontline services.

ODPM’s recent evaluation of the local government procurement agenda found that 76% of respondent authorities were using purchasing consortia, and 56% were involved in open framework agreements. Furthermore, 60% of councils organise contracts and framework agreements that are available to others.

It is for local authorities to decide how to make their efficiencies within their agreed target, and in this regard we have not prescribed any particular route that councils should take. Any joint procurement activity—in particular high risk projects and long term partnerships—should be subject to an authority’s business planning process.

#### 8. Planning delivery grant.

(i) *ODPM’s own research shows that local authorities are becoming increasingly dependent on Planning Delivery Grant to achieve the Department’s objectives for planning services, with little chance of maintaining standards were the grant to be withdrawn. What is the Department’s solution to this?*

PDG was introduced in SR02 to make up the shortfall that had been identified because local authority planning resources had declined over the period 1996–2001. The grant was not intended to be a long term solution to shortfalls in planning budgets. It was designed to incentivise and provide resource for Local Planning Authorities (LPAs) to invest in performance improvement, and to assist them in resourcing the introduction of the new planning system. In addition, following research commissioned by ODPM into costs and fees in the planning system,<sup>1</sup> which found that fees were falling short of cost recovery levels in most cases, planning fees were increased on 1 April 2005. These fee changes entailed an average 39% rise in planning application fees across application types. These fee increases have been introduced to reflect more fully the costs of handling planning applications, and should help compensate for the reductions in PDG over the next two years.<sup>2</sup>

The Office is currently exploring with stakeholders how to ensure that the planning service continues to be properly funded beyond 2007–08, which is the last year for which there is currently provision for PDG. These discussions, together with the evidence base from the PDG impact studies which we have commissioned, will inform the Office’s submissions on CSR07.

(ii) *As success is rewarded, local authority planning performance is becoming more polarised: poorly-performing authorities are unable to gain much PDG. What is the Department doing for those residents in areas with weaker planning services?*

With funding from ODPM, IDeA is hosting the Planning Advisory Service, which is helping local planning authorities in England improve their performance and provide better quality services. Working with the Government Offices, we closely monitor the performance of individual local planning authorities to identify those that are under-performing as soon as this becomes apparent. We are working with those authorities to diagnose problems and support performance improvement, through the Planning Advisory

<sup>1</sup> The Planning Service: Costs and Fees by Arup Economics and Planning with the Bailey Consultancy, Addison & Associates and Professor Malcolm Grant (ODPM: Nov 2003).

<sup>2</sup> PDG amounts reached a peak in 2005–06 at £170 million and will reduce over the next two years, at £135 million for 2006–07 and £120 million for 2007–08.

Service and through commissioned consultants. The package being offered to under-performing authorities includes a diagnostic tool to identify areas of weakness and the type of support that individual services can use to improve their performance; and a range of support measures designed to improve performance and quality of service. The nature and intensity of support varies according to need, with those authorities with greatest need receiving tailored one-to-one support. We intend to use a proportion of PDG in 2006–07 to help fund this support work.

(iii) *What powers does ODPM have to prevent authorities from taking actions like: reducing their own mainstream planning budgets as the grant increases; holding over PDG for future years; and asking developers to withdraw applications?*

Other than specifying that 25% must be spent on capital, ODPM does not direct how PDG is spent or how authorities set their budgets for planning. PDG is designed to incentivise investment and culture change in planning departments. As this grant is strongly performance-related, those who fail to use it for these purposes are unlikely to attract grant in the future.

Authorities are encouraged to hold over PDG for future years to allow for continuity of funding, especially where PDG has been used for funding temporary staff positions and where grant monies cannot be effectively spent in the year they are allocated.

ODPM has no specific powers to prevent authorities from asking developers to withdraw applications. The decision to withdraw an application is up to the applicant. Where they do withdraw, applicants have the opportunity to make use of the “one free go” option and resubmit their application free of charge once they have made any necessary changes. If an applicant declines to withdraw an application and it is subsequently refused, the applicant has the right to appeal the decision. ODPM has a performance indicator to measure LPAs’ performance on appeal and, where performance is poor, they have their PDG reduced as a disincentive to take poor decisions that are not based on policy considerations. Additionally, poor decisions open up an authority to claims for costs in the case of a successful appeal.

ODPM encourages all parties to engage in pre-application discussions so as to ensure that proposals are discussed at an early stage when changes can be made more easily than later in the process. Pre-application discussions also help to ensure that the formal stages of a planning application can be handled with greater speed and certainty. Where developers fail to engage in pre-application discussions, and submit poor quality applications which require substantial amendment, then withdrawal may be the only alternative to a refusal.

9. Countryside protection. One indicator of “protection of the countryside” in the Annual Report is “net change in the area of Green Belt in each region” (pp64–65). Why does this accept loss of Green Belt on its inner edges if it is matched by additions on the outer edges, contrary to established planning policy?

The indicator is “net change in the area of designated Green Belt in each region”. The Government expects areas of existing Green Belt land to be de-designated only exceptionally, in line with policy in Planning Policy Guidance note 2 (PPG2), “Green Belts”. Any such areas that are de-designated could be removed from any part of the Green Belt and not just its inner edge. But where de-designations of Green Belt land do occur, the Government expects the relevant regional and local authorities to ensure that the overall area of designated Green Belt within the region is at least maintained, in line with the Government’s target. Increases in the area of designated Green Belt may come about as a result of land added to existing Green Belts, or as a result of any newly designated Green Belts within the region.

Changes to Green Belts are not in themselves contrary to national policies. PPG2 recognises that the general extent of the Green Belt may be altered, but only in exceptional circumstances. If such an alteration is proposed through a review of the regional spatial strategy, the Secretary of State will wish to be satisfied that consideration has been given to the opportunities for development within the urban areas contained by and beyond the Green Belt.

Similarly, PPG2 makes clear that detailed Green Belt boundaries defined in adopted development plans should be altered only exceptionally. This should occur only where a change to the general extent of the Green Belt has been agreed through the regional spatial strategy, or if other exceptional circumstances exist which necessitate such a revision.

#### 10. Role and powers of the Environment Agency.

(i) *At Q169 the Minister of Communities noted the “absolute key role” of the Environment Agency in ensuring housing developments are implemented in a sustainable way. The Agency published in October 2004 a set of proposals to ensure that development in the Growth Areas will be sustainable (Position Statement: Sustainable Communities). What plans does the Department have to implement these proposals?*

The Environment Agency’s position statement clarifies the Agency’s role in land development processes; key areas of interest and makes suggestions for future actions that could be made to improve the sustainability of housing.

We agree with a number of the suggestions that the statement makes. We are working with the Agency on the environmental impacts of Sustainable Communities through the arrangements laid out in our Concordat.

ODPM have undertaken further work to: (a) improve flooding considerations in the planning process (revised PPG 25 to be released for consultation before end of 2005); (b) develop the Code for Sustainable Buildings (draft to be released for consultation shortly) and (c) explore in detail how other environmental initiatives can better support the Government's growth agenda. Further details on this will be released as part of the Government's response to Barker Report.

*(ii) In its latest report on development and flood risk the Agency pointed out that on 323 planning applications in 2003–04 its views on flood plain development were ignored, even though it is a statutory consultee. Does the Government plan to give the Agency any further powers to direct local authorities to implement its comments? Does the Government have any plans to strengthen the Agency's powers to be consulted on development proposals in the flood plains?*

Ministers announced on 24 March the revision and strengthening of PPG25, as part of the Government's overall approach to managing future flood and coastal erosion risks. We will issue a consultation draft of the new PPS25 in late 2005, with a draft standing planning Direction on flooding and proposals for extending the Environment Agency's statutory consultee role.

In order to ensure Agency advice is heeded in planning decisions, the consultation will include a proposal for a standing planning Direction on flooding, to require planning authorities to refer applications for major development that they are minded to approve against sustained objections from the Environment Agency to the Government Office to decide whether to call in the application for decision by Ministers.

To strengthen the Agency's powers to be consulted on development proposals in flood plains, the consultation will include a proposal to make the Agency a statutory consultee for certain categories of planning applications in flood risk areas, as agreed with the Agency.

*(iii) The same document points out that, in 51% of the cases where the Agency raised objections, the council had not prepared a flood risk assessment. How does the Government plan to increase the number of councils preparing such assessments?*

The new PPS25 will be focussed on core policies that are clearer and easier to understand, providing a more strategic approach which emphasises the need to consider flood risk as early as possible in the planning process. It will strengthen guidance on the need to include Flood Risk Assessments at all levels of the planning process.

## 11. Housing supply

*(i) The Annual Report states (p63) that the main level for reducing house prices in relation to incomes will be by providing an increased number of new homes. By how much do you expect house prices to come down for every extra 1000 houses built above the rate in 2004–05?*

House prices are determined through the interaction of supply and demand for housing. Demand has been rising as a result of the following factors: demographic changes, shrinking size of households, increasing incomes and a stable economic environment characterised by low inflation and low interest rates. In parallel, supply has not been keeping pace with increasing demand. Over the last 30 years housebuilding rates have dropped by over 50% whereas over the same period demand for new homes has increased by 30%. This has led to a shortage of homes in some areas and a corresponding increase in house prices.

Demand will continue to rise: as people get richer their demand for housing services increases; and there will be pressure from increasing numbers of households wanting to form, as the latest ODPM household projections indicate. If housing supply is constrained, then increasing demand will mean house prices continuing to rise, relative to incomes, over the long-term.

Calculations done for the Barker Review (2004) indicated that increases in housing supply would be needed to slow the increases in house prices and improve affordability. For example, the Review concludes that up to 120,000 extra homes per annum would be needed to reduce the trend rate of house price growth to 1.1% (the European average).

Forthcoming ODPM-commissioned research into the relationship between housing supply and affordability (“Affordability Project”) confirms that long term house prices are influenced through the housing stock. Estimates of the impact of housing supply on prices are broadly consistent with those presented in the Barker Review.

However, it is not that straightforward to say what the impact would be per thousand dwellings. The research tells us that the impact of housebuilding on prices depends not only on numbers of houses but also on their spatial distribution and characteristics, including size and type. Secondly, the impact per thousand dwellings depends on the overall scale of additional housing supply.

Some commentators have suggested that supply increases might not need to be so large. Expectations have a significant influence on house prices. A “step change” in housing supply, as recommended by Kate Barker, might alter households’ expectations of future increases, which in itself could reduce demand for housing. Therefore a smaller increase in housing supply would be required to achieve any given trend in real house prices. Expectations are part of the modelling described above, but policy changes could alter the role of these expectations.

(ii) *When will the Government publish the results of the research led by Professor Geoff Mean of the University of Reading, into the relationship between changes in housing supply and affordability?*

The research findings will be made publicly available at the time of the Pre-Budget Report.

(iii) *ODPM identifies land supply as one of the key constraints on house building. As housing land supply has been rising for many years in the South East, what is the evidence for this assertion?*

The Government is committed to responding to the recommendations of the Barker Review, which concluded that a key constraint on delivering additional housing supply was an inadequate supply of developable land in plans. The Review indicated that the constraints were a consequence of not enough land being allocated in plans, a weak response to changes in the market and barriers to developing allocated land.

There is evidence of a positive relationship between planning permissions and housing completions, suggesting that releasing more land leads to increased levels of housebuilding. This link suggests that land supply may act as a constraint on housebuilding. However, the relationship is not a simple one-for-one. Not all land that is allocated for housing in plans will attract a planning permission and not all land that has planning permission will be developed. A number of explanations exist for this implementation gap, including changes in the housing market, negotiations over planning permissions and site-specific characteristics. The implementation gap provides part of the justification for ensuring that plans provide for a flexible supply of land for housing.

Of course, allocation of land in plans is not the only issue. Fragmented ownership, availability of infrastructure and site remediation costs can all act as a barrier to development even where land is allocated. To deliver an increase in housing supply, plans need to identify and allocate land which is suitable and available for development.

Furthermore, although the number of units in allocated plans and with planning permission in the South East has increase in recent years, at least part of this increase is a consequence of more flats and greater densities, rather than an overall increase the overall supply of land.

ODPM’s consultation paper Planning for Housing Provision sets out a proposed way for delivering better supply of housing through the planning system and the Government will be consulting on a new draft Planning Policy Statement on Planning for Housing (PPS3).

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