House of Commons
Communities and Local Government Committee

DCLG Annual Report 2006

Third Report of Session 2006–07

Report, together with formal minutes, oral and written evidence

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Communities and Local Government Committee

The Communities and Local Government Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Communities and Local Government and its associated bodies.

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The following member was also a member of the Committee during this inquiry:

Lyn Brown MP (Labour, West Ham)

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/parliamentary_committees/clg.cfm.

Committee staff

The current staff of the Committee are Jessica Mulley (Joint Committee Clerk), Elizabeth Hunt (Joint Committee Clerk), David Weir (Second Clerk), James Cutting (Committee Specialist), Sara Turnbull (Committee Specialist), Ian Hook (Committee Assistant), Ian Blair (Chief Office Clerk), Kerrie Hanley (Secretary) and Laura Kibby (Select Committee Media Officer). Helen D’Souza (Financial Analyst, Scrutiny Unit) also contributed substantially to the inquiry.

Contacts

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1 Introduction

1. The DCLG 2006 Annual Report sets out the strategic priorities of the Department for Communities and Local Government (DCLG) and its performance against targets and expenditure in the financial year 2005-06. The report is the first of its type produced by the DCLG. In spite of its title, the period covered relates entirely to the Department’s predecessor, the Office of the Deputy Prime Minister (ODPM), which it replaced as a result of machinery of government changes in May 2006. The ODPM had in turn produced three such annual reports since its establishment in 2002. The DCLG is responsible for about £32 billion of government spending, including the £23 billion it allocates to local government. This represents about 10% of total government spending. It employs around 2,700 full-time-equivalent staff (FTE) and has annual running costs of around £330 million. The Department has 10 public service agreement (PSA) targets, relating to, among other things, social exclusion, improving regional economic performance, housing supply and demand and standards, and improving gender, race and other equalities. It is currently on course or ahead of expectations on eight of them. It was charged by the Gershon review with achieving £620 million in annual efficiency savings by March 2008, and has done so ahead of target. It was also charged with reducing FTE staff levels by 400 and is on course to do so.1

2. As the Liaison Committee has identified, scrutiny of departmental expenditure and performance against targets is one of the core tasks of a departmental select committee. Examination of the 2006 departmental Annual Report was therefore a priority for us.

3. The Liaison Committee has also recommended the scrutiny of major public appointments. The appointment as Secretary of State for Communities and Local Government in May 2006 of Rt Hon. Ruth Kelly MP does not strictly fall within that ambit, as it was, of course, made by the Prime Minister. We took the opportunity provided by our Annual Report evidence sessions, however, to question her on her priorities for the future, some of which are discussed briefly in the final section of this Report. In addition, the evidence sessions for this inquiry provided a further opportunity to question Mr Peter Housden, the Department’s Permanent Secretary, shortly after his first anniversary in the post, and to interview other officials either newly appointed or given changed responsibilities in the light of the changes that created the DCLG.

4. We took oral evidence as part of this inquiry on two occasions. On 27 November 2006 we heard from four departmental officials: Mr Peter Housden, Permanent Secretary; Mr Peter Unwin, Director-General, Corporate Delivery; Mr Joe Montgomery, Director-General, Places and Communities; and Ms Christina Bienkowska CBE, Director, Strategy and Performance. At the second evidence session, on 4 December, we examined Rt Hon. Ruth Kelly MP, Secretary of State for Communities and Local Government; Mr Richard McCarthy, Director-General, Programmes, Policy and Innovation; and, once again, Mr Unwin.

5. We are grateful to Ministers and officials for their willingness to make themselves available throughout the 2005-06 Session.
The Department and the Committee

6. While we were pleased at the positive response from Ministers and officials in terms of attendance at Committee hearings, we were disappointed by the quality of some responses received when we sought specific information. This was particularly the case in relation to questions on the Winter Supplementary Estimates memorandum—intended to inform not only our deliberations but also the House’s consideration of the Estimates—and progress made towards equal opportunities targets in appointments to public bodies, on which none of the four officials present was apparently able to provide any information. While both points were detailed, the apparent unawareness among senior officials of the existence of documents provided to us by their own Department and of stated departmental policies led us publicly to suggest that they were under-prepared to meet us. When this point was put to them, the Permanent Secretary, Mr Housden, said that the officials would use their post-session debrief process to consider the comments made. We note with some concern that senior departmental officials sometimes gave the appearance of being under-prepared for detailed scrutiny. We understand that they intended to discuss this at their post-meeting debriefing session and look forward to seeing what impact that discussion has on future evidence sessions.

7. More generally, we were on occasion disappointed with the information the Department provided to Parliament. Two examples—the Winter Supplementary Estimate memorandum once again and a number of answers to Written Questions—illustrate the point.

8. The memorandum supplied on the Department’s Winter Supplementary Estimate should have explained additional Estimates and reallocations totalling £1.35 billion. The complexity of the Estimate was such that it contained no fewer than 36 sub-heads, of which 28 were affected by the Winter Supplementary Estimate. More than 100 separate transfers were listed in the memorandum supplied. The quality and clarity of similar memoranda had previously attracted criticism from the Committee: indeed, ODPM as it then was went through precisely the same process of submitting an inadequate memorandum for the Winter Supplementary Estimate in 2004, apologising, and providing a revised memorandum. The Committee Office Scrutiny Unit supplied a best practice example to the Department in November 2005. The Treasury has also given guidance on the provision of explanatory memoranda since 2004, and the Liaison Committee recommended in October 2006 that all Departments should follow the Scrutiny Unit’s guidance to provide clearer and more informative memoranda. In spite of all that advice, guidance and assistance, the memorandum supplied this year was opaque, confusing and uninformative. Officials seemed unaware of all previous concerns about the clarity and usefulness of the information provided and of the cross-governmental agreement to provide the information in a format approved by the Treasury. To their credit, when we expressed our exasperation at going over this point again the officials ensured that the Department provided a much clearer revised memorandum within a matter of days. None the less, the

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2 Q105
3 Liaison Committee, Third Report of Session 2005-06, Estimates Memoranda, HC 1685, para 3
effort required to produce a revision so quickly could have been avoided simply by heeding the lessons to be learnt from our original requests. The failure to do so left Members just three days to digest the new, improved memorandum in advance of the 7 December Estimates Day debate.

9. The Secretary of State herself expressed “disappointment” that we had been left feeling insufficiently informed and said:

“It is extremely important that Parliament is properly informed as it scrutinises the work of DCLG […] I shall take a personal interest in future in the information that is provided to Parliament, make sure that it is as full as possible […] I am very grateful to the Committee for having raised this issue [the Winter Supplementary Estimate memorandum] so that I shall have a chance to make sure that it does not happen again”.

In addition to the provision of a new memorandum, the Department has since taken further steps to rectify the situation, including discussions with the Committee secretariat and the Scrutiny Unit on the future provision of documents. We welcome the Departments’ active response to our criticisms regarding the clarity and usefulness of its explanatory memorandum on the Winter Supplementary Estimates, although it is unacceptable that this occurred only after repeated requests for clearer information. We are grateful for the Secretary of State’s personal commitment to ensure that Parliament is kept as fully informed as possible. We expect to see more suitable, informative and comprehensible explanatory memoranda for all future Estimates, and we shall return to this matter should they prove unsatisfactory.

10. The DCLG has also appeared at times not to give full answers to straightforward parliamentary questions relating to its predecessor, the Office of the Deputy Prime Minister. A number of questions seeking information for the period before May 2006 have received answers stating baldly that the DCLG was created in May 2006 and providing no information on the ODPM. For example, Mr Geoffrey Clifton-Brown MP asked how many redundancies there had been in the Department since 1997 and was told “Information prior to the creation of the Department for Communities and Local Government […] on 5 May 2006 is not readily available”. On another occasion, Mr Mark Prisk MP asked six questions relating to IT projects since 2001. Each reply stated: “The Department for Communities and Local Government was created in May 2006.” No information was given for the years 2001-2006. Other examples of such answers have been passed on to the Department.

11. Although the DCLG and the former ODPM are not analogous, the correspondence between the two is substantial, and there should be no question of the new Department failing to provide easily accessible information relating to the old. In response to our concerns regarding Mr Clifton-Brown’s question about redundancies, for example, the Permanent Secretary accepted that the Department’s human resources section had not

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5 Q106
6 HC Deb, 3 October 2006, col 40W
7 HC Deb, 6 November 2006, cols 887-88W
changed. The Director-General for Corporate Delivery, Mr Unwin, agreed that the DCLG should experience no problems in obtaining such information about the former ODPM.8

12. A week after we raised the matter with officials, the Secretary of State told us that she had personally reviewed the parliamentary questions and answers that we had identified and had instructed her private office to issue new guidance making explicit the presumption that easily accessible information should be provided:

“The Committee is right to expect that and I should like to clarify that there is absolutely no prohibition on providing information in relation to the former Office of the Deputy Prime Minister […] We are reviewing guidance to make the presumption that information should be provided if it is readily available […] Most HR information is readily available and should be provided”.9

13. Since we drew the Secretary of State’s comments to the attention of those Members whose questions had not been answered adequately, the Department has sent us a copy of the guidance and placed a further copy in the House of Commons Library. It begins by rehearsing the terms of the resolution of the House of 19 March 1997:

“Ministers should be as open as possible with Parliament, refusing to provide information only when disclosure would not be in the public interest”.10

It is then closely modelled on what the Secretary of State told us:

“there is no prohibition on providing information relating to the former ODPM […] there should be a presumption that any of the requested information which is readily available should be provided—including for the former ODPM”.11

While it may be merely a semantic distinction, we note for future reference the subtle difference in tone between the terms of the resolution of the House that there should be a presumption in favour of providing information and those of the Secretary of State, repeated in the new guidance, that there is “no prohibition” on providing such information. We are concerned that the Department for a time gave, perhaps inadvertently, the impression that it was unwilling to answer parliamentary questions relating to its predecessor, the former Office of the Deputy Prime Minister. We are pleased that the Secretary of State moved immediately to issue new guidance when we drew the issue to her attention.

8 QQ53, 56
9 QQ117, 118, 120
10 HC Deb, 19 March 1997, col 1047. The new DCLG guidance inserts the words “and the public” between “Parliament” and “refusing”.
11 Ev 110-11
3 Format and quality of the Annual Report

14. The DCLG 2006 Annual Report was published on 17 July, more than two months after the 12 May deadline set by HM Treasury. Mr Housden told us that the Department had hoped to publish earlier but was concerned to make sure the report was accurate and appropriate. He also said machinery of government changes in May which led to the creation of the Department following the abolition of the Office of the Deputy Prime Minister had “imposed a broader burden on the department”.\(^{12}\) It is, frankly, difficult to see why the new Department’s creation on 8 May 2006 should have had any impact at all on an Annual Report intended for publication, at the latest, on 12 May 2006. The work required should surely have been largely completed by then. And even the “broader burden” imposed by the changes from 8 May should have arrived too late to affect the Report’s preparation. Mr Housden told us he hoped the 2007 Annual Report would be published on time.\(^ {13}\) We are concerned that the Department missed its deadline for Annual Report publication by more than two months. We are unconvinced that DCLG’s creation on 8 May 2006 should significantly have affected a document intended for publication only four days later. We note the Permanent Secretary’s intention to publish the 2007 Report on time and will expect a full explanation if that is not achieved.

15. The Scrutiny Unit, which surveyed departmental annual reports across Government, judged the DCLG Annual Report to be of comparatively reasonable length and the language and presentation of its narrative sections to be reasonably accessible. Chapter 1 sets out the ministerial and management structure of the DCLG (although this has since changed as a result of the machinery of government changes). Chapter 2 sets out the Department’s strategic context. Chapter 3 contains the main narrative description of the Department’s activities. Chapter 4 focuses on the Department’s resources and matters including communications and better regulation. Chapter 5 sets out the roles of the Department’s executive agencies and public bodies, including the Fire Service College, the Planning Inspectorate, the Queen Elizabeth II conference centre and Ordnance Survey. Chapter 6 reports progress on the Department’s efficiency targets. Annex A contains detailed tables covering the Public Service Agreement (PSA) targets. Annexes B and C contain core tables covering finance and staffing levels. Annex D outlines the ODPM’s approach to asset management. Annex E contains the departmental investment strategy. Annex F is new, and particularly useful, mapping PSA targets to the Department’s high-level goals and strategic priorities. Annex G lists Public Accounts Committee recommendations relating to the ODPM. Annexes H to J offer general information.

16. In our Report on the departmental Annual Report of 2005, we were critical of a lack of clarity and accessibility. In particular, we recommended that readers of the Department’s report should be able to determine whether resource allocations properly support departmental objectives and represent value for money.\(^ {14}\) In response, ODPM said it would

\(^ {12}\) Q10
\(^ {13}\) Q11
look at ways of more clearly presenting such links.\textsuperscript{15} The effort made to map PSA targets to high-level goals and strategic priorities in Annex F is welcome, but does not quite link PSAs to resource allocation. The annexes to the report contain the necessary information for those capable of making the necessary connections, but in the interests of greater accountability, the Department needs to continue to develop the process of clarification it has begun with this Annual Report. \textbf{We are pleased to note that the Department has taken significant steps to make its Annual Report clearer and more accessible to the general reader, including the provision of a useful new annex allowing comparison between high-level goals and strategic priorities. We recommend that the Department continue to develop new means of clarifying the connections between its PSA targets and the resources allocated to their achievement.}

17. Last year, however, we were also critical of errors in proof-reading, financial tables and charts. The ODPM response accepted the criticism and said that the Department would be “acting on the Committee’s recommendations”.\textsuperscript{16} Yet tables and diagrams used in this year’s report are often confusing and are in some cases rendered inaccurate by typographical and other errors. For example: printing errors render tables B4 and B9 inaccurate and a proof-reading query remains in the final text.\textsuperscript{17} In addition, wrong data are sometimes given—for example, gross value added data for 2003 are given although the 2004 data were available, an error for which the Department has apologised.\textsuperscript{18}

18. Individual errors are, arguably, in themselves fairly trivial, but the overall impression gained is that inadequate care went into proofing a final copy for publication, in spite of the two months taken beyond the deadline to produce it. The Permanent Secretary, when asked precisely what action the Department had taken as a result of its promise in response to last year’s criticisms, said that the importance of accuracy had been impressed on staff and checks put in place. He added, however:

“We clearly have to do more to make sure that the constituencies within the different policy teams who are providing these data, are signing them off in a reliable, assured way and have the opportunity, once the document is set and ready, to check these things again. I apologise. Our systems are clearly not foolproof at this stage. We need to do more”.\textsuperscript{19}

\textbf{We are disappointed, following our criticism of the accuracy of the Department’s 2005 Annual Report, by the considerable number of minor errors allowed to appear in the 2006 document, several of which render statistical information inaccurate or out of date. We are unclear about what was done to fulfil the Department’s 2005 promise to take action. The appearance of the final document is, bluntly, sub-standard. We strongly recommend that the Department take active steps to ensure careful proof-}
checking, particularly of financial tables and charts. The failure to make significant improvements in this regard implies a lack of commitment on the part of the Department towards the duty of explaining its activities and achievements to Parliament and the public.
4 Delivery

Departmental reorganisation

19. The Department for Communities and Local Government was created in May 2006. The new Department assumed most of the major responsibilities of the former ODPM, including housing, planning, local government, regional policy, and sustainable communities and neighbourhood renewal. The Department was also given policy responsibility for the Government’s equalities policies and oversight of the Commission for Equality and Human Rights.

20. The Annual Report 2006 covers the financial year ending in April 2006, and does not therefore extend to May 2006 when the changeover from the ODPM to the DCLG occurred. The lateness of the Report’s publication, however, allowed the inclusion of a list of the new ministerial responsibilities that resulted from the changes. The newly appointed Secretary of State for Communities and Local Government took over many of the responsibilities previously held by the Deputy Prime Minister, but also became Minister for Women. A Parliamentary Under-Secretary with responsibility for women was also added to the team. The Department has undergone significant reorganisation as a result of that machinery of government change, which will have an impact on its operations in 2006-07. At board level, the Department has also undergone some restructuring, including a reorganisation of its directorates-general and the appointment of several new senior staff, including most recently new Directors-General for Governance and Communication and for Equalities. The Department has also created a Strategy and Performance Unit comprising 29 full-time equivalent staff, including a Director, to “join up policy and delivery across the Department and sharpen the impact of Ministerial and Board engagement in the Department’s business”.20 The DCLG has undergone a substantial transformation programme since publication of the Annual Report. We shall, in the course of our programme of inquiries into departmental policies, watch with interest the impact that this has on the Department’s roles, responsibilities and achievements. We expect next year’s Annual Report to include at least a preliminary analysis of the impact these changes have had on the Department’s ability to deliver.

Relationships with other Departments

21. A year ago, we identified the need to achieve sustainable communities objectives through the agency of other Government Departments as a significant challenge for what was then the ODPM. We reported our scepticism about the Department’s ability to secure the co-ordinated action needed to meet those goals.21 The ODPM responded merely by noting that other Departments were fully involved in the delivery of sustainable communities.22

20 Ev 107; Ev 31
21 HC (2005-06) 559, para 34
22 HC (2005-06) 1072, p 7
22. There is no question that other Departments should be fully involved in delivery of a range of DCLG policies. The Department’s first PSA target, for example, is to “Tackle social exclusion and deliver neighbourhood renewal”. The target itself specifies that the Department must help other Departments meet targets narrowing the gap in “health, education, crime, worklessness, housing and liveability outcomes”, with the obvious implication that work needs to be done in concert with, at least, the Department of Health, the Department for Education and Skills (DfES), the Home Office and the Department for Work and Pensions (DWP). PSA 2 (regional economic performance) is shared with the DTI and the Treasury. PSA 8 (safer, greener public spaces and improvement of the built environment) is shared with no fewer than eight other Departments.23

23. In some areas, the DCLG responsibilities identified in paragraph 19 also cut across the work of other Departments. In housing, planning and local government, for example, the Department needs to interact with the Department for Culture, Media and Sport, the Department for the Environment, Food and Rural Affairs (DEFRA), the DTI and the Department for Transport. The Annual Report notes that the new responsibilities for voluntary and community engagement, race inequalities and community cohesion were inherited from the Home Office and those for gender equality, ethnic diversity and co-operative employment relations came from the DTI, requiring, at least in the short term, co-ordination with those Departments.24

24. In short, the DCLG’s expanded role requires considerably greater co-ordination and communication with other Departments than that which we had identified as a challenge for the ODPM. This again raises the question of how effectively the DCLG is able to set and achieve goals that rely heavily on the performance of other Departments. The Secretary of State recognised that close co-operation with other Government Departments is required: “Where appropriate we come together to create a common policy”.25

25. Differing approaches between Departments can make it difficult to see how well the DCLG is doing when its performance on shared targets is measured against data compiled elsewhere and primarily for different purposes. For example, the Department’s performance against its PSA 1 target on Neighbourhood Renewal relies, as noted above, on “the delivery of floor targets by Government Departments who own them, in the 6 key outcome areas”.26 Data were not, however, available in time for the Annual Report’s publication from the Department for Work and Pensions or the Department for Education and Skills, leaving the DCLG to conclude that progress towards its PSA target was “on course” on the basis of the best available information, and on the basis of unofficial data not strong enough to be included in the report.27 In this case, the data later confirmed that progress was in fact on course, and that the DCLG had in fact been properly cautious in its estimate of progress. However, the “on course” estimate published in the Annual Report, although it proved to be broadly correct, was at the time merely an estimate, and in this case one that understated true performance. We criticised the Department last year for an

23 DCLG Annual Report 2006, Annex A
24 DCLG Annual Report 2006, p 9
25 Q198
26 DCLG Annual Report 2006, p 50
27 Ev 112
“unjustifiably favourable presentation of its achievements”. It may seem harsh, then, to accuse it this year of presentation that is unjustifiably unfavourable. Quite simply, however, the absence of accurate, up-to-date data will result in its reporting its progress wrongly—in either direction—and it is clear that there are difficulties in obtaining such data from other Departments. The Director-General, Places and Communities, Mr Montgomery, told us that the Department had worked hard to match floor targets with other Departments, but added that “each Department might pick particular areas to focus on that reflect its own most difficult challenges […] there should be symmetry but each Department might have a slightly different list of focus areas that it chooses to target more resource to”. He also said that arrangements were in place for joint departmental working:

“We do very good joint work with all of our partner Departments to try and generate extra focus and extra traction in areas that are struggling […] We have communicated our priorities quite clearly to other government Departments. They tend to do problem-solving work jointly with us rather than separate from us, and we pick those areas that are on each Department’s list of areas that need extra technical assistance or extra resource to give them an additional push”.

26. The DCLG’s role as lead Department in several areas of Government policy requires it to set clear strategic goals of its own and to arrange suitable mechanisms to persuade other Departments and non-departmental public bodies across Government of the vision behind those goals and the actions required of them if shared targets are to be reached. Clear arrangements are also required to facilitate the most accurate possible measurement of shared goals, particularly when measurement relies on data collected by other Departments with subtly different policy targets. We would like to see the nature of these agreements and details of the co-operative work undertaken spelled out in future Annual Reports.

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28 HC (2005-06) 559, para 14
29 Q85
30 Q87
5 Staffing issues

27. We recommended last year that the ODPM take immediate steps to reinforce the message that bullying and intimidation were unacceptable.\textsuperscript{31} This followed staff survey results revealing that 10% of staff felt they had been bullied, while 8% had experienced discrimination (with a substantial proportion of those being black and black British staff). Some 6% had reported harassment. The ODPM’s response said that the Department did not tolerate bullying or discrimination and took the subjects seriously.\textsuperscript{32}

28. In its first memorandum to this inquiry, the DCLG outlined action taken as a result of our recommendation: 82% of team leaders and senior managers had participated in a “mandatory” coaching programme, while 92% had taken part in a “mandatory” programme on dignity and respect. Substantial numbers of participants had felt able to commit to “changing inappropriate behaviour”.\textsuperscript{33} The Permanent Secretary told us that anti-bullying courses were now included in the departmental induction process for new staff.\textsuperscript{34}

29. We questioned why, if the courses for relevant existing staff were mandatory, not all staff had taken part in them. The next round of “dignity and respect” courses were to be run in January 2007 and the next coaching skills workshops from February. The Department is currently targeting those members of staff who have not taken part: in its second memorandum, the Department told us: “The Board have made clear that all senior staff are expected to attend and action will be taken where staff have not signed up”.\textsuperscript{35}

30. We note that the courses are aimed at senior staff and that responses gained on changed behaviour therefore reflect the feelings of those senior staff rather than the staff whom changed behaviour might affect.\textsuperscript{36} Whether the courses are having the desired impact remains to be seen and may be best judged when the Department runs new staff surveys. It intends to hold quarterly samples of 30% of staff throughout 2007, giving all staff at least one opportunity to contribute.\textsuperscript{37} We recognise the efforts made in response to our recommendation that the Department should take further steps to eradicate bullying, harassment or discrimination of staff. We note that all senior staff are expected to participate in “dignity and respect” courses and that action is expected to be taken against any who do not. We expect to receive details of feedback from less senior staff on the impact of these programmes through the quarterly staff surveys to be conducted throughout 2007.

\textsuperscript{31} HC (2005-06) 559, para 41
\textsuperscript{32} HC (2005-06) 1072, p 8
\textsuperscript{33} Ev 35
\textsuperscript{34} Q44
\textsuperscript{35} Ev 100
\textsuperscript{36} QQ48-49
\textsuperscript{37} Ev 100
31. We also recommended a year ago that senior personnel should be more “visible” and “actively communicating” the Department’s goals to staff. The ODPM said that it would track progress on those issues through the new Permanent Secretary’s intranet forum established when a new-look intranet was launched in April 2005, and through departmental staff surveys.

32. The Permanent Secretary said that, both on his arrival in the ODPM and following the machinery of government changes that created the DCLG, he and a number of senior colleagues participated in a number of meetings in and floor visits at the Department’s offices both in and out of London. Events were built around particular subjects such as the new equalities remit. Changes were also made to the system of performance management, including the setting of a prime objective for managers to lead, manage and improve the quality of staff. On the staffing side, wider use has been made of electronic communications to canvass staff views, including webchats with senior managers and intranet polling forums on particular issues. Issues covered have included how staff based outside London can participate within the Department, the provision of diversity data and ways of celebrating departmental successes. The new intranet has also been used to give staff daily news about internal and external business and the online forum has also provided a means for staff to put questions to senior managers. The Permanent Secretary did, however, point out that while these electronic communications were “lively” and provoking conversations, staff most valued “face to face stuff” and the “chance to see face to face their board and to engage with them”. We welcome the efforts of senior staff in the Department to make themselves more visible and to open two-way channels of communication with staff, including those beyond the London headquarters. We will watch with interest staff survey results relating to the efforts made towards improved communication and visibility.

33. The Cabinet Office conducted a survey in 2006 of all Senior Civil Service (SCS) staff, including those at DCLG, which it published on 15 February 2007. It should be borne in mind that this survey is not comparable with the survey of staff at all levels conducted in 2005 and that the Department intends to survey all staff during 2007. Some 123 SCS staff at DCLG responded (88%), one of the higher response rates across Whitehall. While the results are complex and often mixed, two fairly clear messages may be identified, at least as regards how staff feel about working for DCLG. First, most senior staff in the Department gain considerable personal satisfaction from their jobs, feeling that they know what they are doing and why and that their work objectives are challenging and worth while. Secondly, and less positively, most senior civil service staff feel that they and the Department are poorly managed.

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38 HC (2005-06) 559, para 38
39 HC (2005-06) 1072, p 8
40 Q40
41 Q41
42 Ev 100
43 DCLG Annual Report 2006, pp 30-31
44 QQ41-42
34. Among the positive points for DCLG, respondents felt committed to seeing the Department succeed (96%), understood how their work contributes to the Department’s objectives (95%), believed they had challenging work objectives (95%) and were willing to put in effort beyond what was expected (87%). In particular, 88% of respondents had a “feeling of personal accomplishment” from their work, a figure some 27 percentage points higher than central Government external benchmark norms identified by the consultants who organised the survey (ORC International).

35. Among the negatives, however, only 11% felt poor performance was effectively dealt with and only 27% were satisfied with the approach to performance management. Just 20% thought the Department’s top managers modelled a culture of effective teamwork. Perhaps most alarmingly, 28% felt it was “safe to speak up and challenge the way things are done in the Department”, a figure that compares extremely poorly with the 60% civil service average. DCLG also lags far behind external benchmark figures for work/life balance, with only 41% of respondents feeling that they were able to strike the right balance.

36. Another point of clear concern to DCLG’s management board must be the finding that only 38% of respondents had confidence in the leaders in their Department, a figure that compares with 57% for the Civil Service as a whole, and which is, notably, also lower than the 49% the Office of the Deputy Prime Minister achieved on this measure in a similar survey in 2004. It is worrying that confidence in the management team is so low and apparently falling. The Permanent Secretary has recognised that the survey results “confirm our view that we have to do more to build an effective leadership team”.45

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45 DCLG Website – www.communities.gov.uk/index.asp?id=1506240
6 Future policy

37. This final section of our Report is intended to highlight some general areas of DCLG policy discussed during the inquiry into the 2006 Annual Report.

Climate change

38. Housing is a major contributor to CO₂ emissions, giving the DCLG a clear responsibility for tackling climate change through its sustainable communities strategy. The Annual Report states that the Department “made significant progress” on climate change policy, launching new building regulations and the voluntary Code for Sustainable Homes, and assisting DEFRA in setting up a best practice fund to help local authorities engage with climate change issues.46

39. At her introductory hearing with us in July 2006, the Secretary of State said that the Department was preparing a new planning policy statement on climate change, but did not directly answer whether the Department would sign up to the Government’s PSA on climate change.47 In oral evidence to this inquiry, however, she told us both the Department and the Government “clearly have to come to an agreement […] as to how best to build climate change into those PSAs”.48 A week earlier, the Director-General, Corporate Delivery, Mr Unwin, had told us: “Ministers are very focused on [climate change] and see Communities and Local Government as having a key role, probably one of the most important roles across government, in terms of pursuing action against climate change and in favour of sustainable development”.49 The Secretary of State argued that a PSA would not, in itself, “fundamentally change approaches” to the climate change agenda, but might provide a “realistic reflection” of what the Department was doing.50 The Department has since begun consultation on a new draft Planning Policy Statement on “Planning and Climate Change”, which sets out how “planning, in providing for the new homes, jobs and infrastructure needed by communities, should help shape places with lower carbon emissions and resilient to the climate change now accepted as inevitable”.51 The consultation is due to end on 8 March.

40. We welcome the Secretary of State’s desire to establish the DCLG as a lead Department in governmental climate change policy.

46 DCLG Annual Report 2006, p 21
47 Minutes of Evidence, 12 July 2006, Qq 14 to 16. See http://www.publications.parliament.uk/pa/cm200506/cmselect/cmcomloc/1524/6071201.htm
48 Q147
49 Q103
50 QQ148, 149
51 DCLG, Planning Policy Statement: Planning and Climate Change, supplement to planning policy statement 1, p 2. See DCLG Website: http://www.communities.gov.uk/index.asp?id=1505140
Home Information Packs

41. The Annual Report identifies Home Information Packs (HIPs) as one of the Department’s “key priorities” in 2005-06. Regulations setting out what the packs must contain were laid before Parliament in June 2006, and the packs are scheduled to become mandatory from 1 June 2007. Everyone selling a home in England and Wales will need to prepare a HIP, including an energy performance certificate, evidence of searches and legal documents. The Government’s case, broadly, is that HIPs will save buyers, and sellers, time and money by collating information relevant to a house sale in a single pack. The Secretary of State told us that the underlying principle behind their introduction was to “maximise benefits for consumers”, by which she meant both buyers and sellers.

42. There will be no mandatory requirement, however, to include a home condition report in the HIPs. The Government announced on 18 July 2006 that the expected mandatory requirement had been downgraded to a voluntary one. The Secretary of State told us that this decision had resulted from new information from the Council of Mortgage Lenders which made it clear that “a significant majority of mortgage lenders would not have automatic valuation models in place until 2008-09”. She hoped, however, that individual sellers would still wish to include a home condition report voluntarily and that reports for sellers would ultimately become a standard part of the homebuying process:

“I am convinced that the market is changing in such a way that consumers will want this, the buyers will want this, the sellers will want a home condition report and in fact it will be in the interest of estate agents ultimately as well because the nature of the market is changing.”

43. A dry-run testing implementation of the packs is currently under way and will continue until June 2007. There are key differences however between the dry-run trials and the full-scale roll-out: not all documents that will be required in the mandatory HIP after July need to be included during the trial runs. The Secretary of State said the trials will allow the Department to measure the consumer benefits of the packs and how popular they are. The first report back on the trials was expected in February.

44. We note the Secretary of State’s argument that home condition reports could not be included as mandatory in Home Information Packs when they are launched in June 2007 because not enough mortgage lenders would have automated valuation systems in place. We note also her view that the packs are ultimately likely to include home condition reports as a result of the changing housebuying market.

52 DCLG Annual Report 2006, p 30
53 QQ124, 126, 132
54 Q123
55 Q129
56 Q124
57 Q129
Fire Service co-responding

45. During our inquiry into the Fire and Rescue Service we were impressed by co-response schemes involving the emergency services. Under such schemes, whichever service arrives first at an emergency undertakes whatever tasks are required, whether or not those tasks fall within their normal roles. For example, firefighters arriving first might give basic medical assistance, or paramedics arriving first might undertake basic rescue operations. We recommended that the Government should develop a national co-response protocol, including guidance on payment for the service.58 In its Response, the Government said that it, too, fully supported co-response schemes and would wish all fire and rescue authorities to work with local ambulance trusts to introduce them where locally appropriate.59

46. In late October 2006, however, a High Court judge ruled in favour of the Fire Brigades Union (FBU) against Lincolnshire Council and Nottingham’s fire authority, saying that medical treatment was not part of firefighters’ normal duties and that they could not therefore be required to take part in co-response schemes. This, of course, means that locally agreed schemes are still possible, although the judgement met the FBU’s concern that medical response, in some cases, goes beyond firefighters’ contractual obligations.

47. The Secretary of State told us that the Government “certainly continue to support co-responder schemes and I am convinced that co-responding can save lives”.60 She did not expect the High Court judgement to affect existing schemes and said the Government would continue to work with the Fire Service and others so that voluntary schemes could continue to be taken forward—“[…] co-responding saves lives and should be available to everyone right across the country”.61 We endorse the Secretary of State’s view that emergency service co-response schemes can save lives and should be encouraged. We urge the Government to be active in negotiating the creation and continued success of such schemes. We reiterate our earlier recommendation that the Government introduce a national co-response protocol, including guidance on payment for the service.

Equalities policy and community cohesion

48. As already noted, the machinery of government changes that created the Department for Communities and Local Government also resulted in an extended departmental remit encompassing the Government’s equalities policies. In particular, the Department’s responsibilities have been extended into the areas of gender, race and faith equalities. As with the examples given in the section of this Report on Delivery, policy in these areas frequently cuts across the work of several Government Departments, and as the Department with lead responsibility the DCLG once again needs to ensure that mechanisms are in place to guarantee that its lead is clear and firm and that it receives an adequate response from the other Departments concerned.

59 Department for Communities and Local Government, The Government’s Response to the Communities and Local Government Committee’s Report on the Fire and Rescue Service, Cm 6919, September 2006, para 152
60 Q185
61 QQ185-186
49. The ODPM already had an Equality and Diversity Unit in place and had published its own Race Equality Scheme for 2005-08 setting out how it intended to comply with its general duty under the Race Relations (Amendment) Act 2000 to promote race equality.62 The Department also has a long-term target for gender equality of 50% of public appointments being made to women. The current target is 38% and performance 34%, both of which the Department says compare favourably across Whitehall.63 A new Director-General, Equalities was due to join the Department on 29 January, filling a post vacant since the departmental reorganisation, and among the first of her tasks will be establishing the DCLG’s leading cross-governmental role on the introduction of a gender equality duty to match the existing race equality duty.64 The Secretary of State acknowledged as much on 4 December in saying, “We are certainly trying to beef up our equalities team because equality […] should be something which influences the whole way that the department thinks and operates”.65 She also noted the Department’s particular need to work with the Home Office, from which it inherited large sections of its new responsibilities.66

50. The Secretary of State herself also highlighted the work of two bodies in the coming year: the Commission for Equalities and Human Rights (CEHR) and the Commission on Integration and Cohesion (CIC). Both will require some departmental staff reorganisation, including extensions of expertise in their areas of operation, and responses to their work.67

51. The CEHR will bring together the work formerly done by the Campaign for Racial Equality (CRE), the Equal Opportunities Commission and the Disability Rights Commission. It is to be headed by Trevor Phillips, former head of the CRE. The Secretary of State told us that she meets Mr Phillips regularly, but that precise mechanisms for overseeing the CEHR would be “made clear in due course”.68

52. The CIC was set up by the DCLG in June 2006 to investigate the benefits and tensions of diversity. It is headed by Darra Singh, Chief Executive of Ealing Borough Council, whom we met informally in November 2006. It is due to report fully in July 2007, with an interim report expected in the Spring. The Secretary of State said that the CIC was independent and had been set up “precisely to identify what practical actions make a difference to communities getting on well”.69

53. The DCLG’s new responsibilities for communities, race, faith and equalities pose substantial new challenges to the Department. In particular, the Department needs to establish a leading role across government on the new gender equality duty. It also needs to establish a clear working relationship with the Commission for Equality and Human Rights. We welcome its appointment of the independent Commission on

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62 DCLG Annual Report 2006, p 32
63 Ev 98
64 Ev 98
65 Q188
66 Q198
67 Q188
68 Q200
69 Q205
Integration and Cohesion and look forward to seeing how it responds to that Commission’s interim and final reports later this year.
Conclusions and recommendations

Introduction
1. We are grateful to Ministers and officials for their willingness to make themselves available throughout the 2005-06 Session. (Paragraph 5)

The Department and the Committee
2. We note with some concern that senior departmental officials sometimes gave the appearance of being under-prepared for detailed scrutiny. We understand that they intended to discuss this at their post-meeting debriefing session and look forward to seeing what impact that discussion has on future evidence sessions. (Paragraph 6)
3. We welcome the Departments’ active response to our criticisms regarding the clarity and usefulness of its explanatory memorandum on the Winter Supplementary Estimates, although it is unacceptable that this occurred only after repeated requests for clearer information. We are grateful for the Secretary of State’s personal commitment to ensure that Parliament is kept as fully informed as possible. We expect to see more suitable, informative and comprehensible explanatory memoranda for all future Estimates, and we shall return to this matter should they prove unsatisfactory. (Paragraph 9)
4. We are concerned that the Department for a time gave, perhaps inadvertently, the impression that it was unwilling to answer parliamentary questions relating to its predecessor, the former Office of the Deputy Prime Minister. We are pleased that the Secretary of State moved immediately to issue new guidance when we drew the issue to her attention. (Paragraph 13)

Format and quality of the Annual Report
5. We are concerned that the Department missed its deadline for Annual Report publication by more than two months. We are unconvinced that DCLG’s creation on 8 May 2006 should significantly have affected a document intended for publication only four days later. We note the Permanent Secretary’s intention to publish the 2007 Report on time and will expect a full explanation if that is not achieved. (Paragraph 14)
6. We are pleased to note that the Department has taken significant steps to make its Annual Report clearer and more accessible to the general reader, including the provision of a useful new annex allowing comparison between high-level goals and strategic priorities. We recommend that the Department continue to develop new means of clarifying the connections between its PSA targets and the resources allocated to their achievement. (Paragraph 16)
7. We are disappointed, following our criticism of the accuracy of the Department’s 2005 Annual Report, by the considerable number of minor errors allowed to appear in the 2006 document, several of which render statistical information inaccurate or
out of date. We are unclear about what was done to fulfil the Department’s 2005 promise to take action. The appearance of the final document is, bluntly, sub-standard. We strongly recommend that the Department take active steps to ensure careful proof-checking, particularly of financial tables and charts. The failure to make significant improvements in this regard implies a lack of commitment on the part of the Department towards the duty of explaining its activities and achievements to Parliament and the public. (Paragraph 18)

Delivery

8. The DCLG has undergone a substantial transformation programme since publication of the Annual Report. We shall, in the course of our programme of inquiries into departmental policies, watch with interest the impact that this has on the Department’s roles, responsibilities and achievements. We expect next year’s Annual Report to include at least a preliminary analysis of the impact these changes have had on the Department’s ability to deliver. (Paragraph 20)

9. The DCLG’s role as lead Department in several areas of Government policy requires it to set clear strategic goals of its own and to arrange suitable mechanisms to persuade other Departments and non-departmental public bodies across Government of the vision behind those goals and the actions required of them if shared targets are to be reached. Clear arrangements are also required to facilitate the most accurate possible measurement of shared goals, particularly when measurement relies on data collected by other Departments with subtly different policy targets. We would like to see the nature of these agreements and details of the co-operative work undertaken spelled out in future Annual Reports. (Paragraph 26)

Staffing issues

10. We recognise the efforts made in response to our recommendation that the Department should take further steps to eradicate bullying, harassment or discrimination of staff. We note that all senior staff are expected to participate in “dignity and respect” courses and that action is expected to be taken against any who do not. We expect to receive details of feedback from less senior staff on the impact of these programmes through the quarterly staff surveys to be conducted throughout 2007. (Paragraph 30)

11. We welcome the efforts of senior staff in the Department to make themselves more visible and to open two-way channels of communication with staff, including those beyond the London headquarters. We will watch with interest staff survey results relating to the efforts made towards improved communication and visibility. (Paragraph 32)

Future policy

12. We welcome the Secretary of State’s desire to establish the DCLG as a lead Department in governmental climate change policy. (Paragraph 40)
13. We note the Secretary of State’s argument that home condition reports could not be included as mandatory in Home Information Packs when they are launched in June 2007 because not enough mortgage lenders would have automated valuation systems in place. We note also her view that the packs are ultimately likely to include home condition reports as a result of the changing housebuying market. (Paragraph 44)

14. We endorse the Secretary of State’s view that emergency service co-response schemes can save lives and should be encouraged. We urge the Government to be active in negotiating the creation and continued success of such schemes. We reiterate our earlier recommendation that the Government introduce a national co-response protocol, including guidance on payment for the service. (Paragraph 47)

15. The DCLG’s new responsibilities for communities, race, faith and equalities pose substantial new challenges to the Department. In particular, the Department needs to establish a leading role across government on the new gender equality duty. It also needs to establish a clear working relationship with the Commission for Equality and Human Rights. We welcome its appointment of the independent Commission on Integration and Cohesion and look forward to seeing how it responds to that Commission’s interim and final reports later this year. (Paragraph 53)
Formal Minutes

Tuesday 27 February 2007

Members present:

Dr Phyllis Starkey, in the Chair

Sir Paul Beresford
John Cummings
David Wright

DCLG Annual Report 2006

Draft Report (DCLG Annual Report 2006), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 53 read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

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

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

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

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

[Adjourned till Monday 5 March at Four o’clock.]
Witnesses

Monday 27 November 2006

Peter Housden, Permanent Secretary, Peter Unwin, Director General, Corporate Delivery, Joe Montgomery, Director General, Places and Communities, Christina Bienkowska, Director, Strategy and Performance, Department for Communities and Local Government

Ev 1

Monday 4 December 2006

Rt Hon. Ruth Kelly MP, Secretary of State for Communities and Local Government and Minister for Women, Department for Communities and Local Government

Ev 15

Peter Unwin, Director General, Corporate Delivery, and Richard McCarthy, Director General, Programmes, Policy and Innovation

Ev 15
## List of Written Evidence

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Reports from the Communities and Local Government Committee in the current Parliament

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

On 27th June 2006, by Order of the House, the ODPM Committee was succeeded by the Communities and Local Government Committee and all proceedings of the former Committee were deemed to be proceedings of the latter.

Session 2006–07
First Report The Work of the Committee in 2005–06 HC 198
Second Report Coastal Towns HC 351

Session 2005–06
First Report ODPM Annual Report and Accounts HC 559 (HC 1072)
Second Report Re-licensing HC 606 (Cm 6788)
Third Report Affordability and the Supply of Housing HC 703–I (Cm 6912)
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
Third Special Report Government Response to the Committee’s Seventh Report of Session 2004–05, on the Role and Effectiveness of the Standards Board for England HC 988
Fourth Report The Fire and Rescue Service HC 872–I (Cm 6919)
Fifth Report Planning-gain Supplement HC 1024–I (Cm 7005)
Oral evidence

Taken before the Communities and Local Government Committee

on Monday 27 November 2006

Members present:

Dr Phyllis Starkey, in the Chair
Sir Paul Beresford
Mr Clive Betts
Mr Greg Hands

Martin Horwood
Anne Main
Emily Thornberry

Witnesses: Mr Peter Housden, Permanent Secretary, Mr Peter Unwin, Director General, Corporate Delivery, Mr Joe Montgomery, Director General, Places and Communities, and Ms Christina Bienkowska, Director General, Strategy and Performance, Department for Communities and Local Government, gave evidence.

Q1 Chair: Welcome, Mr Housden, and your team. Some of our Members are detained by the motorway and will be joining us shortly. Can I leave it to you to decide which member of your team is going to field particular questions? Can I start with a question related to the estimate and explanatory memorandum which the department has put forward for the winter estimate debates on 7 December when the DCLG is requesting a supplementary £1.3 billion, more than any other department in the whole government including the Ministry of Defence I understand? The information provided that goes with it, in our view, is uninformative and poorly formatted. Can I ask you how you expect Members to vote on the estimate without being able to determine from your explanatory memorandum how the money is going to be spent and whether you are aware of the Committee's previous comments on the content of the department's estimate memorandum and the good practice example and guidance from the scrutiny unit, to which your department was directed last year?

Mr Housden: Could I ask you to point me at the particular reference that you are making here?

Q2 Chair: I am referring to the winter supplementary estimates explanatory memorandum which is provided as a background paper to the debate on the estimates on the floor of the House on 7 December.

Mr Housden: I am afraid we do not have that with us to answer your question.

Chair: The memorandum does not have the content and it is not in the format that would enable Members to clearly see what it is they are being asked to vote for. That is, what the money relates to. We can certainly make sure that the clerks provide you with a detailed note of what our concerns are.

Q3 Sir Paul Beresford: You are asking for £1.3 billion more, the second to highest extra claim, and you do not know about it?

Mr Housden: I am sure we will know about it. It is just a question of being able to trace the piece of paper that you are referring to.

Q4 Chair: It sort of makes the point that we are making which is that the memorandum is an issue of enormous importance to us, given that it is the document supporting a bid to Parliament for a very large sum of extra money. We asked your department last year to provide more effective memoranda in line with what the scrutiny unit recommended. You clearly have not done it this year. Whilst you are thinking about it, could you absolutely give us a commitment that you are going to provide a revised explanatory memorandum by 4 December in time both for our evidence session with the Secretary of State and for the estimates debate on the floor of the House?

Mr Housden: Yes, we certainly will do that.

Anne Main: That is extremely short notice for some of us to be able to assimilate the information that might be contained therein.

Chair: Precisely.

Sir Paul Beresford: It seems to be short enough for the head of the department.

Q5 Chair: Indeed. I think we have made our point. I would like to be assured that this sort of thing is not going to happen in future and that there will be an adequate memorandum for this Committee by the 4th and for the House to consider on the 7th.

Mr Housden: I apologise that we are not able to progress in the way you would wish this evening. Are there specific instances of explanation in the memorandum that are not clear or is it the format in which they are laid out?

Chair: The memorandum does not have the content and it is not in the format that would enable Members to clearly see what it is they are being asked to vote for. That is, what the money relates to. We can certainly make sure that the clerks provide you with a detailed note of what our concerns are.

Q6 Greg Hands: Now that you have a copy of this document, presumably you have seen this before?

Mr Housden: Yes.

Q7 Greg Hands: You are familiar with the amount of extra money that is being asked for?
Mr Unwin: We will let you have a note on this as soon as possible before the Secretary of State’s appearance next week. Some of the sums listed here will be transfers from one area to another so this will not be extra expenditure.

Q8 Anne Main: There are a lot of requests for new resources and we need to have the justification behind them and the breakdown as to how the figures were arrived at.

Mr Unwin: For example, £4.8 million switched from Thames Gateway resource and Thames Gateway capital to Thurrock Development Corporation, so that is a switch from the budget for Thames Gateway into the budget for the urban development corporation. Some of these will be switches across. Others will be drawing down of end-year flexibility which is available from underspends in earlier years.

Q9 Anne Main: Also, no explanation is given for large transfers for these subheads in the estimates. This baseline to estimates Z, local area agreements: there is no estimate of why these figures are there of £120 million and £860,000.

Mr Unwin: That will be because, in building up the local area agreements, we are putting together a budget from a number of budgets that have been pulled into local area agreements and therefore that may require some transfers. We fully accept the point you are making and if the clerk can help us to deal with your concerns we will let you have something in the next two or three days.

Q10 Chair: Can I move on to the annual report itself and raise a number of concerns about the format and the quality? First, the Treasury set 12 May as the deadline for publication of annual reports but the DCLG report was not published until 17 July. Why was that and will the department be meeting next year’s deadline for the publication of its annual report?

Mr Housden: We were hoping to secure the publication of the report as early as possible. We were concerned to make sure that it was accurate and appropriate for your needs. The machinery of government changes in May imposed a broader burden on the department. We would hope to have it out earlier next year.

Q11 Chair: On time?

Mr Housden: Yes.

Q12 Chair: Turning to the accuracy, last year we made a number of complaints about the accuracy of the report and the proof reading of financial tables and charts. We were told that the department would be acting on our recommendations, and yet there is an enormous number of errors in this year’s report as well. What did you do to act on our recommendations last year and why did it not eliminate all the errors?

Mr Housden: I am concerned and apologise that there are a number of errors that your clerk properly pointed out. We clearly have more to do to make sure that the constituencies within the department, the different policy teams who are providing these data, are signing them off in a reliable, assured way and have the opportunity, once the document is set and ready for publication, to check those things again. I apologise. Our systems are clearly not foolproof at this stage. We need to do more.

Q13 Anne Main: Can I ask what steps you did take to improve on last year’s less than satisfactory ----?

Mr Housden: We always have a debrief on a select committee appearance of this type. This was one of the issues that we were particularly concerned about, not only in terms of accuracy but in terms of format and clarity because you had important things to say last year about those. The work was progressed through from that point in that way. I can only say I apologise again that there were a number of errors and there should not have been.

Q14 Anne Main: What steps were taken to make sure this was going to be improved this year, apart from having a debrief? What did you do?

Mr Housden: Through the line management chain, it was impressed upon people contributing to that the importance of accuracy. There were checks in place as the new report was being pulled together. A number of things got through the net, however.

Q15 Sir Paul Beresford: Did you have a debrief on the ODPM, the former department, and its ability to deliver the agenda?

Mr Housden: We are always engaged in reviewing our policies and effectiveness with ministers, yes.

Q16 Sir Paul Beresford: There was a feeling from some of the reports that its ability to deliver was weak.

Mr Housden: From some reports?

Q17 Sir Paul Beresford: The capability review. Did that not point out that the ODPM Committee’s capability to deliver its agenda was weak?

Mr Housden: The capability review report? Sorry? That has not been published.

Q18 Sir Paul Beresford: I will leave that one. What are you doing in the department to improve on the ODPM under your new guise?

Mr Housden: There are important considerations here. The issue for us is about consistency because, if you look at the large, complex programmes that ODPM was delivering and which Communities and Local Government has inherited, there are some very complex ones like housing growth and renewal. You see excellence in the sense of some powerful evidence brought to bear on policy, on good delivery chains across quite a complex range of stakeholders across the whole of England and all the variety of circumstances that provides. Our issue however is making sure that throughout our delivery responsibilities we secure a uniformly high standard. Part of that is about strengthening our evidence and analytic capacity, about having more analysts and, more economists and using them more effectively and consistently. It is also partly about having more
staff and more staff at senior level who are confident and trained in programme and project management and using those people effectively and consistently. There are a number of issues like that in terms of staff skills that would help us a lot and which are part of our forward programme.

Q19 Sir Paul Beresford: You are sharpening the impact of ministerial and board engagement by putting in a new post, a director of strategy and performance.

Mr Housden: That is right.

Q20 Sir Paul Beresford: What was wrong before?

Mr Housden: My sense in both in the government departments I have worked in is that they work most effectively when you have a very strong, vibrant connection between ministers and their priorities in the broad mass of the department. We have slightly more than 2,500 staff. The more strongly their work is connected to ministerial concerns, priorities and ambitions the better. I wanted to be sure that we had at the centre of the department a small team who could make that connection effectively. I think it is particularly important because of the cross-cutting dimension of our responsibilities, a jargon phrase, but the way in which you cannot deliver, for example, properly on housing and planning without having local government and its capacity in your mind. You cannot deliver on estate renewal and regeneration without having housing and planning.

Q21 Sir Paul Beresford: From my memory of being a minister, that connection was done through whoever was in the position that you are in now.

Mr Housden: Yes.

Q22 Sir Paul Beresford: Why do you need somebody else?

Mr Housden: This is giving me, through Christina and her team, some capacity to do that. One of the criticisms that is often levelled at government departments and local authorities and other public bodies in general is that they are silo-ed, that their individual components work in a vertical way without much lateral intelligence. My sense was that our department had to add a very high premium on that capacity in areas where things have become more difficult, more urgent or where there are obviously risks and pressures.

Q23 Sir Paul Beresford: Does this individual go to the ministerial meetings for the department?

Ms Bienkowska: Shall I say a word about my role and how it fits with Peter Housden’s role and the rest of the board? That may help answer your question. As Mr Housden said, essentially my role and the role of my team is to make sure that across the department’s business we are always thinking about whether we have a clear, over-arching sense of direction, whether the different elements of what we are doing and how we do them fit together in a powerful, strategic way; and in that conversation we are always focused on ministers’ priorities and connecting those priorities through to what the department is doing day to day. The manifestation of that is thinking about the organisational structure of the department, trying to make sure that that gives us the most effective way of doing the business in that cross-cutting way that we have talked about. As you all know, we restructured the shape of the department earlier this year so that, for example, Joe Montgomery has a cross-cutting role on places, so organisational structure, delivery structure, how we monitor progress and performance across the business that we need to deliver day by day, where again, as I think the Committee is aware, we put in place this year a set of nine programme executives which sit above the detailed programme boards that deliver particular tasks. Those programme executives are designed to be and are cross cutting, think about the big picture and are all chaired at board level. Finally, thinking about the board’s role and the governance structures within the department and connecting those throughout with ministers’ priorities where we do take on, on behalf of the Secretary of State and the ministerial team, a range of flexible work to reinforce the department’s capacity in areas where things have become more difficult, more urgent or where there are obviously risks and pressures.

Q24 Sir Paul Beresford: You have more chiefs. Do you have more Indians as well? Is anyone doing a like for like estimate of the total staffing level?

Ms Bienkowska: Across the range of the department’s business?

Q25 Sir Paul Beresford: Yes.

Ms Bienkowska: We have a very small team of something like 20 or 25. What we do day by day will flex between thinking about organisational structure delivery and—

Q26 Sir Paul Beresford: Does anyone do an estimate on a like for like basis of the change in staffing level over the last few years?

Mr Housden: Yes. We have Gershon headcount targets set in SR2004 which we are securing. That is predicated on the reduction in our staffing over that period.

Q27 Sir Paul Beresford: Could we have a copy of that?

Mr Housden: Of course.

Q28 Chair: If you need more analysts and economists and senior staff as you were saying, how are you going to find them? Are you going to get rid of some of the senior staff you have?

Mr Housden: We always will have to work within the quantum. We have a reasonable level of turnover so we do have the opportunity as that happens to rebalance. If you take analysts, we have economists, statisticians and social researchers. We have those three disciplines and thereby we have the opportunity to change the balances as we go. It is also possible to increase the share of the overall
staffing resource that is devoted to analysis. We could have slightly fewer policy staff and recruit more in analytic areas.

Mr Unwin: We have a Gershon target for staff reductions and the latest figures we have on that are that the headquarters department is about 190 staff down from our June 2004 baseline. I think we discussed last year the voluntary exit scheme which was just about to go through. That went through and about 100 staff left the department on voluntary terms. We are in the middle of a similar exercise now and we will be coming to the results of that in another month or two but we would expect probably between 100 and 150 staff going out through that exercise. With that and other means we are confident that we will meet the Gershon target which is to reduce by 400 staff by 2008, of whom at least 250 have to come from the headquarters department and the government offices.

Q29 Anne Main: Our previous report heavily criticised the fact that you could not communicate your message outside the department. Having heard a lot of people still talking within the department, what concrete steps have you put in place to communicate the message and the delivery to other departments that you rely on to get your vision through?

Mr Housden: There are two things that we have done. We have recruited externally a new director of communications who is reviewing our overall internal and external communications effort. The launch of the Thames Gateway Interim Framework last week I think was a good example of the way in which, with key stakeholders in that area, we were able to make, through our ministers, a good impact across government. You are right to say that is particularly important. The Local Government White Paper process that produced a new performance management system for local services through local area agreements with a reduced number of targets was the result of consistent engagement across a number of government departments who are engaged in local services to secure the agreement and support of their ministers and officials. That was an important proving ground for us in making the improvement you refer to.

Q30 Anne Main: You are confident things are going to be different now?

Mr Housden: I think we are making progress. We had a brief exchange on this when I first came to your Committee as Permanent Secretary. The culture of public service here—you and Sir Paul were making this point to me—over a long period has been relatively centralising. I mentioned before the tendency in government and at national and local level and in other public bodies for organisations to work in rather silo-ed ways. We are working against both of those tendencies. We are working hard to ensure that government gets it right across the different spatial levels and that we can get it right across the different disciplines that we work in. We are committed; we are determined; I think we are making progress but it is not going to be made in one bound, I would suggest.

Q31 Greg Hands: How many staff are still being seconded to the ODPM or its new guise, the Deputy Prime Minister’s Office? How many of those are press officers? How many staff have you lost to quangos or related quangos in your sector?

Mr Housden: On the number of staff seconded to the DPMO, it is about 15 or 16 I think.

Q32 Chair: Perhaps you could clarify afterwards the precise number.

Mr Unwin: It is something between 15 and 20.

Q33 Greg Hands: How many are press officers or in media relations?

Mr Unwin: At least one of the ones we have seconded. Again, we will confirm this.

Q34 Greg Hands: I did ask that specific question to the Minister, who claimed that people were going to get back to me and did not. There is at least one, we think, in media relations?

Mr Unwin: Yes.

Q35 Greg Hands: What about loss of staff to quangos?

Mr Unwin: Do you mean staff that we have transferred?

Q36 Greg Hands: Yes, exactly, either secondment or as a permanent transfer.

Mr Unwin: I do not have a figure for that. Again, we can come back to you and let you have that figure.

Mr Housden: The basis of the transfer, the secondment of staff, to work for the Deputy Prime Minister reflected the fact that whilst he was a departmental head in ODPM his private office did both of those things. It supported his role as Deputy Prime Minister and as departmental head. He has carried on the former. That was the basis of our seconding staff and they are on secondment to his office over that period. We will let you have the precise numbers.

Q37 Martin Horwood: This is a staffing question and it may come under performance as well because it seems to have implications that are wider than just the specific example. I found on page 44 of the report a reference to 93 posts being relocated to government offices—for instance, work on the community housing task force, regional resilience and so on—and then the amazing statement underneath that this policy also necessarily results in new local service-facing posts within London and the greater south-east. I cannot see why that necessarily results in new posts. Does that imply that when you relocate a post you need to replace them with someone in London to tell you what the person in the relocated post is doing, or what?

Mr Unwin: That possibly could have been drafted more clearly. What that is saying is that some of those posts will be in the government offices in
London, the south-east and the east so they are not posts in headquarters. Under the Lyons relocation target we have, we have to relocate staff out of London, beyond the greater south-east. One of the things we are doing is to try to move work wherever possible closer to the front line by moving it to government offices. When we do that we will obviously move work out to all the government offices to reflect what is happening in each of the regions. Obviously, some of those posts will be in the three regions that count as part of the greater south-east.

Q38 Martin Horwood: Are the 93 posts relocated outside London and the greater south-east?  
Mr Unwin: They are relocated to government offices. This is probably 93 going out of London and the south-east with some others going into the three government offices in the south-east. If that is not the case, we will confirm with you.

Q39 Martin Horwood: Perhaps you could write and clarify that.  
Mr Unwin: Yes. That will be 93 out of London and the south-east.

Chair: This demonstrates the point we were making at the beginning which is that the report is not clear. Since the point of the annual report is to try and make the department’s work clear to lay persons and MPs, the fact that we are having such difficulty in understanding it demonstrates it is not doing what it should do.

Q40 Greg Hands: I have a question about internal visibility of the board. You might recall this was a criticism made last year by this Committee to improve the visibility of the board. Can you tell us a little bit about what measures you have been taking within the department to improve that?  
Mr Housden: The important thing is a lead from the top. I think I indicated to you when I first met you in January that I had spent my first day visiting all of the sites we have in London and doing a total of 20 floor meetings with staff. I followed that up with a series of video conferences and visits to our out-of-London locations and government offices. With the machinery of government change in May, when the new department was created, we did a number of meetings around that. In October, we launched the new department, and again did a series in this case of 12 floor meetings involving myself and other board colleagues. We did a range of other, more specifically focused events on particular issues like equalities around the department. I think it is important. We have put more time and effort into it. It is not simply about members of the board; it is about everyone who has leadership and management responsibilities. If I may say how we have built that into the system, the performance management system that applies to all members of staff in Communities and Local Government has now this year, for the first time, a prime objective. We set people a number of objectives. We have said that, for everyone who has a responsibility to lead and manage staff, improving the quality of people who work for them and their own practices as a leader and manager should be their prime objective. We hope to see a straight line between that and performance rewards for senior civil servants.

Q41 Greg Hands: You talk about meetings but what about things that are more constant and consistent? I think you talked about setting up an internet forum before. What sort of other means of internal communications are there other than just doing floor meetings?  
Mr Housden: We have done that. We have used electronic communication much more imaginatively in the last few weeks. A number of board colleagues have done web chats online live with staff around that. We have done internet polling on particular issues and the normal sort of forum debate. That has been good. That has felt lively and got the conversation going that we need to have.

Q42 Greg Hands: Can you give us a flavour of what staff are saying during the internet polling?  
Mr Housden: We asked particularly during the launch how far they felt they understood what the particular focus of Communities and Local Government was, were we getting the message of the new department across, and the answer overwhelmingly was yes. We asked them, apropos your point, what forms of communication they found most useful. We asked them to express a view about particular issues. It was the face to face stuff that they valued the most, the chance to engage with issues. They liked the cascade of information. They liked the opportunity to see on our new website and intranet material electronically and to engage and communicate in that way. What they liked most particularly was the chance to see face to face their board and to engage with them.

Q43 Anne Main: Can I ask if the staff will be taking part in a survey in the future to see if they perceive themselves that there has been an improvement?  
Mr Housden: Yes. It is our intention in 2007—we have not set a precise date but probably not too far into the New Year—to do that.

Q44 Anne Main: Given that one of the criticisms was to do with bullying, discrimination and harassment and it was recommended that there be coaching programmes which were mandatory, in respect of the programmes a significant number of team leaders and senior managers are still yet to take part in them. Could you give us any feedback on when they would be likely to participate in those programmes?  
Mr Housden: There are two programmes that we developed that speak to those particular issues. The first was a general coaching programme which we have taken something over 80% of our people through, 400 or so individuals. The second was a programme on dignity and respect which particularly went to the question about diversity within the department because you will remember in the figures that were cited in the earlier survey it was
staff from ethnic minorities and other under-represented groups who felt most those considerations. The dignity and respect programme was for something like over 500 people. About 80% of the target group attended those. We found that with a variety of circumstances associated with secondment, absence and other reasons we did not secure within that time frame 100%. I think we will run those programmes again because they are now part of our induction for new colleagues coming into the department. Our overall sense was that we had a very good take-up on that. What was interesting was the impact survey that we did with colleagues on that to ask them: “You have attended the course. Do you think it has made any difference? Do you feel it was a good one? Do you think it is going to impact on your practice?” The numbers on both of those counts we thought were encouraging.

Q45 Anne Main: You keep referring to staff. In terms of team leaders and senior managers, how many of the percentage that did not go on those were the senior people and the team leaders? Mr Housden: The programme was targeted at team leaders and above. That is 500 or so within the department. I do not have the breakdown of the 20% or so who did not go but I can let you have it.

Mr Unwin: 92% went on the dignity and respect courses. For the eight% that did not, for whatever reasons, we are now taking forward work on equality and diversity and we have a task force on it which has reported to the board. We will be putting in further measures through that and we will ensure that they come through that.

Q46 Anne Main: The next survey on particularly bullying, discrimination and harassment is due to happen in January 2007?

Mr Housden: We have not made a decision but I think it will be in the early part of the new year, yes.

Q47 Anne Main: Has there been any monitoring of feedback and results up until now that you can give us any information on?

Mr Housden: We have not surveyed staff attitudes on that question. What we have done is monitored our systems because one of the issues that you, in my view rightly, pointed to in your recommendations on this question before was the importance of publicising to staff the formal and informal recourse and support that was available to them. We did do that through posters, through the intranet and through putting a stall in our main building to enable people as they pass through to pick up material and ask questions. We have done more to publicise. We publicise through the training programmes that I have referred to. You remember we had a team of volunteers who are not part of line management. If staff are concerned about issues concerning their employment, they can talk those through. We listen to their intelligence and we do of course monitor the operation of our formal grievance procedures and those which might involve an element of concern about bullying or harassment. We have kept a close eye on all of those issues over this period.

Q48 Martin Horwood: You said you had gone back to the people who had been on these courses to find out whether they thought their behaviour had changed. Surely the point of the courses is to change their behaviour towards others so it should be the others that you are asking.

Mr Housden: I think the survey will pick up those types of issues when we do a staff survey.

Q49 Martin Horwood: It will specifically address the people who are at a lower level?

Mr Housden: Yes. It will be for everybody. The survey that was done in 2005, from memory, was a full staff survey and that is what we are intending to repeat during 2007.

Q50 Anne Main: Recent written answers seem to imply that DCLG cannot easily access fairly routine information about departmental officials and staff held by its predecessor department, the ODPM. What arrangements have been made for a transfer of information to the new department? Has all the information been transferred over or was some withheld?

Mr Housden: We have followed the standard machinery of government procedures on all aspects of the transfers from other departments to the new Communities and Local Government. If there are particular instances where Members have outstanding requests for information or would like further information having received an answer to a parliamentary question, we of course would be pleased to address them.

Q51 Anne Main: We have several examples. For example, Caroline Spelman asked about overnight expenses and the Under-Secretary of State replied that the information was not held centrally and could only be provided at disproportionate cost. This seemed to be a regular answer. Are you saying that there is no problem with the transference of routine information?

Mr Housden: On the specifics of transfer, I do not think generally there is. All of this is subject of course to the proportionality test in relation to cost but again, if there are particular instances where people want to press further, I am sure they can do and we will respond to them appropriately.

Q52 Anne Main: The comment was: “Information prior to the creation of the Department for Communities and Local Government . . . is not readily available . . . .” so I presume Members feel that they can’t access the information from this department as it seems to have been log-jammed back in the other department. I shall move on from that. Where spending programmes and targets have moved from the ODPM to DCLG, what assurances will you give the Committee that past performance as well as projected performance will be fully
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reported in next year’s departmental annual report, so that you are not really just starting with a fresh page and we get a carry through.

**Mr Housden:** It would always be our intention to do that. This is not year zero for new programmes and we would seek to enable you to do that.

**Q53 Martin Horwood:** Unusually, my colleague is letting you off a bit lightly on this. One of the examples we were given was my colleague in the Cotswolds who asked how many redundancies there had been in the department and was told that that information was not available prior to DCLG’s creation in May 2006. The HR department has not changed, has it?

**Mr Housden:** No.

**Q54 Martin Horwood:** They are incapable of telling how many people were made redundant in their own department the previous year?

**Mr Housden:** I would be happy to look at particular instances where further information would be helpful.

**Martin Horwood:** I find that absolutely breathtaking.

**Q55 Sir Paul Beresford:** Do you see the questions and answers before they go out?

**Mr Housden:** Parliamentary questions are secured by ministers rather than officials.

**Anne Main:** Would it be helpful if our Committee sent over a selection of criticisms on where information is not readily available?

**Q56 Chair:** It might be because there are a number of written questions which other Members—not this Committee—have put to the department and the answers have come back all the time that the information is not available from the previous department. If we ask the clerks to give you a list of those questions, perhaps you could explain why the answers were given to ministers. I accept they sign them off but the advice presumably was also given to ministers that the information could not be provided.

**Mr Unwin:** There should not be any problem in us getting information about the ODPM. There might be a problem in some cases at the margin and that may have a marginal impact on the answer if staff have come in from other departments into the new department. Obviously it is harder to give a picture across that.

**Q57 Greg Hands:** The worry obviously is that what for most of the department was just a change in name is being used as a smoke screen to prevent Members obtaining perfectly legitimate information.

**Mr Unwin:** We have 150 people coming in from other departments.

**Chair:** I accept that but you could have given an incomplete answer. That would have been more helpful than no answer at all.

**Q58 Anne Main:** If new people come in, you have just said that it is difficult to access the information. I think that is an extremely worrying indication. Is it not centrally held so that we could tap into it and find it?

**Mr Unwin:** No. 100 people have come in from the Home Office, say. If you asked the question how many redundancies there have been in the Home Office, you cannot split it down between the mainstream Home Office and the part of the Home Office that has come to us. I do not deny that we cannot be helpful in giving answers on the basis of ODPM. That is something we will take away and look at.

**Q59 Mr Betts:** The Local Government White Paper was produced with a fairly favourable reception from local government. There were quite a few comments to the effect that we cannot really judge the extent to which it will make a difference in terms of devolving powers until we see proposals for local government finance and the Lyons Report. We were expecting that initially in 2004. We are told now we might get it by the end of this year. Is it not a little strange that we have had the White Paper before the Lyons Report has reported?

**Mr Housden:** I think there are two things there. As you are aware, the remit of the Lyons Review was extended after its original commissioning and the timescale adjusted accordingly. The key focus for us in terms of understanding the recommendations has always been the spending review, CSR07, and yet the report is expected towards the end of this year. Phil Woolas has made that clear in an answer to a parliamentary question.

**Q60 Sir Paul Beresford:** Will it be published?

**Mr Housden:** Ruth Kelly has made clear in her answer to a parliamentary question that it will be published. No timescale has been set for that.

**Q61 Mr Betts:** Ideally, given that Lyons is an independent review, all right, attached to government but outside of government in that sense, it would have been ideal, would it not, to have had that report from Sir Michael before the White Paper had been produced, to have informed the thinking on the White Paper rather than to have come after it.

**Mr Housden:** The place shaping idea that formed the core of Michael Lyons’s interim report was important to ministers in striking the balances and the flavour of the White Paper. In that sense, it does reflect his thinking.

**Q62 Mr Betts:** It would have been ideal, would it not?

**Mr Housden:** That is not a matter for me.

**Q63 Sir Paul Beresford:** You think it is going to be published in due course. What do you mean? One week? One month? Two months? Three years?

**Mr Housden:** No timescale has been set for that.

**Chair:** We now know what “in due course” means. It means some time indeterminately in the future.
Q64 Mr Betts: Last time we spoke to you city regions were very much flavour of the year inside the department but in the White Paper we simply get a passing reference to some future report on city regions in due course. In the production of that, do we have assurances that we are genuinely going to get some joined-up government on this one with the Department for Transport and even, dare we say it, we have assurances that we are genuinely going to get some joined-up government on this one with the Department for Education and Skills signing up to something as well?

Mr Housden: We talked about this, did we not? The Local Government White Paper of course comes at a particular moment in relation to the government cycles of policy making and resourcing, so it is very close, is it not, to the spending review? The sub-national review of economic development is an important feeder into the spending review. The steps that the White Paper took and its antecedents will be important in that sense. The climate of opinion on cities and their contribution to the UK economy has changed. Michael Parkinson’s report on the state of cities brought that into the public domain. It brought very strongly the renaissance of English cities and the powerful progress they have made into relief. It also made it clear that, if you looked at them in comparison to their European counterparts, we still have a long way to go. In the White Paper you saw I thought important commitments from the Department for Transport about passenger transport authorities and executives. You saw things about skills, coalitions against worklessness, so I thought there was a number of important pointers there as a direction of travel which the government will now need to think about in the broader context of the spending review.

Q65 Mr Betts: I have had assurances that the Department for Transport is cooperating from both Secretaries of State and I probably accept that. The Department for Education and Skills track record on these things is hardly glorious, is it? It contributed nothing at all to the regional assemblies legislation. There were no commitments there at all. It completely scuppered the previous Minister for Local Government’s promises not to create more ring-fenced grants by ring fencing all the grants to schools. The working relationship between the two departments has not had a great history in recent years.

Mr Housden: On the specifics of the skills agenda, we have seen first of all in the proposals and shortly in the Greater London Authority Bill a real reformation of how skills are handled in London and a move away from five Learning and Skills Councils areas into a more unified programme. Similarly, I am not sure what your experience on this will be but regional skills partnerships have sought to bring regional and subregional players more strongly to the table in shaping skills priorities. I cannot speak for the Department for Education and Skills. I can say that in terms of working with them on the new performance framework for local government they were very much party to the cross-government agreement that was made. Alan Johnson and his colleagues were clear that that was the direction they wanted to take.

Q66 Sir Paul Beresford: On a similar theme, the numbers of targets and so forth have been hit in local government and your department is talking of reducing them. What are the other departments doing in local government? Are they reducing them too?

Mr Housden: Yes, and I think that is a really important point because the agreement that was reflected in the White Paper was a cross-government agreement that every department whose work impacted on local government—you made this point in January—would be a party to this agreement. When we talk about 1,200 going to 200 in terms of targets and information requirements, when we talk about something like 35 local priorities, those reflect the totality of government. They are not just the issues that we are responsible for. We have some confidence in the support because the guidance that underpins the Treasury’s spending review, which goes to all departments and structures the way they make their bids, reflects this agreement. Similarly in terms of the structure of grants that they may wish to give for local services, those too are now channelled through the local area agreement process. We think this is important progress but we have further to go in two respects. We need to make sure that the process of setting local area agreements is genuinely robust and challenging and does not require significant bureaucracy and paperwork to secure it. It needs to be a sharp, evidence-based process. We need also to be sure that our overall systems have this continual pressure to deregulate for light-touch systems. You might have noticed that Ruth Kelly has asked Michael Frater, who is an experienced local authority chief executive now in the City of Nottingham, to chair a professional task force for us to be sure that we have some external expertise as we go forward in reducing unnecessary burdens.

Q67 Mr Betts: Can I ask a question on a quite significant change recently in the government’s approach to Home Information Packs? I doubt that ministers suddenly had a wonderful house buying-experience themselves and changed their view about the state of the current house-buying process in Britain. It seems more likely that they were presented with the situation where the department simply did not have the mechanics in place to deliver HIPs, particularly their house condition reports as part of that, on time. Is that a fair assessment?

Mr Housden: Elements of that do strike me as the actual position, yes. There were two particular things that were weighing in ministers’ minds in the decisions they took recently and they are related. One was the availability of trained and accredited inspectors and the second was the continuing concern of some major stakeholders about going for what they called a big bang, introducing home information packs on a statutory basis with a
complete suite of information to hand from 2007. Ministers’ decision reflected their weighing of those issues.

Q68 Mr Betts: Is it not slightly difficult to work that issue back with any logic given that the decision itself came so late in the process after many people had spent quite a lot of personal money getting themselves trained as home inspectors? Both those points were made by the Committee when we considered the draft proposals three years ago or so now and in the Committee stage of the Bill itself. The issues of rolling forward HIPs on a steady basis across the country and the problem about training enough inspectors were both mentioned repeatedly, so why were they so late in being picked up?

Mr Housden: They were. They were real issues and it was right to raise them. Those issues were being kept under review by ministers as the programme developed. The important thing for me and for the ministers in all of this was that the key framework and concepts of the home information packs are intact and being trialled. You refer to concerns about people who have invested their own time and money in gaining qualifications. We looked at that hard. If you look at the range of opportunities that will be there for people who have been undertaking those programmes, they remain very significant because energy performance certificates have become statutory. There is no deviation on that. The market testing of home condition reports and other information like that we think does provide a significant range of opportunities for people going forward.

Q69 Mr Betts: Have you a time frame to decide whether the voluntary approach to HCRs is working or whether you are going to have to use a degree of compulsion? What is the time period of when you get to do your assessment?

Mr Housden: We have this programme of trials under way at the moment which are trialling a range of the components of home information packs and assessing their impact on transactions and their attractiveness for consumers. The expectation is that during the first half of 2007 the results of those trials will be brought together for ministers to decide their next steps.

Q70 Anne Main: I wondered who is paying the costs of the trials.

Mr Housden: The costs are being met by the department.

Q71 Chair: From within its own budget?

Mr Housden: Yes.

Q72 Martin Horwood: This is a question partly about the way you present some of the performance indicators. I am particularly going to focus on PSA1, roughly pages 50 to 55 in the annual report. It relates to an aspect of a claim to joined-up government. PSA1 in particular depends on other departments to deliver these indicators. When you look in detail at the kind of performance against floor targets, we have quite crucial ones like education where you present the target as: “At least 50% of pupils achieve level five or above in each of English, maths and science.” You then present analysis of the 2003/04 data—in other words, two years out of date—confirming that in Neighbourhood Renewal Fund areas 32% of schools were below the floor target. It sounds as though two years ago we were badly off course on this. Has DfES not provided you with data? Have you not asked for it? What mechanisms are in place for you to present us with an annual report that reflects the last year’s figures? The other one I would draw attention to is life expectancy which confusingly is not under health but over the page under a heading of its own, where it shows that the gap in 2002/04, which is the most recent figure you seem to be presenting, was widening. I have an eight-year gap in life expectancy in different areas in my constituency or in the area of my Primary Care Trust, which is extremely serious. This is a serious issue but this seems to be hopelessly out of date and with rather skimpy analysis.

Mr Montgomery: The floor target data often reflect a time lag in their collection and publication. On the health indicator, we use typically three-year rolling averages which are sometimes out of date in that the up-to-date data for this year will only be published obviously in a subsequent period.

Q73 Martin Horwood: A three-year rolling average is fine but that should in this case be from 2003 to 2006. There is no reason why an annual report produced after the end of the governmental or financial year should not be up to date, is there?

Mr Montgomery: For the current year, 2006, we would not typically get that data on all the indicators until 2007 and in some cases we can get it slightly earlier but, for health, the three-year rolling average data do tend to come in significantly lagged. You are right in the overall analysis. The health inequalities gap is widening or at least not closing in the way that the target would suggest it is required to. This is a particular challenge for us. It is the only one of the main target areas where the gap is not narrowing at the rate required. We are working closely with the Department of Health and with primary care trusts, first to identify which specific localities are the drivers of the problem and then to assess ways in which new interventions, new shifts in resource balances, can try and address this more effectively.

Q74 Martin Horwood: Even in education we have one in three schools missing the floor target two years ago. You do not say, because it is not very consistently presented, whether that is widening or narrowing but that is a fairly disastrous statistic. Is that widening or is it narrowing?

Mr Montgomery: The gaps on the education floor targets are narrowing both on key stage three targets and on GCSE pass grade targets.

Q75 Martin Horwood: According to the data to 2004.
Mr Montgomery: In the case of education statistics we do tend to get the data a little bit earlier so we know that there is more confidence that the gaps are narrowing on both indicators there.

Q76 Martin Horwood: Are you saying you have data more recent than 2004?
Mr Montgomery: Yes, we have.

Q77 Chair: Some of the data in the annual report were wrongly given for the 2003 year, not the 2004 year. That is one of the issues we raised at the beginning.
Mr Montgomery: I can give you more up-to-date data than the 2003 data. The story that tells is that the gap is narrowing. The rate of the narrowing of the gap has slowed down but there is some confidence, first, that we will meet the GCSE pass rate target which was the first target under SR02.

Q78 Martin Horwood: On health and education, on life expectancy and the Key Stage 3 attainment targets, what is the most recent data you actually have?
Mr Montgomery: On life expectancy, I have data that is valid to 2004, and on education, Key Stage 3, I also have 2004–2005 data.

Q79 Chair: Does the Department of Health have more up-to-date data that it just has not given to you?
Mr Montgomery: The data does tend to be heavily lagged, especially on life expectancy.

Q80 Martin Horwood: The Chair’s question was has it lagged with you or has it lagged at the Department of Health? Do they not give it to you instantly?
Mr Montgomery: We have far more up-to-date material on individual sub-components of the overall life expectancy targets. For example, I have data up to 2004 on circulatory disease mortality rates, and these are the sub-targets that aggregate to form the larger target but for the aggregate data, it tends to come in slightly later, I am afraid.

Q81 Chair: Because some of the individual components are missing or what? I do not see how the aggregate can be less up-to-date than the individual components.
Mr Montgomery: We do not get all of the sub-components as early as we might wish.

Q82 Chair: From the Department of Health?
Mr Montgomery: In terms of the Department of Health’s own collection of data, it tends, even for them, to be slightly lagged.

Q83 Martin Horwood: Whom should we be having a go at? Should we be having a go at you collectively or should we be calling the Department of Health in here to say “How dare you provide our Department with two-year-old statistics”?

Mr Montgomery: You could press us, you could press DH, and you could press the Office for National Statistics, on whom we rely also for some of these.

Q84 Martin Horwood: On something like that, do you honestly really not know what has been happening for the last two years? This is before the last General Election we are talking about.
Mr Montgomery: On some particular indicators, we are quite clear what the data is telling us up to about 2005. On others we are less confident.

Q85 Emily Thornberry: I want to ask you about the Public Service Agreements and I want to ask you about neighbourhood renewal, please. From what I understand, the floor targets, the minimum standards, within PSA1 on neighbourhood renewal are not the same as the floor targets from other government Departments. In the neighbourhood renewal areas, it seems as though different Departments have different targets and different geographical areas. It just strikes me, particularly when we have ingrained poverty in our inner cities, and we have these particular areas that we are supposed to be focusing on, presumably it is part of our job to try and urge Departments to work together so that they can at least have targets that they share and targets that make sense to us all, so that perhaps the Department for Education and Skills, the Department for Work and Pensions, all ought to have, surely, targets that make sense to one another and relate to one another so that they can pull together so that my constituency, which has ingrained unemployment of 6%, which is one of the highest in the country, can actually be tackled, so that family incomes can actually go up, but we do all need to work together on that.
Mr Montgomery: Absolutely. We have worked very hard to try to ensure that the floor targets do in fact match from our suite to the particular Department that might own them. Within all of that, though, each Department might pick particular areas to focus on that reflect its own most difficult challenges. So, for example, the Department of Health has a spearhead group that is made up of the poorest-performing localities in terms of health indicators. That spearhead group has a 65% overlap with the neighbourhood renewal 88 authorities but it reflects the fact that some authorities fare far worse on health. Similarly, the Home Office picks out about 45 high-crime areas to focus on but against the same floor target, and so aggregate crime with a focus on burglary, robbery and crimes against vehicles forms part of the Home Office’s floor target suite as well as being reflected in the basket that we look at. So there should be symmetry but each Department might have a slightly different list of focus areas that it chooses to target more resource to.

Q86 Emily Thornberry: I do not really understand this because I thought that if you were designated as a neighbourhood renewal area, you were getting resources and effort focused on you, not just from DCLG but from other Departments working
together. Otherwise, what is the point in having these areas? If there is an area like a New Deal for Communities area, would that not be an area that would be clearly one that we should all be pulling together and working on improving? I just do not understand, if the watchword of government is joined-up government, and you were speaking about this today, why when it comes to such an important problem, that we really should be working on, there does not seem to be this kind of joined-up government. I do not get that. I do not get why there is not an agreement across Departments that this is an area of ingrained poverty, this is an area of huge problems, and all Departments will focus on this area and it will be given this status and it will not simply be something that one Department will appreciate as being an area that we need to work on, whereas the Department of Health will have a slightly different area, and the Department for Work and Pensions has another area. What is the point?

**Mr Housden:** I think really it is good that there is an impetus across a number of Departments to target their resources and be impactful. I have two things to say. The neighbourhood renewal target PSA1, of course, is a cross-government PSA. It is one that we have the lead on but other government Ministers and Departments are signed up for it and accountable for their performance. The second point is that the reforms that we put in the Local Government White Paper around strengthening the local authorities’ role on local strategic partnerships, the way it brings together all of the people who might make a difference in that community, that enables them, through a more flexible local area agreement process to negotiate its priorities and to focus additional grant from government on those priorities. All of this, of course, progressively captures the neighbourhood renewal and New Deal for Communities effort, so it is an attempt to go precisely in the direction that you describe of actually making sure there is more concerted effort on the ground.

Q87 Anne Main: This covers what I asked Mr Housden earlier, which is how they communicate their vision outside Departments, and you said to me you were confident that was happening. Now, the questions from my colleague Emily Thornberry seem to indicate that actually, you might be communicating them but they are being ignored. Is that the case, or is it someone else’s priorities? The two statements we have just heard, earlier in the session and later, seemed to be slightly conflicting.

**Mr Montgomery:** It would be disappointing if what I said conflicted with what the Permanent Secretary said earlier. What we have is an index of multiple deprivation that has seven different sub-definitions of deprivation according to areas that are health-challenged, crime-challenged, employment-challenged, et cetera. Some areas, despite their overall deprivation, may be making good progress against employment targets and so we would not, jointly with DWP, choose to focus on them in particular because they are making good progress, but on other areas, where that locality is not closing the gap, we would jointly with DWP choose to focus on that area. We do very good joint work with all of our partner Departments to try and generate extra focus and extra traction in areas that are struggling. For example, this very week, jointly with the Department for Education, we are focusing on the 18 local authorities that are making least progress in meeting their floor targets. We have communicated our priorities quite clearly to other government Departments. They tend to do problem-solving work jointly with us rather than separate from us, and we pick those areas that are on each Department’s list of areas that need extra technical assistance or extra resource to give them an additional push. It is clearly not the case that we have a different list of priorities than, let us say, the DfE because we have jointly agreed which areas we will focus on, and we will work with them jointly.

Q88 Emily Thornberry: Let us just look at one area of deprivation. Let us look at unemployment and, as I said, in my constituency, where the unemployment level is 6%, where 40% of the children are getting free school meals, in order for there to be a real tackling of that, you would need to have DWP putting people back to work; HMRC making sure that tax credits are administered properly and making sure that work is affordable; DCLG making sure there is proper affordable housing and regeneration to provide opportunities for employment; DfE giving proper basic skills to people so that it makes it easier, and also providing extended child care and making it more affordable; and then the Home Office tackling antisocial behaviour and encouraging businesses. All these different government Departments need to work together to be able to tackle one aspect of the multiple deprivation in my constituency, and what worries me is that it does not really happen and that there is little discussion of this. If the Department in charge of communities is not taking a lead on this, then who is?

**Mr Montgomery:** We certainly are taking a lead on this. What we try and ensure is that the local delivery agency of each government Department plays an active role in support of the Local Strategic Partnership for each of these areas. Where we detect the LSP is not working, we will intervene to ensure that it gets technical support or that key agencies that fail to participate will in fact come along and get involved and deliver additional focus where there are particular problems.

Q89 Chair: Can you give us a specific example of where the DCLG has intervened in an area where one of the other Departments was not delivering?
standard. We have released the resources that we had withheld and performance is improving in each of those three. Those three were Nottingham, Hull and Birmingham. So there are clear examples of where we have intervened.

Chair: That is helpful.

Q90 Martin Horwood: I want to ask a rather specific question. I may be misunderstanding, but you seem to be focusing quite a lot on district level. If you have a situation, as I have in my constituency, where in general you have to say Cheltenham is not going to be very high on very many indices of multiple deprivation, but actually, there are pockets within the constituency which are very deprived. There is one school where 57% of children are on free school meals, they are from an area where unemployment is extremely high, where benefit claims are extremely high, where health outcomes are extremely poor. Are those kinds of pockets of deprivation receiving attention under PSA1 or not, even where the district as a whole might score very highly?

Mr Montgomery: We have done two things to allow us to focus more intently on that kind of issue. First, we have ensured that the index of multiple deprivation allows local authority districts and their partners to identify very small pockets of deprivation that might otherwise have been lost when we operated only at ward level. Now the IMD allows you to pick out the two deprived streets in an otherwise prosperous ward, so, we make it much easier to identify those small pockets of deprivation but, secondly, we have said to all local strategic partnerships that it is their express duty to identify such pockets and set out as part of their Local Area Agreement ways in which they will tackle them; that is whether or not they are getting additional resource from DCLG in the form of the Neighbourhood Renewal Fund. So we would expect even the Cheltenhams of this world to have some concern for their disadvantaged neighbourhoods.

Q91 Emily Thornberry: There was a question about Neighbourhood Renewal and the floor target on crime, particularly in Neighbourhood Renewal Fund areas that are also high-crime areas, but the Annual Report does not report on progress on this target. I just wondered if you could update us on the actual performance to date against crime floor targets.

Mr Montgomery: The most current data I have in front of me suggests that in the period 2001–2005 there has been a closing of 22% in the gap between the NRF target areas and the England average but I can supply further detail if you need it.

Q92 Chair: That would be helpful.

Mr Housden: Could I reply to Mr Horwood’s issue with two further points because I think it is very important. In my past life as an official at the Department for Education and Skills, I saw our predecessor Department through neighbourhood renewal intervening with us in Burnley, where there was a significant programme of investment in secondary schools through Building Schools for the Future about to be made, and a worrying number of secondary schools who were failing and concerns as to whether the County Council and the Burnley Borough Council were collaborating effectively to tackle the issues in the round. We saw Joe and his team actually engaging with us and pushing us to think about some things that we had not seen as clearly before. The second thing is that the Local Government White Paper changes the inspection regime for local areas, so in future, as the regime is in place, we will increasingly look not at the individual contributions of Department X, Y, Z but whether it is really making a difference and what needs to happen. This would be equally true of areas with high-level deprivation and those that might have pockets. So we do recognise, importantly, this question of focused interventions.

Q93 Emily Thornberry: In the end, all I care about is that the unemployment goes down from 6%. My constituents do not care how it happens; they just want to have a job.

Mr Housden: Pathways to Work, the DWP’s programme, I think is a recognition precisely that there are local factors and local energy and local focus that can really make a difference in those areas.

Q94 Mr Hands: PSA2 on reducing regional inequalities and the quality of the data in the GVA data. It is noticeable that there have been criticisms as to whether this data that is being used is really robust and, noticeably, Professor Allsopp cast doubt on the robustness of the data and the approach used for the GVA data. Also, it is interesting that the Department’s PSA technical note urged that the figures should be treated with “extreme caution” but it is noticeable that a note of caution is not repeated in the Annual Report and in fact, on pages 60, 61 and so on, the Annual Report seems to treat the GVA data as being extremely robust, normal data to be used for assessing PSA2. I am just wondering whether there has been a change in attitude towards the GVA data or whether there is new evidence to suggest the GVA data is valid.

Mr Housden: We are at a critical point here. We do indicate that the main indicator is the GVA data, and I am sorry that one of the transposition errors that occurred in the production of the report was to put the wrong year in. In terms of the validity of the data itself, you will know that we are quite close now to producing an interim report on this PSA and I think that will provide the Committee and the wider public with an opportunity to debate those issues in the round. Our early indications on progress on this are of some encouraging progress but it takes a particular shape. We can see some narrowing of the gap but it is very much driven by employment, so it is driven by higher participation rates and some improvements in skills at the lower level but, if you look at the differences in productivity, innovation, enterprise and those higher-level skills, you see really not much progress in closing the gap and, in terms of what will really drive progress towards this PSA.
Those must be issues but again, this will be more fully aired in the report that is due shortly and again, will feed into the Spending Review.

Q95 Mr Hands: Just to return to the question, the “with extreme caution” phrase that was attached earlier to the data, you think is no longer valid? You do not think we should be treating that data with extreme caution?

Mr Unwin: There are two issues. There is one about the data themselves and I will come to that in a minute. The second thing, which was recognized in the Annual Report, is the fact that in making these judgements, one really has to look over an economic cycle, so the data we have today is encouraging in so far as it shows where things are going, that the gap is closing in the right direction, but really, at this stage one cannot tell whether that is knowledge within the economic cycle and one has to wait until one has sufficiently long-term data to see through an economic cycle. I think the points raised in the Allsopp report are valid and at the bottom of page 61 of the Annual Report we talk about the data from new surveys being taken forward for 2006, which will take on more of the Allsopp recommendations.

Q96 Mr Hands: Can I take up your point about needing to wait a full economic cycle to be able to make a judgement? If you were to look at national data on, say, GDP and GNP, it is those data that are actually defining the economic cycle. So if you are saying that for regional data you have to wait till the end of the economic cycle, it strikes me they are no longer useful sets of data, in the sense that you will be able to say the North of England actually fell behind the South East by this particular measure in this particular manner, but by the time the end of the economic cycle has arrived, it is pretty useless data. Returning to the question, as to whether we think it is now sufficiently robust or not, the implication, it seems to me, because you have dropped the “with extreme caution” attached to the data, you are now saying that the data is fine.

Mr Housden: I think Peter Unwin’s comment was really saying that the GVA data, with its limitations that Allsopp referred to provide you with an answer, as you say, on a time series that may not be helpful. It gives you a retrospective view about whether definitively you secured this target. What our existing work programme drives to is whether, through improved analysis and other sorts of data, we can get more immediate, closer to real-time indications, and the ones I was indicating to you there are a reflection of that work programme.

Chair: Mr Housden, can I stop you there because I think we are going round and round and not getting to the answer. As I understand it, the point that is being made is that the data itself is not sufficiently robust to be able to support any analysis, whether it is a good one or a bad one, and if it is the only data that is available, then it is fair enough to make some suppositions on the basis of it, but an indication should be given that the data is not incredibly robust. I think that is the point that Mr Hands was making.

Q97 Mr Hands: Absolutely and whether it has become more robust since the PSA technical note was issued.

Mr Unwin: We are indicating at the bottom of page 61 that we intend to make it more robust so by implication, we feel it is not as robust as it could be.

Q98 Chair: I think it is another issue where the annual report should not try and over-egg the pudding. If the data that is available is not robust, you should say it is not robust but it is the only data that is available and the basis on which you are taking a decision. Can I ask another question? At some point somebody suggested that the interim report was coming up shortly? When?

Mr Housden: I am not sure I have a publication date for that.

Q99 Chair: Perhaps you can tell us later.

Mr Unwin: Clearly, it is a matter of judgement as to how one puts this but I would point out that page 61 does make the point about the Allsopp data improvements needing to be made and therefore by implication accepting that this data is not as good as the post-Allsopp data should be.

Q100 Chair: I have a couple of points. I would like to ask a question on gender equality. I notice that although the DCLG leads on gender equality for the Government, it has a target for the number of women appointed to public bodies which is lower than the targets of other Departments, and I do have to say in this context that the ministerial statement on 7 November announcing the people who had been appointed as the Chair and the Board of the National Housing and Planning Advice Unit is scarcely a glowing example of gender equality since it is entirely made up of men. Can you explain why your Department’s target is so low on gender equality in public bodies and what you are doing to try and up the performance since you are the lead Department?

Mr Housden: I am not sure that we have material with us on public bodies, Chair.

Q101 Chair: I suggest we get an answer before we have the Minister here next week otherwise she might have a more unpleasant experience on this. What progress has been made towards filling the post of Director General, Equalities, as clearly is desperately required?

Mr Housden: The appointment panel, which was chaired by the Civil Service Commissioner, has completed its work and made a recommendation, which is on its way to the Prime Minister.

Chair: Excellent!

Q102 Martin Horwood: Part of the question is that it falls outside of the PSAs. Despite the fact that your Department throws around the word “sustainability” with quite a lot of abandon, none of the strategic priorities actually seem to prioritise environmental sustainability in the larger sense. You have things about safer, greener environment and things like that, yet I keep on coming across more
and more examples of local authorities—Woking being the one that everyone talks about but there are many others as well. Richmond and so on—who are making enormous progress in contributing to lower carbon emissions, to a more sustainable lifestyle, to decentralised energy generation and so on, and yet none of your targets seem to relate to that; none of your work streams seem to identify that as the priority.

Mr Housden: I will ask Peter Unwin to comment on this. We listened very hard to what you said last year about your difficulty navigating our performance against shifting categorisations and concluded that actually, the strategic priorities that were set for our predecessor Department in the Spending Review of 2004 were probably the most consistent and easy to follow in that sense. Clearly, in the new context of the Spending Review, there will be a new framework from government but in terms of sustainable development and sustainable communities, we have done a huge amount, particularly in the last year or two, to improve our effectiveness and integration on that. Peter might like to comment.

Mr Unwin: I would accept your point that one or two of the priorities we have do not reflect it as strongly as they might.

Q103 Martin Horwood: They do not reflect it at all, do they?

Mr Unwin: Those priorities were set in the 2004 spending review. I would be very surprised, frankly, if the priorities set in the current Comprehensive Spending Review do not reflect it significantly more but, as Peter Housden has said, Ministers are very focused on this and see Communities and Local Government as having a key role, probably one of the most important roles across government, in terms of pursuing action against climate change and in favour of sustainable development. So on things that we will be announcing shortly on the sustainable buildings code, on a planning policy statement for climate change and a number of other issues which we are committed to taking forward, we will be showing that we take this issue very seriously and it is very high up our list of priorities.

Q104 Martin Horwood: I hope that finally you will be making the code mandatory, as we have long been calling for. If you really felt you have had a good story to tell on your contribution to tackling climate change and so on, why on earth is it not in your Annual Report, even if it is not under a PSA?

Mr Unwin: I think we have had a good story to tell. I think we will have an even better story to tell in the future. You are right; maybe we have under-told our story in the past. On the building regulations, new buildings are now 40% more energy-efficient than they were in 2002, 70% more than energy-efficient than they were in 1990, so there have been significant changes there in the past, and what Ministers want to do is to build on that and go forward across a broader front, including local government, the planning system, operations in the regions. All the instruments have been put at our disposal to tackle this and I am sure if you question the Secretary of State about it next week, she will make that very clear.

Q105 Mr Hands: Can I just make a closing comment? I think you mentioned towards the beginning that after each Select Committee meeting you always have a de-brief meeting amongst yourselves. I am just wondering if you might reflect on this at the de-brief meeting: I for one have found the four of you, or at least those who have given evidence today, very under-prepared for this session. We are, after all, asking you questions about your own Annual Report. It was not as if this was something produced by an outside organisation or a third party. I am a little surprised that really, from the very first question to the questions towards the end, you seem very under-briefed in terms of answering questions on what is essentially your own document. I just wondered if you wanted to reflect on that in the de-brief meeting.

Mr Housden: I hear what you say. We will of course look in our de-brief processes and going forward at the range of comments that you have made this afternoon.

Chair: Thank you very much and we look forward to the additional information that we have asked for before we meet the Minister on Monday. Thank you.
Monday 4 December 2006

Members present:
Dr Phyllis Starkey, in the Chair

Sir Paul Beresford
Mr Clive Betts
Mr Greg Hands
Martin Horwood
Anne Main
Mr Bill Olner
John Pugh
Emily Thornberry

Witnesses: Rt Hon Ruth Kelly, a Member of the House, Secretary of State for Communities and Local Government and Minister for Women, Mr Peter Unwin, Director General, Corporate Delivery and Mr Richard McCarthy, Director General, Policy, Performance and Innovation, Department for Communities and Local Government, gave evidence.

Q106 Chair: Secretary for State may I welcome you this afternoon? We have a very long list of issues that we want to try to explore with you, so we shall try to be brief and we should obviously appreciate full, but brief, responses. Just to give you pre-warning, those issues we do not manage to get the answers to or do not manage to get to this afternoon, we intend to follow up with you in writing subsequently. May I start with the issue of the Winter Estimates memorandum? We are pleased to see that we have received another version. I do just want to make the point and ask for your comments on the fact that this is actually the third time, as a Committee, that we have asked for the Estimates memorandum to be provided in the format requested by the Scrutiny Unit and we were disappointed to have to ask so many times. Why do you think the Committee's requests for improvements were ignored?

Ruth Kelly: First of all let me say that I am disappointed that the Committee did not feel it had sufficient information on the Supplementary Estimates. It is extremely important that Parliament is properly informed as it scrutinises the Estimates. It is extremely important that those issues were not managed to get to this afternoon, we intend to follow up with you in writing subsequently. May I start off with the issue of the Winter Estimates memorandum? We are pleased to see that we have received another version. I do just want to make the point and ask for your comments on the fact that this is actually the third time, as a Committee, that we have asked for the Estimates memorandum to be provided in the format requested by the Scrutiny Unit and we were disappointed to have to ask so many times. Why do you think the Committee's requests for improvements were ignored?

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Q107 Chair: May I ask you some specific points arising from that? The first one is that pages 12 and 13 of the revised Estimate memorandum indicate that £10 million has been spent on early exits. Can you say how many people are leaving under these programmes and why and what the implications are for the delivery of policy?

Q108 Chair: And the effect on delivery?

Mr Unwin: This came from within our administration budget, so, certainly last year, it did not come from our programme money. This year we are running another scheme of early exits under which we hope about 150 staff will be released in a similar way.

Q109 Chair: Sorry, I meant how will the fact that you have nearly 150 fewer affect the performance of the department?

Ruth Kelly: We are confident that the performance of the department is improving over time and that we are able to meet our efficiency targets in a way which will not affect frontline delivery of targets.

Q110 Martin Horwood: The bottom line is that this is supposed to be the justification for £1.3 billion worth of Supplementary Estimates. Do you accept that for those of us who have schools and hospital wards closing, in the case of the NHS because there is apparently no possibility of cross-subsidy from other parts of government spending, that this is rather difficult to take?

Ruth Kelly: I completely accept that Parliament and indeed the Select Committee ought to have the fullest possible information. Of course the £1.35 billion in public spending is not an overall net increase; £845 million of it reflects the impact on Estimates of transfers between existing budgets and departmental expenditure limits. So, for example, just to give the Committee an example, the figure would include the conversion of local authority borrowing approvals into capital grants for registered social landlords in line with the advice of regional housing boards. Any transfers which are agreed within government departments would be covered in that figure. The rest of the £1.35 billion was accounted for by two factors: the first,
Ruth Kelly: The Committee is right to expect that and I should like to clarify that there is absolutely no prohibition on providing information in relation to the former Office of the Deputy Prime Minister. Indeed, we have done so in a number of parliamentary answers. In some cases the information that was requested could only be provided at disproportionate cost and of course that is a factor which is taken into consideration when answering parliamentary questions across Government. However, in light of the Committee drawing my attention to this issue, I have reviewed a number of recent parliamentary questions and it is imperative that we provide answers which are as helpful as possible to Parliament. I have therefore issued, through my private office, new guidance to all senior civil servants in the department on standards that I expect to apply in preparing answers to parliamentary questions. Of course that will mean providing the fullest possible advice and answers in line with proportionate cost.

Q118 Mr Hands: So for example, on Mr Prisk’s and Mr Cable’s questions on IT projects and on consultants, are you saying that the Department has not been monitoring expenditure on IT projects and consultants until now, until you have intervened, or are you saying that the information was always available but you have intervened to make sure it goes out?

Ruth Kelly: We are reviewing guidance to make the presumption that information should be provided if it is readily available. In any particular instance, if someone feels that more information could helpfully
have been provided, then I am very happy to provide that information to the member concerned and indeed to the House.

Q119 Martin Horwood: One of the examples that came up related to basic HR questions about numbers of temporary staff and so on. Is it now your expectation that a statistic like that, where the HR department has presumably been largely unchanged through the transfer from ODPM to DCLG, will now be provided to MPs who ask for it?

Ruth Kelly: The presumption is that information that can readily be provided should be provided.

Q120 Chair: May I just clarify? Would that include information on redundancies where it was said that they were only available at disproportionate cost?

Ruth Kelly: Most HR information is readily available and should be provided.

Chair: That is very helpful. I shall draw the attention of the relevant MPs to the fact that they can put their questions down again.

Q121 Sir Paul Beresford: Is it possible, if it is not voluminous, to see a copy of the guidance? That might help the Committee.

Ruth Kelly: Of course.

Q122 Mr Betts: It is fair to say that Home Information Packs are one of the Government’s flagship projects as far as owner-occupiers are concerned. It is probably a bit extreme to say that the policy has capsized, but it is certainly not going ahead with as much speed as one would have hoped. Is it not a bit disappointing that, given the discussions and debates and questions we had in this Committee when we considered the draft legislation and in the Standing Committee and on the floor of the House at report stage, concerns that the mechanics were not going to be in place and all the inspectors were not going to be trained to enable this project to go ahead in the time period that had been set, effectively the permanent secretary came to us last week and said that is exactly the case, that we do not have enough trained inspectors, we do have problems with the CML and really we could not go ahead with mandatory home condition reports because of that?

Ruth Kelly: Of course Home Information Packs are going to be introduced as from June of next year and indeed a central element of that will be energy performance certificates but there will be other elements. The central policy change was that the home condition report should not be made mandatory, particularly at the same time as the introduction of the rest of the Home Information Pack. There are various reasons for that but a large part of the rationale for it, was that new information became apparent in the summer. It is absolutely clear to me and clear to everyone in the department became apparent in the summer. It is absolutely clear and crystallised; that risk crystallised in the CML report. My test in all of this, the principle at the bottom of this, is that what we should do is act in the interests of the consumer. Given that those benefits to the consumer would not be fully realised until automatic valuation reports were in place, I thought that was a reason for proceeding in a different fashion. First of all making home condition reports optional, secondly introducing energy performance certificates, which were incredibly relevant to combating climate change at that time and, thirdly, taking into account the really practical considerations that if we were to be absolutely clear that we were going to see energy performance certificates introduced on 1 June as planned, it made sense to concentrate on that objective and then to work with the market to see if we could encourage a voluntary take-up of home condition reports. Home condition reports could, in due course, provide very significant benefits to consumers, which is why we are trialling the introduction of Home Information Packs, some including and some not including the home condition report, and why we are continuing to work with the market to see whether home condition reports can have widespread take-up. Indeed, just today I have learnt that ASDA intend to offer free Home Information Packs to consumers. The only cost would be if a seller subsequently sold through another estate agent, in which case they would be charged the current market rate. Given the rate at which this market is changing, it is right that we reflect on those changes, that we work with the market and we try to maximise benefits to consumers.

Q124 Mr Betts: What would be seen as a success in terms of voluntary take-up? Would it be 95%, 90%, 80%? What would you think about coming back and saying actually you are going to have to make it mandatory now because the voluntary take-up simply is not working?

Ruth Kelly: The test is that we maximise benefits for consumers and that is why we have designed the trials in the way that we have; that we test how popular they are, what the benefits are versus the cost, whether people like to have the home condition report and see that as valuable or whether they prefer the Home Information Pack without the
home condition report. The trial has been set up in such a way that we can learn from them and introduce what is a proportionate response to the issue that we are facing here.

Q125 Mr Betts: Do you not think that there is some responsibility on the Government though sometimes to protect people who are undertaking a major transaction from consequences that may happen, but which people do not foresee? In other words, people do not have a survey done, they find they have difficulties down the line, they get into all sorts of problems and they wish they had paid that bit of money up front. Was one of the things about the mandatory HCRs not that this Government would have been able to protect people from the consequences if they felt they might take a risk but eventually the worst happened and they rather wished someone had protected them?

Ruth Kelly: Of course and we want to protect consumers just as we want to maximise the benefits to consumers. We have to introduce home condition reports and Home Information Packs in a way that is likely to maximise those benefits. We are looking at this in the round and given that the market is changing so rapidly and given that automated valuation models are likely to be in place by 2008–09 or thereabouts, that we shall have to see how that market evolves, given the introduction of e-conveyancing, given the changes in the nature of the market with new entrants entering almost on a regular basis and ASDA being the latest entrant, we thought it was right to try to encourage a voluntary take-up, to test in a very detailed fashion what the actual benefits to consumers were and to minimise the implementation risks to consumers as well by not going for a big bang approach.

Q126 Mr Olner: Who do you think are the consumers, the sellers or the buyers?

Ruth Kelly: Both.

Q127 Mr Olner: So which do you put the emphasis on? The whole idea of home condition reports was to save sellers from constantly having to do a report every time a buyer dropped out of the market. For the life of me, I cannot understand why we gave way to pressure and stopped introducing it.

Ruth Kelly: Clearly sellers and buyers both have a stake in the process. They both want to see an efficient process which has the lowest possible costs attached to it.

Q128 Mr Olner: We gave in to vested interests did we not? We gave in to those who do a valuation and do a report for each buyer instead of the seller saying he has a report, it does not matter how many buyers come to him he has a report that says what the condition is. We ran away from that.

Ruth Kelly: Absolutely not. We are still completely committed to the voluntary uptake of home condition reports and if our approach does not work, then the mandatory option still remains on the table. Given that the market is changing so rapidly, given the new evidence in the summer from the Council of Mortgage Lenders about our automatic valuation reports not being in place at the time when we thought they were likely to be in place, given that that would have meant potentially that some consumers, indeed many consumers, would have had to pay twice for the valuation of their home, it just was not sensible to proceed on the basis of a mandatory approach. We can maximise the benefits by introducing the energy performance certificate in June of next year, by concentrating our focus on the practical implementation of that, by introducing the other elements of the Home Information Pack which are also important to speeding up the process and by working with the market and through the trials to try to maximise the benefits of home condition reports. In that way we get the best deal possible for both the buyer and the seller.

Q129 Mr Olner: Given that we have gone into a £4 million dry-run testing implementation of the packs in various areas, we are not really gaining anything from that, are we? Sellers in those areas are able to complete and sell without completing the pack at all. We are gaining absolutely nothing at all. The buyers and sellers are really not gaining anything. If you have a voluntary basis, it needs to be completed and it is not being completed. Half way through they can say no, they are not going to do it now; they are going to sell the property.

Ruth Kelly: First of all, Home Information Packs are being introduced from 1 June of next year. A very important part of that will be the energy performance certificate, but there are other parts such as the legal documents and searches and so forth. The second point is that the home condition report will be made available; it will be an authorised part of that pack. People can take it up if they think the benefits justify that. The overwhelming majority of people involved in the market currently think that home condition reports are a good idea. We have a rigorous process of trials in place. We are introducing the trials or planning the trials in four consecutive phases. In the first phase we are offering free Home Information Packs, some of which will have home condition reports within them, some of which will not, in order to kick-start the trials. The second phase of the approach is to make the mandatory elements of the pack free. The third phase of the trials is a no-sale no-fee basis and the last phase of the trials will be to have no subsidy at all, so the seller will pay the full cost of the pack. By designing those trials in the way that we have done, we shall be able to measure what the consumer benefits are and how popular the Home Information Pack is and indeed the element associated with the home condition report and that will enable us to make much better decisions in the future about how and when or whether we need to take a tougher approach. I am convinced that the market is changing in such a way that consumers will want this, the buyers will want this, the sellers will want a home condition report and in fact it will be in the interest of estate agents ultimately as well because the nature of the market is changing.
Q130 Mr Hands: To follow up previous questions, one from Clive Betts on the criteria that you will be using before you might make them compulsory, presumably, there will be a certain percentage take-up of the voluntary aspect and would it perhaps be 50%? If 50% were now providing HCRs, would you then look to make it compulsory or is the threshold much lower? The second question is about what the CML was saying over the summer. The CML have been saying for some time that they did not have these valuation models up and running and it seems a little bit odd that you seem to have contracted out government policy to an outside organisation like the CML, which, to be fair to them, have been saying for some time that they did not have valuation models up and running. It was pretty clear to me at the time that there was anything new just before 18 July, or in the days before 18 July, that was new from the CML because I did not see anything.

Ruth Kelly: On the first part of your question, there is not going to be a target take-up. The test will be the consumer benefit and the consumer benefit is at the heart of these proposals and the area trials will be judged according to that test. For instance, there could be a very low take-up, but it could be apparent to everyone that huge benefits were involved in having a home condition report in place. That would make us think really hard about the policy. It could be that there is a very high uptake, but actually the consumer benefit is not very apparent. We have to make a sensible judgment on the basis of the evidence in front of us with the criterion being what is in the best interests of the consumer. Partly, that will depend in itself on the nature of the market at that time and at what pace automatic valuation rolls out and which new entrants there are.

Q131 Mr Hands: So it is going to be a subjective judgment.

Ruth Kelly: Judgment is always subjective. If you have an objective judgment, tell me about it. We make judgments on the basis of objective facts and on the basis of evidence. What we are collecting here is evidence about the likely consumer benefit and when that consumer benefit will most likely be realised.

Q132 Mr Olner: I understand what the minister is saying, but I still need to get clear in my own mind and we still need to get clear for the record who the paramount consumer is, the buyer or the seller.

Ruth Kelly: Practically everyone is, both the buyer and the seller. Apart from first-time buyers or people who are selling at the end of their time in the property market, most consumers are both.

Q133 Mr Hands: My question on CML. It does not seem to me there was anything new just before 18 July.

Ruth Kelly: It was pretty clear to me at the time that they had newly published research, indeed I have the newsletter in front of me as I speak that talked about HIPs and also the fact that automatic valuation reports were not going to be introduced at the time that had been expected. In fact, it says that many lenders believe that the delay in setting technical standards means they may not be ready to connect to HCRs until 2008 and 2009 and that was on 4 July.

Q134 Chair: Does it not follow then that when your automated reporting systems are available, that is when the home condition reports will be made mandatory?

Ruth Kelly: No, that is when the consumer benefit is more likely to be maximised. There could well be very significant consumer benefits between now and then, but if consumers are forced to have two valuations, one for the purpose of their mortgage lender and one through the home condition report system, then that is not the most efficient and effective way of maximising consumer benefits. Over time different lenders of course will proceed at different rates and that balance will change, but actually the more consumer benefit is likely to be realised, the greater the likelihood that these will be taken up on a voluntary basis.

Q135 Mr Betts: Back to Mr Olner’s point about buyers and sellers, you quite rightly made the point that first-time buyers are not sellers, but in that case they do not have a choice do they? If the seller of the house that they are wanting to buy is saying he is not going to have an HCR, he is just going to do the HIP without it, then the first-time buyer actually has not got a choice of having the HCR?

Ruth Kelly: They can buy a survey, which is what you do at the moment.

Q136 Mr Betts: But then the costs go up. If two or three first-time buyers are after the same property, they are all going to pay for a survey and the costs go up and it defeats exactly the object of the policy.

Ruth Kelly: With respect, you are making the argument for home condition reports which is of course the argument why the Government went down this route and one of the benefits was to transfer costs away from first-time buyers and that remains a very significant benefit of the system. It is why we are trying to encourage this on a voluntary basis. We shall go down the route of trying to introduce this in the way that is most likely to maximise those benefits. Having looked at this in the round, having thought about the changing nature of the market which is not just about automated valuation models but is also about the introduction of e-conveyancing, new entrants into the market and so forth, including the recent information from ASDA as an example of that, given the fact that we absolutely have to introduce energy performance certificates on 1 June next year for very good environmental reasons, I thought that our primary focus should be on achieving those ends while we test in much greater depth and detail the likely consumer benefits to be realised through the introduction of Home Information Packs and home condition reports within them.

Q137 Anne Main: Do you feel that your voluntary code for sustainable homes is a sufficiently strong mechanism to meet the climate change
requirements? Do you feel that enough was suggested by the Government, in the Queen’s Speech in particular, that was looking at addressing the issues to do with older housing meeting climate change requirements?

**Ruth Kelly:** First of all, let me just say that I want DCLG as a department to be seen as a green department and in fact when I came to this job, there were many environmental stakeholders who said that it was our department that would make the most contribution to this agenda or had the potential to make the most contribution to this agenda domestically within Government. We have been taking this issue extremely seriously and looking right across the piece for existing homes, which you referred to, and the new code. Building regulations, for example, are improving the energy efficiency of new homes by 40%.

**Chair:** We know all about building regulations. The question asked was about the code.

**Q138 Anne Main:** The voluntary code. Do you think being a voluntary code is a strong enough mechanism and what are you doing to try to raise the environmental footprint of older housing stock? What actual measures?

**Ruth Kelly:** First of all let me talk about the code for sustainable homes which we are just about to come to, because I shall be making a speech on this and other issues very shortly. We are in the process of thinking through our approach to this. First of all, it makes a major contribution to tackling the climate.

**Q139 Anne Main:** Voluntary, that is the aspect I am trying to get at. Is being voluntary good enough? I am not actually that interested in the code itself: I am talking about how we implement it.

**Ruth Kelly:** Absolutely and I was just getting onto that point. The code will define the trajectory for improvements in buildings. That means it will set out the future path in building regulations.

**Q140 Anne Main:** Are you confident then that being voluntary is strong enough? Yes or no.

**Ruth Kelly:** If you would give me one minute to answer this question, it is a combination of a voluntary and a mandatory approach. We tackle this in two ways. We have building regulations which are mandatory, which absolutely set the standard that every home must meet when it is built. On top of that we have a code for sustainable homes which sets out the future path that building regulations are likely to take and can therefore change behaviour in the industry and drive down costs. I shall be setting out more information on that code in the speech that I make later in the year.

**Q141 Martin Horwood:** I interpret that as saying no it is not going to be compulsory, which I think is very disappointing. You talked about a trajectory. What sort of timescale is this trajectory on then?

**Ruth Kelly:** We are currently going through a process of considering the best way of implementing the code. I shall set out the trajectory at that time, so I am afraid the Committee will have to wait.

**Q142 Chair:** But when you set out the trajectory, will there be timed milestones?

**Ruth Kelly:** Yes, we are going to set out milestones and within that, we are also considering whether assessment against the code ought to be mandatory. When members of this Committee say that somehow the code ought to be mandatory, what they are actually saying is that building regulations need to be changed right across the country. I started off by saying that building regulations have already made and are making a huge contribution to this agenda in improving energy efficiency 40% since 2002. They will be making a much greater contribution in future, but we have to do that in a way which maximises the efficiency, which makes it as easy as possible for developers to work with and which achieves our goals. Over the next few weeks and months we are trying to strike the right balance here.

**Q143 Anne Main:** What is happening to the older housing stock that we currently have? What are you doing to try to upgrade that or give incentives through any system to make people be able to afford to make them greener?

**Ruth Kelly:** You are right that it is not just new buildings, it is also the existing building stock and we currently have a review within the department of our existing buildings. An interim report was published recently looking at energy efficiency, such as cavity wall insulation. If that were extended to existing homes, then we would save seven million tonnes of carbon per annum. We are thinking about how that could make more of a contribution. We are also looking at water efficiency and whether that could make more of a contribution.

**Q144 Anne Main:** When you say you are thinking about it, are the Government looking to help afford it like the Conservatives did in the 1970s with loft and tank lagging? It was a scheme in the 1970s.

**Ruth Kelly:** We are looking at all of these issues in the context of the existing buildings review which will report in March of next year.

**Q145 Anne Main:** Right, so you are looking at giving funding towards it to encourage people?

**Ruth Kelly:** I am not commenting on a specific example because it is right that we do this in a proper and orderly way. Lots of people have made representations about how we can improve energy and water efficiency and we shall come out with our proposals in March.

**Q146 Martin Horwood:** You said that you would like your department to be seen as green and you seemed to be on the verge of saying that it was one of the departments that had the greatest potential to contribute to climate change, which I would agree with. One obvious way in which you could do that would be finally to sign up to the climate change PSA which other government departments have signed up to and which you signally have not done. Amongst your PSAs you have not actually got one that prioritises the environment as such.
Ruth Kelly: Well in fact we are considering our approach to how climate change should be reflected in a new PSA system which will be agreed as part of the Government’s comprehensive spending review and indeed, I shall shortly set out a planning policy statement on climate change which will make our commitment to this agenda absolutely clear to everyone.

Q147 Martin Horwood: So do you think in the new round of PSAs, if that is what you are really talking about, one of them will prioritise climate change?
Ruth Kelly: We shall clearly have to come to an agreement as Government, not just as a department, as to how best to build climate change into those PSAs, but our contribution to that will have to be reflected.

Q148 Martin Horwood: How do you think that will change your Government’s policy, given that you do not have one that prioritises climate change at the moment?
Ruth Kelly: I do not think that people with a strong interest in the environment at the moment think that we are being complacent on this agenda. They see a real momentum within the department and desire to make a full contribution to the climate change agenda. Just having a PSA will not actually fundamentally change approaches.

Q149 Martin Horwood: Just give one concrete example of how a policy might have been changed or modified as a result of adopting a climate change PSA. We have had the suggestion of water efficiencies, the code for sustainable homes; I might suggest going back to the house building programme. Any concrete examples?
Ruth Kelly: We are making progress on this without the PSA. Having a PSA might be a realistic reflection of what we are doing. I gave a concrete example of the planning policy statement on climate change which we shortly intend to publish.

Q150 Emily Thornberry: I know that a review is going on within the department at the moment on leaseholders and charges to leaseholders on major works and after the Westminster Hall debate Angela Smith said that the department was doing a review; in fact I know that 150 of my constituents have fed into that review with cases of their own about how major works charges are affecting them. Ironically, within Islington, where there are street properties which are being done up to decent homes standards under the private finance initiative, that is capped at £10,000 because of the piece of legislation which does not include the social landlords’ mandatory reduction of service charges. That includes investment to do homes up to decent homes standards under the private finance initiative and a number of other different types of funding. Other funding streams though are not capped and so I will have an old aged pensioner on a street property who is expected to pay, let us say, £9,000 because it is being capped and then someone else within some of my estates who are being charged £32,000, £39,000, £42,000, extraordinary amounts because their estate is being done up under ALMO provision. That sort of basic unfairness is something which I know the department is looking at. The question is: how is it going?
Ruth Kelly: You point to a really complex area of policy which you are absolutely right to say can cause financial hardship for some. We are giving this a really serious look. Part of the reason for this is the £19 billion backlog of social housing repairs that we inherited as a Government and our desire over time is to try to right that, to invest in social housing stock. Of course, when people become leaseholders they do accept that liability, but you are right to suggest that it applies in different ways across the piece. Some things we tell local authorities they have to do and some things are optional for them to do. There is certainly wide-ranging scope for local authorities to try to alleviate that financial hardship by providing loans, for example, by offering people the ability to pay some of this back when they sell.

Q151 Emily Thornberry: I know that is the theory. The trouble is when you have local authorities who just will not exercise their discretion, it seems there is nothing that can be done to force them to do it. The legislation is there for them to exercise some discretion to alleviate hardship. What if they just say “No, we’re not going to” which is what my council is doing?
Ruth Kelly: You raise precisely the issue that we are looking at. I really do not want here to raise people’s hopes because this is a very complex issue. You are right, in certain circumstances it applies in different ways. What we cannot suddenly do is write off all of those loans, all of those issues, on the basis of financial hardship. There are people who have just bought their homes under the right-to-buy legislation, or not even under that legislation, as leaseholders, who find themselves in similar positions. What we do for one category of person therefore has a read-across for others. These are issues that we are looking at in that review. I hope that we shall at least be able to encourage local authorities to look very seriously at this issue where they are not doing that at the moment.

Q152 Chair: When is the review likely to be completed?
Ruth Kelly: Shortly; we hope over the next couple of months.

Q153 Mr Hands: Obviously my constituency also has a very, very large number of homes being done up to meet the decent homes standard, which is an obligation being put on local authorities by central government. To take a case of somebody like Mrs Greenaway on the Aintree Estate, and there are lots of estates in my consistency which are exactly like this, she will still have to do what is required and she will say “I have a very decent home already”. She does have a very, very decent home, but still she is being hit with bills of £15,000 to £20,000 to do up the estate. I was wondering what your message to Mrs
Greenaway would be? Would it be to wait for the review or would it be to offer some encouragement that perhaps her liability could be capped out?

Ruth Kelly: I do not want to offer any false hopes because I am not clear at this stage what we are going to be able to say in the New Year when we reach the conclusions of the review. I recognise this is a very serious issue that is causing real financial hardship for some. I understand that many local authorities are looking sympathetically at these cases and offering help. We are trying to estimate the sorts of costs that might be involved in different options, but I really do not want to raise anyone’s hopes on this because, as I said, it reads across to all sorts of other areas of policy.

Q154 Mr Hands: But if the review is reporting in a matter of a few weeks, you must surely have some inkling of what might be in it?

Ruth Kelly: I did say in the next couple of months. There is a lot of work to do over that time. Local authorities at the moment have to provide loans for major repairs in the 10 years after the purchase and up to £20,000 to help leaseholders who bought under the right-to-buy scheme. In several other areas, they are able to offer financial help. The point that has been made by my hon friend is that not all local authorities take up that discretion, partly because it obviously costs them in order to do so. We have to think about this in an orderly way, not jump to conclusions. I certainly do not want to raise people’s hopes in advance of the conclusion of that review.

Q155 Mr Betts: When we had the Select Committee report into decent homes we pushed ministers very hard at the time about the deliverability of the 2010 target date. Then the report showed that the target was 45 to 50% reduction in the number of non-decent properties but you had only actually hit 41%. Can you give us any reassurances that you actually are going to hit the target in 2010?

Ruth Kelly: Shortly after I got this job, I announced a slightly different approach to ALMOs and the decent homes money, which was that we aimed to try to get as many homes as possible up to decent homes thresholds by 2010, but some local authorities have come to us and literally said that they would be able to deliver much better value for money by taking a little bit longer. Others have come to us and argued in the context of creating sustainable communities that they wanted to think about things that were not just to do with those decent thresholds, but which also mattered enormously to the tenants in terms of mixed communities. However, I can say to the Committee that we still expect around 95% of stock to be decent by 2010 and the majority of all landlords are making their homes decent in this timescale.

Q156 Mr Betts: So that is an explanation for saying there might actually be a bit of benefit to the tenants from a slight delay and an improvement in the programme. A letter has been sent out fairly recently, has it not, to 32 ALMOs almost saying “Will you volunteer to defer your programme beyond 2010, or at least some of the programme”?

There is a clear implication that if delaying work were an option for the time being that could change. This is almost an implied threat to ALMOs now that the Government have not got enough money, they are running out and they need to extend the period over which it is spent.

Ruth Kelly: No, that is not right. We have a huge challenge here. There is this £19 billion backlog that we inherited in 1997 and we want to put that right. Doing that across the country, virtually every single social home, is a massive undertaking. Local authorities are at various stages of the process, some have greater capacities to deliver than others, some have more ambitious plans than others and some want slightly different priorities within the process.

As we go forward and as we release funds for the new ALMO round, and we have just had the sixth bidding round, we want to make absolutely sure that we are getting value for money. You are absolutely right to say that we are working with existing ALMOs, we are asking them what they have committed to, what they have achieved, what their realistic ambitions are, pressing them quite hard actually to say “Is this value for money? Have you thought about all the factors that are involved?” so that we get the best value for money but we get what is right for the tenants and we are able to fund the sixth bidding round. All of these are different issues that we have to deal with.

Q157 Mr Betts: Are you saying then to an ALMO, as in Sheffield’s case, which has long-term contracts planned with a number of partner contractors it is working with and which has a timescale which it has given to tenants about when their homes are going to be improved, that they will be under no compulsion to row back from those arrangements, if they do not want to?

Ruth Kelly: We have certainly said that we shall stand by absolutely and honour funding which has been committed. As we go forward we want to make sure that these programmes are being delivered in the best possible way. One of the factors of course that we are looking at and working with individual local authorities on is what they have said to tenants, to make sure that they are able to fulfil those commitments. In each individual case local authorities have said very different things. Some have had balance: some have not. Some have made specific promises: others have not. All of those factors need to be taken into account.

Q158 Mr Betts: So where there is balance and tenants have been given dates and sometimes they are not contracts in an absolute sense, they are contracts in terms of arrangements and partnerships with contractors, the Government are not going to put pressure on ALMOs who feel they can deliver by 2010 within the money they have currently been allocated to give some of that money back to Government and delay?

Ruth Kelly: That is exactly the reason we are getting into such detail, working with individual ALMOs, to find out what their capability is, what ambitions they have, what their promises to tenants have been
and to see that they are being realistic about meeting that timetable. I am not going to make a guarantee in any specific case, but money that is already committed will be honoured.

**Q159 Mr Betts:** There is a bit of suspicion around somehow that this was all a bit inevitable because the Government had a decent homes policy of getting all houses up to a standard by 2010, some of it is through RSLs, where private money will be attracted in, some of it through ALMOs, which are totally dependent under the current arrangements on public money which counts against government borrowing. It then depended how much government money you needed and on what tenants voted for. If too many tenants voted for ALMOs, and a lot have, then the Government money would not be around enough to get all the homes under ALMOs up to a decent standard by 2010. Is that not actually what has happened?

**Ruth Kelly:** Some local authorities have come to us and said they need a bit longer than 2010. They need an extra two or three years in order to deliver properly on a cost-effective agenda. We are working with them to re-profile the money that they receive so they can use it better. That will mean that we expect around 95% of homes to be of the decent homes standard by 2010 and we are working towards that target.

**Q160 Mr Hands:** In relation to councils like my own, Hammersmith and Fulham, which have said quite clearly that they will be able to deliver by 2010, they are now, it seems, being asked to delay. It seems that a council like that, which is doing what the Government wanted it to do to be able to deliver the decent homes standard on time, is now effectively being penalised. My understanding is that unless aspects of the programme are delayed, there is an explicit threat there to remove funding. How can that be right for a council or others that have said that they will be delivering the Government’s programme to then be penalised?

**Ruth Kelly:** There is certainly a commitment not to remove funding.

**Q161 Mr Hands:** Well if the council delivers for 2010, yet you seem to be saying you do not want it to, what sanctions will you have against the council if it delivers on time?

**Ruth Kelly:** Well if it delivers on time, it delivers on time.

**Q162 Mr Hands:** And will it get the funding to do so?

**Ruth Kelly:** We are working with each individual local authority to make sure it gets the funding it needs.

**Mr McCarthy:** One of the things that experience constantly shows us in the world of development, in the world of refurbishment, is that ambitions tend to run ahead of the reality of spend and it is really important that the Department takes up any unspent resources that are made available.

**Q163 Mr Hands:** The actual question is that if a council will deliver for 2010, you seem to be saying it is not guaranteed that the funding will follow.

**Ruth Kelly:** No. What we are saying is that we shall challenge that local authority until we are convinced that it is going to hit its milestones.

**Q164 Mr Hands:** So you challenge a local authority that will deliver the Government’s policy for decent homes by 2010?

**Ruth Kelly:** Yes. We shall challenge each local authority; it is right that we do so, that we make sure that the money is used in the most cost-effective way possible, that we are able also to fund round six of the bidding round. We have said that we shall not reduce funding committed to any local authority.

**Q165 Chair:** May I just pick you up on that? When you say use the money in the most cost-effective way possible, does that imply you might judge the cost-effectiveness of two different councils’ proposals and then decide which one is going to get the money and not the other?

**Ruth Kelly:** It might be that we look at the plans and we say we are pretty convinced actually that one is going to deliver on time and that actually one maybe should be delayed by a couple of years because we are not convinced they are delivering the programme in the best way or actually that they have the capacity to and they are being unrealistic in their ambitions. That is the usual sort of dialogue, that process between a government department and a national spending programme that goes on on a regular basis.

**Q166 Emily Thornberry:** I understand entirely what you were saying about the importance of delivering decent homes and the amount of money that is needed to be invested in order to get all our social housing up to decent homes standards, but of course we are never satisfied. The difficulty is that there is still a lag between the average income of Londoners, for example, and their ability to be able either to buy or get rented homes. That is a central question for the department and within an annual review it is a question that it is right to ask. What are we going to do about the fact that we simply do not have enough affordable homes in our cities, particularly in London?

**Ruth Kelly:** First of all, we are doubling investment in social homes. We have made it clear that that is a priority for the forthcoming spending review and we should like to see very clearly more building of social homes. Actually, we are never going to be able to meet demand just through more social homes being built. We have to make sure that we use our existing social housing stock in the best possible way which is why I have asked John Hills to review the social housing sector from first principles to see what the purpose of the social housing sector is and how we make best use of that. He will report to me before Christmas. It is also right that we try to encourage low-cost home ownership and affordable housing and, as you will be well aware, the Mayor of London has very ambitious targets set for low cost home
ownership schemes and we aim to have an extra 100,000 people in low cost home ownership by 2010 across the country.

Q167 Mr Olner: May I just ask a quick supplementary on the Secretary of State’s answer? What progress has been made towards building low cost homes for £60,000 no matter where in the country? Is it just a blind ambition or are we going to be able to deliver it?

Ruth Kelly: Not at all, we have allocated 10 sites precisely for that purpose. Just over 1,100 homes are going to be built under that programme, but this is not just about the £60,000 home in itself, it is about changing the whole culture of the building development industry so that they think about design, cost, and quality together so that they can offer people homes that are better value. The evidence is that we are managing to change the way that the building industry thinks about its products and that is being reflected in prices.

Q168 Chair: Could we have a note afterwards of where exactly all these £60,000 houses are and how many of them have actually been built?

Ruth Kelly: Yes, I am very happy to do that: 1,148 homes are being built across the 10 sites that I mentioned and work has started on building the first homes on four of those 10 sites. I do not think the Committee would like me to run through the precise programmes now, but I can certainly provide the Committee with that information.

Q169 Mr Olner: Drop us a note. It would be nice to know how you are going to roll that out as well.

Ruth Kelly: Yes.

Q170 Mr Olner: Both the Local Government White Paper and the Lyons Review were very much hand in hand when we asked the Lyons Review to look into local government finance in 2004. Could I ask you exactly where that is, where that is figuring now in local government finance? Is it dead in the water?

Ruth Kelly: I would not comment on press speculation. It will be published when it is completed and has not yet completed his work.

Q171 Mr Olner: What is “due course”? Press reports say that it may not be published until February. Is that accurate press speculation?

Ruth Kelly: I would not comment on press speculation. It will be published when it is completed and he has not yet completed his work.

Q172 Mr Olner: So when is “in due course” then? If it is not going to be February, when is “in due course”?

Ruth Kelly: He has not yet presented his report to ministers. We shall shortly be setting out a timetable for publication.

Q173 Mr Olner: I hate to press you, but it is very important if after the report has been published we are then going to have to create a timetable for implementation of that White Paper and the publication of the necessary bills. What sort of cycle are we looking at? Everybody in local government is looking at this and saying this is what they might need to do in the future.

Ruth Kelly: You are absolutely right that it is a very important piece of work. There are lots of people in local government following the process extremely carefully. It will have a great impact on the vast majority of citizens in the country. He is taking his time to get that work right; it is being conducted in a thoroughly professional way with a lot of input. He has not yet given it to ministers, nor has he completed his work. I shall have something to say on the timetable for publication shortly. I am afraid I cannot pre-empt that today.

Q174 Mr Olner: Could I ask finally what connection your department has had with Sir Michael Lyons? Do you have any views as a department? Have you had a view on what the report should say and what direction it should go? Has it changed or have you?

Ruth Kelly: Of course we have contact with Sir Michael Lyons but he is producing an independent report. He has liaised not just with us, but with other government departments, with people in the local authority world, with others who have an interest in these issues, he will weigh up all those considerations and form his own judgment. What we are not going to do is speculate in public before we receive his report about what the future local government settlements or finance systems should be apart from saying that we have always made it clear that the property tax should be at the centre of our system for very good reasons: it is very simple to collect; it is very dearly understood; and it clearly will have a role in the future. That was part of the original specification and remit given to Sir Michael when his report was published.

Q175 Sir Paul Beresford: When you were talking about the Local Government White Paper you said you looked as his early report. Presumably there would be a very close link with your department and with him as the White Paper came forward so there would be no obvious clash.

Ruth Kelly: We certainly used his report to inform our White Paper and our White Paper is completely consistent.
Q176 Sir Paul Beresford: But there was no subsequent close contact. It would be logical, as you progress, for him to be integrated in with the department so there was no clashing. 

Ruth Kelly: He is not integrated into the department in that sense, he is very clearly independent.

Q177 Sir Paul Beresford: So if you shifted the goalposts that might mean that his whole review might be shifted as well. 

Ruth Kelly: Shifted the goalposts in what sense?

Q178 Sir Paul Beresford: In the Local Government White Paper. 

Ruth Kelly: We did not.

Q179 Sir Paul Beresford: So it has not shifted the ground which he is looking at at all. 

Ruth Kelly: No.

Q180 Dr Pugh: Just for absolute accuracy, you said it will be published when it is completed. Are we to assume that the moment Sir Michael has finished his report, it will be published or will there be a hiatus when the department gets a long chance to look at it and then decide when it is completed? 

Ruth Kelly: I am sure you are aware that I chose my words carefully when I said that we would set out the timetable for publication shortly. The Committee will not have very long to wait to see that timetable. We are liaising with Sir Michael now.

Q181 Dr Pugh: So there may be a gap. 

Ruth Kelly: I am not going to speculate on whether there is going to be a gap or not. It is right that Parliament is told when we have reached an agreement with Sir Michael.

Q182 Mr Hands: In an oral statement or a written statement? 

Ruth Kelly: It will be set out to the House in a way that the House will have an opportunity to respond.

Q183 Dr Pugh: May I ask you about two matters of relatively minor detail? I notice in the Estimates that the Mayoral referendum budget appeared to be underspent by about £400,000 or it was allocated elsewhere. The referendum budget was underspent by quite a significant amount with money being reallocated to bids projects and to the parishes. I am just wondering what your reflections are on that and whether you will be reducing the estimate hence forward. I am also interested I guess in the £400,000 figure. How many referendums does that mean we have not had? 

Ruth Kelly: I think that is a question that I may have to write to the Committee about.

Q184 Dr Pugh: This may be another of the same ilk, I am afraid. Again in the estimates there is a very significant extra addition to the standards board, some coming from the emergency financial assistance package, some from the valuation office and it is obviously to do with relocating in Manchester which is entirely and inherently desirable. Is it anything to do with the productivity of that department, in other words are many more standards being tried or many more people being found at fault? Is the extra money being spent on more brochures which we all receive in our constituencies from time to time and is it consistent with the Gershon savings, in other words is a substantial property in London being sold as a result? 

Ruth Kelly: Not that I am aware, although I am certainly happy to let Committee have more detail on that.

Dr Pugh: Could we have a note on that?

Q185 Mr Betts: We had a recent inquiry which generally was supportive of the whole development of co-responding as part of the Fire and Rescue Service’s responsibility. Perhaps you could say what progress you think has been made and in particular what you think the implications are of Lord Justice Butterfield’s ruling in the case of Lincolnshire Council and Nottinghamshire Fire Authority. He basically said that he did not see that medical services were part of fire-fighters’ normal duties. 

Ruth Kelly: It might be appropriate just at the beginning of my remarks to express my sincere condolences to the families of the two members of East Sussex Fire and Rescue Service who both tragically lost their lives recently. On the particular issue of the Fire Service co-responding, we certainly continue to support co-responder schemes and I am convinced that co-responding can save lives. Co-responding schemes already operate voluntarily in many parts of the country and they include both retained and whole-time fire-fighters, without that being a binding contractual duty. Although we do not expect that judgment to affect those existing schemes, clearly we shall work with the Fire Service and others to see that that voluntary approach is taken forward.

Q186 Mr Betts: If, however, it did affect the schemes and the FBU decided to make a more widespread challenge, would you then re-examine the position? Is it fundamentally fair, if co-responding is going to save lives, and it probably does, that it should only be available to people in some parts of the country and not in others? 

Ruth Kelly: You make a very, very fair point. It is interesting to note the comments of the judge when summing up, who said that he hoped there would be no triumphalism following this judgment, rather that there would be determined efforts to find a way for co-responding to move forward by negotiation. That is the Government’s position. We do want this to proceed and we do think that co-responding saves lives and should be available to everyone right across the country.

Q187 Dr Pugh: Just one somewhat tricky question. The goods and services regulations over which you have been subjected to some criticism, probably quite unfair criticism to some extent, have created a problem. There has been some delay and people are
now anxious to gauge what the problem is and when the delay is going to end and a timetable is going to be set. Can you say anything on either of those two aspects?

Ruth Kelly: I am completely committed to bringing in the regulations as planned. We intend to implement them next April alongside the regulations on religion and belief. I think that is the right way to do it actually. We have had an overwhelming number of responses to the consultation, well over 3,000 and not only were they numerous but they were actually voluble as well; lots of content and material were provided. It is clear to me that there are deeply held views on both sides, I have to be blunt about this. There are competing rights that need to be balanced: those of religious groups, those of lesbian, gay and bi-sexual people. There is no silver bullet that is going to satisfy everybody. I am determined however that we strike the right balance, that we do provide effective protection from discrimination while protecting religious freedom. We shall publish a response to the consultation paper that everyone will have the opportunity to comment on before the regulations are then laid in April.

Q188 Dr Pugh: So it would be fair to say that the ministerial mind is fairly fluid at the moment on this. Discrimination is a complex issue, teasing out between discrimination which is lawful and discrimination which is patently unfair and unlawful. Does that explain the fact that the equalities review team seems to have been significantly beefed up? I notice another £300,000 has been given to them. Is that because the department has found it genuinely more problematic than anticipated.

Ruth Kelly: We are certainly trying to beef up our equalities team because equality is not something which should just be in one team: it should be something which influences the whole way that the department thinks and operates. I am committed to making sure that happens, particularly in the light of the new Commission for Equalities and Human Rights which is coming in, but also the Commission on Integration and Cohesion, preventing extremism work and the need to embed that in local and regional frameworks. All of this has meant that we have needed to review our staffing structure in that area and significantly increase the level of expertise as well. On the point about the sexual orientation regulations these are really difficult issues in a diverse society. We have to achieve a legal framework which balances fundamental rights. I believe it is perfectly possible to do that but we do have to balance competing rights of different sections of society. It should be completely possible to come up with a proposition which is sensible and pragmatic.

Q189 Dr Pugh: But you are not looking at a solution finished, on the table and just ready to release at the moment.

Ruth Kelly: We shall publish our response to the consultation after the Christmas recess and certainly in good time for the laying of the regulations so that the House and indeed the Select Committee has good time to debate that response.

Q190 Mr Hands: You mentioned 3,000 responses. Could you give an idea of the breakdown of the 3,000 between those in favour and those against? Can you tell us a little bit more? It seems to me that this debate has been slightly unfortunately couched in terms of Christian facilities pitted against those of lesbian or gay orientation. Can you tell us a little bit more about the fact that these regulations will apply across all religions and that, for example, mosques, Islamic cultural facilities, will be open to women on an entirely equal basis as well?

Ruth Kelly: First of all, I do not have the precise breakdown of the consultation responses with me, although I could give a broad indication to the Committee of the breakdown between various groups, if that were considered appropriate. There are a number of misconceptions about what these regulations will cover and what is being considered. Just to give the Committee an example, no-one is proposing that schools will have to promote homosexuality or that a priest will have to bless same sex couples. At the same time, I think the vast majority of the British public would surely agree that it is wrong for a gay teenager, for example, to be refused emergency accommodation if they have been thrown out of the family home on the basis of being gay or indeed that homophobic bullying should be tolerated in schools. That gives the Committee an idea of the sorts of rights that we are trying to balance here. There are very complex considerations to be considered in trying to balance the freedom of religious expression against the right to protect people from discrimination.

Q191 Mr Hands: My question was whether all religions and all faiths would be equally affected?

Ruth Kelly: One of the issues we are considering at the moment is precisely how those regulations will apply so as to protect religious freedom while providing effective discrimination. It would not be wise for me to speculate on what the outcome of those deliberations will be, apart from to say that there will be a full response to the consultation paper produced in due course and all members of this Committee will have the opportunity to comment on it.

Q192 Mr Betts: I appreciate that there is a great mass of detail to be gone into here but as a matter of general principle, given the Government’s excellent track record on equality matters generally, would it ever be reasonable for discrimination on the basis of sexual orientation to be legitimised when in the same circumstances discrimination on the basis of race would be illegal?

Ruth Kelly: What guides me in the consideration of this is, firstly, the responses to the consultation that we had, but, secondly, the fundamental rights, the human rights that people have under article 8, but
also under article 9 of the treaty, the respect for private and family life. Under article 8 and article 9 everyone has the right to freedom of thought, conscience and religions as well, against the absolutely desirable protection from discrimination that we must provide in this society to all groups. I do not think anyone is saying that those are easy rights to try to respect, but I am convinced that, given the proper time, we will come up with sensible, pragmatic proposals which will ensure that effective discrimination is provided, will deal with the sorts of situations which I have already provided to this Committee but will also protect the right to religious expression.

Q193 Chair: May I pick up on the DEMOS report which was published at the weekend and which I believe your department commissioned? It had some very strong criticism of government policy, particularly on outreach towards the Muslim community. Is your department going to be modifying its policies in response to that report?

Ruth Kelly: In fact I thought it was a very good report. We have changed our policy in a significant way since the creation of the Department for Communities and Local Government. I think the DEMOS report was finalised before the creation of the Department for Communities and Local Government. It effectively argues four points: that there should be a localist approach in dealing with diversity within Muslim communities; second, that we continue to engage with the issue of faith by funding initiatives like the radical middle way project which is bringing respectable scholars on Islam over to this country and enabling tens of thousands of young people to attend those road shows; third, that we adopt a stance which sees transparency and accountability in policy making as a key element of our approach; fourth, that we respond appropriately to the grievances of Muslim communities. I actually think that the strategy that we set out over the last few months deals with each of those points and will make a vital contribution to tackling and preventing extremism.

Q194 Anne Main: You said you think the report came out before the formation of the department. Do you think? Do you know? Are you saying the comments in the report do not really apply to the department as it is now?

Ruth Kelly: I know and they do not.

Q195 Chair: May I pick up the fourth point you made, the issue of addressing the grievances of the Muslim community where appropriate? You will know that there is ample evidence that the Muslim community has poor access to education, poor educational outcomes, poor access to employment and poor access to housing. What specifically are you doing to deliver on that?

Ruth Kelly: We have a specific programme across government working with other government departments to try to tackle inequalities which are based on race, for example, Bangladeshi boys or black boys in school are very clearly not achieving their full potential. We work to try to promote their educational achievement with the Department for Education and Skills. It is wrong, however, to say that this applies equally to all communities because there are some very high achieving Muslim communities. We do have a systematic way of engaging across different government departments with responsibilities for these areas to tackle inequality and widen opportunity.

Q196 Chair: Is this an issue which is being addressed by the Commission on Integration and Cohesion and, if so, are there constraints within which that Commission is operating? When we had Darra Singh at our Awayday he made it clear that he was not permitted to suggest anything which was not possible within existing legislation.

Ruth Kelly: The Commission on Integration and Cohesion is independent from Government so up to a point it can say what it likes. Clearly it would want to have a practical and workable report that Government are likely to respond to. Those are the trade-offs that all independent commissioners make when they join a commission. It has been asked to look particularly at the local level at what it is that makes communities work well together and what it is that causes friction at a local level. Since the experience of the riots in the northern towns in 2001, for example, I have been very, very interested in studies which have shown that some places, some towns, have coped extremely well with local difference and others have struggled to come to terms with different communities and how they interact and tensions have emerged. There are things which happen locally which make a huge difference. In Oldham, for instance, which was a town which did suffer from riots and which was identified in the original Ted Cantle report, while there clearly are still issues, evidence of how cohesive that community has been suggests that it has become more cohesive as a community over that period rather than less cohesive. That is partly to do with strong civic leadership, with the local authority acting to bring groups together, with trying to encourage integration rather than separateness, but, perhaps more than anything else, just having a very systematic way of thinking about local issues, of building bridges between different communities and by funding groups which are likely to do that as well.

Q197 Emily Thornberry: I am still a little bit confused. There seems to be a certain amount of overlap between the responsibility of DCLG, the Home Office and the Cabinet Office. I wondered, in relation to the issue of race and communities, who has what responsibility and where the dividing lines are.

Ruth Kelly: We do; we have responsibility as DCLG for race and we have a responsibility for communities.

Q198 Emily Thornberry: So why are there still other units? There is still the Respect Unit in the Home Office, is there not?
Ruth Kelly: There are still issues which the Home Office deals with and we cooperate very closely on this entire agenda. Respect is one issue which is firmly located in the Home Office. The Cabinet Office coordinates work between departments, so clearly we contribute to the respect agenda as part of that process. On the prevention of extremism work, for instance, it is clear that if we are to win the battle for hearts and minds then we have to use our Muslim engagement strategy in a way which is likely to support that agenda, but also work incredibly closely with the Home Office in their prevention strategy, their counter-terrorism strategy and in fact we lead on several elements of that. There are of course bits of policy which are located in different places. Where appropriate we come together to create a common policy.

Mr Hands: Can you tell us a little about how you will oversee the new Commission for Equality and Human Rights, how you will interact with that and what sort of framework you have put in place for the new Commission to oversee its work. Secondly, would it be possible for you to tell us a little bit more generally about the Government’s approach to multiculturalism? There has been a lot of debate in the last couple of months. I know we do not have a lot of time, but I think it would be helpful. As far as I am aware, we have not actually heard anything from you directly about whether the Government have changed their approach. We have heard a lot of speculation that it has but it would be helpful to know at first hand.

Chair: Given that this policy has moved from the Home Office to your department it would be particularly interesting to know whether there has been a change of emphasis since it has moved.

Ruth Kelly: First of all shall I talk about the Commission for Equality and Human Rights? That is in the process of being set up. We shall appoint the first round of commissioners very shortly, which will make it quorate. Then it will be able to appoint a chief executive and continue its work. Clearly, as with any NDPBs, we have a relationship with them but they will have powers of their own to take action, both against Government and in different spheres. They will also have a responsibility for promoting good relations and I am currently thinking about the formation of the second tier of commissioners to make sure that it has sufficient capacity on a board level, a strategic level, to think through what I think are major issues today about how we live together, how we get on together in specific local communities.

Q199 Chair: That was a statement of your own beliefs. How has government policy changed or has government policy changed?

Ruth Kelly: One of the issues which I, as Secretary of State in this department, have been talking about is how the decline in our shared identity can be reversed and how we, as British society, can give as much weight to celebrating our common bonds as to acknowledging difference.

Q200 Mr Hands: It was more a practical question. How, practically, will you oversee it? Will you have regular meetings with the chairman or the chief executive? How will you actually do it?

Ruth Kelly: I do have regular meetings with the new chairman, as indeed do other ministers in my department. We meet extremely regularly to discuss issues of mutual concern. Clearly the CEHR is not yet fully set up, so the precise mechanisms for overseeing it will be made clear in due course.
Ruth Kelly: Yes. Through the local strategic partnership framework we are asking all local authorities to think about community cohesion, to try to encourage community cohesion, to think about the funding of different groups and whether or not that promotes community cohesion or not and to make judgements on that basis. It could be through our new performance framework at a local government level that community cohesion is identified as one of the 35 priorities that a local area has to deal with and target. That is going to engender a cultural change at the local authority level, but of course it is right for them to be taking actions rather than for us to be taking actions.

Q207 Mr Hands: Is it therefore government policy that local authorities have been giving out too many grants or too much funding to groups they should not be? What is the policy behind it?

Ruth Kelly: Life is never that simple. It is right however for us to ensure we ask the difficult questions and to make sure that local authorities, in their consideration of these issues, think about them systematically, bring the right people together, have opportunities for people of different ages, but also different faiths and background to discuss issues of concern, to consult widely and to make policy on that basis.

Q208 Martin Horwood: I think I am encouraged by what I thought you were saying about diversity. It was not entirely clear towards the end. Just for clarification, do you and the Government still believe in a society where multiple cultures are tolerated and celebrated?

Ruth Kelly: Yes.

Q209 Martin Horwood: That is excellent. That is good news. Second, do you think the controversy over the Niqab actually hindered or helped that? It is relevant because we are talking about joined-up government here, we are talking about shared values across the Cabinet and Cabinet ministers were involved in that controversy. Do you think that helped or hindered the process of encouraging community harmony?

Ruth Kelly: I think it promoted understanding.

Q210 Martin Horwood: You do?

Ruth Kelly: Absolutely. It would be wrong for politicians not to be able to talk about subjects which clearly people on the street are talking about and that would be a hindrance rather than a help.

Q211 Martin Horwood: Nobody suggested that they were not able to do it. I asked whether it hindered or helped.

Ruth Kelly: On issues which are very sensitive, there is no point tiptoeing around. I think it is right that we are able to debate them freely. People will have different views, it is right that they are able to express them. I made a speech recently in which I set out what I thought were non-negotiable values as a society, very basic values which I think all groups in society ought to accept. I also said there are some issues about how we build a shared identity, for instance whether we have a common language, everyone being able to speak English, whether we fund that appropriately, what we expect from people that we ought to think about very, very clearly.

Q212 Martin Horwood: Forgive me for missing that in that case. Did it for instance include the right to wear the Niqab or the cross?

Ruth Kelly: No-one is suggesting that we legislate in this area. Clearly, as a free country and a free society, people have the right to wear the Niqab or the cross.

Q213 Martin Horwood: Not everywhere apparently. Not on British Airways flights or in some schools.

Ruth Kelly: It is for employers to set the rules for the appropriate context.

Q214 Martin Horwood: So it is a right which only extends as far as some employers think is or is not appropriate.

Ruth Kelly: Unless you are suggesting we legislate on this, we have a right in a free country to be able to express our religion and to use and celebrate religious symbols.

Q215 Martin Horwood: Some people have had that right curtailed, have they not?

Ruth Kelly: I think it is a good thing. The fact that we have shown such tolerance in our recent history is to the credit of Britain. It makes Britain an attractive place to live and I should like to make sure that people continue to have that right in the future.

Q216 Martin Horwood: Some people have had that right curtailed by their employer, have they not?

Ruth Kelly: Schools set school uniforms. Employers set uniforms. We expect them to do so in a way which is sensitive and in a way which is appropriate.

Dr Pugh: The House of Commons has a dress code. Try taking your tie off.

Q217 Martin Horwood: I did not quite catch whether you think it is right for an employer to dictate dress in a way that some individuals feel inhibits their expression of their personal beliefs.

Ruth Kelly: In certain contexts it can be right, for instance in a school. There are certain contexts in which it is appropriate for people to dress in a particular way, which may mean certain restrictions. On the whole I think that as a society we should not only tolerate people’s religious symbols but actually welcome them. I see Britain as a place in which people can be free to have religious views and I celebrate that.

Mr Hands: That is a positive note on which to end my questions.

Q218 Anne Main: The Committee found that the Government failed in its duty to support the implementation of the Licensing Act and was concerned that the Gambling Act should not go the same way. I must declare an interest here. It spurred me on to spend the summer with gaming, casinos, Tote, Bingo and all the rest of it. I must admit that I
was hearing very, very confusing messages there about loyalty schemes, advertising, what is permitted, who is going to be subject to checks and the whole industry seemed to be absolutely saying that we have just not been told anything. What has been different about this implementation, given that the industry was only telling me a matter of months ago that they still did not know what was going to happen and councils have to be able to put this into practice?

**Ruth Kelly:** May I just point out that DCMS has the lead responsibility both for the guidance and for the implementation of the guidance?

**Chair:** We should only be asking about the guidance. It is not this Committee's remit to talk about the Gambling Act.

**Q219 Anne Main:** What I am saying is that when there is still that fog going on can you have those sets of guidance in place in time for councils to know how they are supposed to put this into practice and to be skilled up to do it?

**Ruth Kelly:** Currently we are reviewing progress on how the guidance is being implemented and we continue to do that as part of cross-government work. It is DCMS which has the lead responsibility for this.

**Q220 Chair:** The point we are trying to make is that when we were looking at the implementation of the re-licensing process with local authorities this Committee made a number of recommendations about how we felt that re-licensing process, in relation to the local authorities, had not been done adequately and that the local authorities had, as a consequence, felt ill prepared to implement the licensing process. We specifically made a recommendation that since similar issues would be likely to come up in the implementation of the Gambling Act, DCLG be asked to ensure that they looked at the experience that we highlighted of the re-licensing process and made sure that similar things did not happen. Could we re-draw your attention to that and ask you to look at those specific recommendations we made in relation to local councils and make sure that similar things did not happen. Could we re-draw your attention to that and ask you to look at those specific recommendations we made in relation to local councils and make sure that similar things did not happen. Could we re-draw your attention to that and ask you to look at those specific recommendations we made in relation to local councils and give us a note on what you have done thus far in relation to the Gambling Act implementation?

**Ruth Kelly:** Yes; yes, I certainly shall.

**Q221 Anne Main:** Will they be in place in time for local authorities? That is the point. The guidance on licensing came out late and slow when many, many licences had already been granted. Since the whole industry is in a fog at the moment as to what is going on are you convinced all that can be sorted behind the scenes in time for you to get your guidance out in timely fashion?

**Ruth Kelly:** The best thing is if I provide a note to the Committee on the progress we have made with the guidance for local authorities.

**Chair:** That would be extremely helpful. Thank you very much indeed Secretary of State. Thank you for ranging over such a wide range of topics. We may write to you on some of them.
Written evidence

Memorandum by the Department for Communities and Local Government (AR 01)

DEPARTMENTAL ANNUAL REPORT 2006:
QUESTIONS FROM THE CLG SELECT COMMITTEE

GENERAL

1. The National Audit Office has recently reviewed the Department’s PSA data systems as part of its Second Validation Compendium Report (HC 985). The Committee would be interested to know the specific findings and recommendations relating to the Department itself.

The NAO have been developing a programme of audits of individual Department’s PSA data systems for publication and submission to the Public Accounts Committee. They have just started the formal round of audits, including that of DCLG. They expect to publish their report on DCLG in December 2007.

Last year the NAO did a dry run of the programme, which included the former ODPM. Their report was submitted to ODPM in August 2005; similar reports were submitted to other Government Departments. NAO did not intend these reports for publication, although a compendium report was published which made some reference to ODPM. The NAO are, however, content for DCLG to share the report with the Committee on the clear understanding that it relates to a dry run only, is not a formal report and relates to the former ODPM rather than DCLG. The report is provided at Annex 1.

2. What preparations have been made by the Department for the forthcoming Capability Review? Has the Department itself identified any areas of weakness against the review criteria which need to be addressed?

The Department has provided significant support to the DCLG Capability Review Team in the run up to their review, including scheduling a series of internal and external stakeholder meetings, interviews and case study visits, and providing a range of documentation to the Team. The Departmental Board and Ministers have also met the Review Team on several occasions.

DCLG is engaged in a process of continuous improvement and has been working since its establishment on a range of measures to stretch and strengthen its capacity to deliver its challenging agenda.

The formal launch of the new DCLG on 2 October marked a significant position. We are continuing to drive forward a wide-ranging transformation programme focused on delivery, people and capacity. This will help ensure we continue to make progress and drive improvements across all aspects of our work. Many of the aspects of this internal transformation programme relate to areas within the Capability Review model.

3. What is the role of the Director of Strategy and Performance?

The role of the Director of Strategy and Performance and her Directorate is to join up policy and delivery across the Department and sharpen the impact of Ministerial and Board engagement in the Department’s business. Reporting directly to the Permanent Secretary, the Directorate is responsible for ensuring a clear and effective focus on performance, generating strategic thinking and solving problems across the policy agenda. The Director is a member of the Departmental Board.

4. LEGI (p 13). How much money did each of the 14 authorities receive from their successful bids in 2006? (a) What lessons has DCLG drawn from the successful and unsuccessful bids in this round? Has any guidance been issued to support future applications?

The amount allocated to each local authority in round one is shown at Annex 2, where Year 1 is financial year 2006–07. Please note that this involves 10 bids by a total of 15 successful authorities, not 14 as stated in the Annual Report.

Guidance was issued for authorities applying for round two. This has drawn together feedback from round one and outlines the key themes in both successful and unsuccessful bids. These key themes were also published in their own right and are on our website at: http://www.neighbourhood.gov.uk/publications.asp?did = 1796.

5. Please explain what is meant on p 14 by the phrase “the number of adults experiencing five or more disadvantages”. What are these disadvantages, and how are they assessed?

The phrase, “the number of adults experiencing five or more disadvantages”, refers to analysis of indicators of disadvantage among working age adults and pensioners from the British Household Panel Survey. This research was presented in “Social Exclusion: The Next Steps Forward”, a speech by David Miliband in November 2005. Ten indicators of disadvantage were examined for the years 1997, 2001 and
2003: unemployment, living in a workless household, having no educational qualifications, living in social housing, living in overcrowded conditions, poor mental health, poor physical health, living alone, consumer durable disadvantage, and financial stress. Results showed that in 1997 4.8 million adults suffered from five or more of these disadvantages, but by 2003 this number had dropped by 1.1 million to 3.66 million. The research was conducted by the Institute for Social & Economic Research at the University of Essex on behalf of the Social Exclusion Unit, ODPM.

Further information on the research, including how it was assessed, is set out on the Cabinet Office’s Social Exclusion website at the following link:

6. Why does the Annual Report claim that 2003 is the last year for which GVA data is available, when GVA data for 2004 is available on the ONS website (p 15)?

(a) The ONS website data would also appear to differ slightly from the description provided in the Report by DCLG. Please provide the Committee with the most recent GVA data available, on a region-by-region basis.

The Annual Report used the 2003 rather than the 2004 data in error, for which we apologise. As requested, the 2004 Gross Value Added (GVA) data on a region by region basis is attached at Annex 3. We expect GVA data for 2005 to be available in December 2006 or January 2007.

7. Page 19 of the Report claims that the Government is “exploiting the good relationship already brokered by ODPM with the power distribution industry” in connection with Olympic-related development. On what basis, and when, was this “good relationship” brokered?

(a) Is there any formal agreement between the Department and the industry, and if so, what is its content?

The good relationship with the power distribution industry evolved in the period following the Sustainable Communities Plan in 2003, through a series of “without prejudice” discussions and workshops the former ODPM organised with the supply industry and major developers, to explore options to reduce the impact of powerlines at key development sites in the Thames Gateway (one of which was the Lower Lea). National Grid were initially unwilling to consider undergrounding on principle, in view of the precedent they felt this would set. They are now prepared to consider the option (though not fund it) in situations where regeneration and development outcomes with strong Government support exist. We have not pursued a formal agreement.

8. How will the Local Authority best practice fund on climate change be spent, and which PSA does this expenditure come under (p 21)?

The seven local authorities who were awarded Beacon Status in the Sustainable Energy Theme will help provide a best practice programme to enable improvements to local government. We are at an early stage in developing the programme and precisely how these authorities will spend their awards is not yet known. The programme will use a combination of tool kits, self assessment activities, peer reviews and mentoring support projects, secondments and shadowing, and has strong support from Regional Improvement Agencies.

The Beacon authorities have demonstrated their excellence following rigorous assessment against a challenging set of targets and will use this experience to deliver improvements in other local authorities under the auspices of the UK Climate Change Programme.

The Minister for Climate Change & Environment has said, “if the UK’s long term carbon goals are to be achieved, innovative action by local authorities is crucial. The sustainable energy Beacon councils, who are already exemplars in this area and have already been offering support to other local authorities, are therefore well placed to offer peer to peer support for authorities who are still looking for a place to start.”

This programme is funded equally by DCLG and Defra and will help deliver against DCLG’s PSA4 and Defra’s PSA 2.

9. Page 26 notes that “from 2006–07, Resource Investment expenditure will be classified as Capital expenditure”. Why are the two elements of expenditure currently reported separately, and why is this change taking place?

These two elements are reported separately in order to conform with recent changes in guidance from HM Treasury.

Capital grants to the private sector formed part of capital budgets until 2002, when they were reclassified as resource expenditure in order to align with accounting treatment for grants. However, capital grants to local authorities remained in capital budgets in order that switches between supported capital expenditure (formerly credit approvals) and capital grants could be made within a single budget category.
Having some investment grants (those to the private sector) within resource and some within capital (those to local authorities) required regular explanation. It also meant that if Departments wished to change the proportion of grants paid to local authorities or to the private sector Parliamentary and Treasury authority was required, even though the overall level of investment stayed the same.

Following a review in 2005, and representations from Departments, Treasury required all Departments to reclassify resource investment (capital grants to the private sector) as capital. While for management purposes this took effect from 1 April 2006, for comparative purposes prior years figures were also restated in annual reports and other publications on the new basis.

The change is one of the main reasons for the differences in the figures between the 2005 and 2006 annual reports, highlighted in question 49.

10. According to the 2005 Annual Report, Local Area Agreements (LAAs) were to be linked to Local Public Service Agreements to provide a reward element to LAAs from April 2006 (page 34, ODPM Annual Report 2005). What use is now being made of Local PSA targets to reward local authorities? How much of the total funding in Local Area Agreements is currently reward-based?

Of the 66 LAAs signed off in April 2006 47 qualified for an LPSA grant, which is integrated into their LAAs and is now known as an “LAA reward element” (the other 19 already had separate LPSAs). These 47 LAAs each have about 12 “stretched” targets on local services which are top priorities for improvement. Each of the 47 is receiving an average of £1 million (£45 million in all) in up-front, pump-priming grant to deliver those stretched targets over three years. If these 47 areas deliver all their stretched targets, then they will get about £485 million between them in performance reward grant. In addition to this LPSA funding, around £520 million of area-based funding is being pooled in all these 66 LAAs in their first year (2006–07).

11. Feedback on the Sustainable Communities Summit held in 2005 was deemed “extremely positive . . . in engaging stakeholders from all sectors with the sustainable communities agenda” (page 30). Why is the event not being made a regular occurrence?

The Sustainable Communities Summit, organised by the former ODPM, was very effective in building capacity and engaging stakeholders. DCLG is therefore keen that the Summit will occur on a regular basis. Having stimulated the market through the first two summits in 2002 and 2005, we have decided to allow the private sector to lead the organisation of future summits. We are currently conducting a procurement process to identify a suitable private-sector partner to take the lead.

12. The Annual Report (page 34) makes reference to ODPM’s commitment to the Cabinet Office-led Administrative Burdens Reduction project. What was the baseline figure for the administrative burden placed on business by the Department and what plans are there to reduce the burden?

Later this year we will be publishing the findings of the administrative burdens measurement exercise, as well as the Departmental Simplification Plan which will detail what we are doing to reduce those burdens. We will ensure the Committee receives copies at this time.

13. P 31 of the report notes that “over 200 . . . data sets” have been provided to the Department by the Analytical Services Directorate. How often will these data sets be reviewed and updated?

Over 200 data sets—statistical and geographic information—are managed within the Maps on Tap interactive web-mapping service. All data held by Maps on Tap are subject to ongoing review according to an Information Management Plan. Updates are applied on a monthly basis, with data loaded according to availability and prioritisation of the available data maintenance resource as provided under the Maps on Tap service agreement with our application provider, QinetiQ. Data from other government Departments is incorporated as it is made available to DCLG.

14. Why is the data on better regulation only available for the calendar year 2005, rather than the financial year 2005–06 (p 33)?

Data is provided for the calendar year as at the time of preparation financial year figures were not available. This is consistent with the approach in previous years.
15. Have any Post Implementation Reviews been carried out this year? If so, what have been the subjects, and what conclusions have been drawn?

(a) If no post implementation reviews have been carried out, when does the Department expect to initiate this process?

The specific commitment to formal Post Implementation Reviews (PIRs) is a relatively new addition to the Regulatory Impact Assessment process. PIRs are designed to take place once a policy has had time to be fully implemented, usually around three years after its launch. DCLG has not undertaken any PIRs since its establishment.

16. The Committee would like to see the draft simplification plan referred to on p 34.

Later this year we will be publishing the findings of the administrative burdens measurement exercise, as well as the Departmental Simplification Plan which will detail what we are doing to reduce those burdens. We will ensure the Committee receives copies at this time.

17. The section on “Advisory Non-Departmental Public Boards” notes that members of the Building Regulations Advisory Committee are “appointed on an independent basis and are unpaid” (p 40). Is the same the case for the other bodies listed?

Members of the three other Advisory NDPBs listed in the report—namely the Advisory Panel on Beacon Councils, the Advisory Panel on Standards for the Planning Inspectorate and the National Community Forum—receive a daily fee rate for their services.

Members of the Building Regulations Advisory Committee, whilst unpaid, are able to claim a financial loss allowance as well as reasonable expenses.

All appointments by DCLG Ministers to NDPBs are made in accordance with the Commissioner for Public Appointments Code of Practice for Ministerial Appointments to Public Bodies.

18. When will the Departmental Investment Strategy be reviewed for the new Department (p 113)?

As part of our work for CSR07, we will be developing an Asset Management Strategy (AMS) which will replace our current Departmental Investment Strategy. We understand that Treasury will be issuing AMS guidance in October. We expect to finalise the Strategy in Spring 2007.

19. Please explain the operation of the new Community Infrastructure Fund, which is described as being “within DfT’s budget but jointly administered by DCLG” (p 115). What is DCLG’s role in administration of the fund, and what will be the cost to DCLG of carrying out this role?

(a) Will decisions on the allocation of resources from the fund be made equally by DCLG and DfT?

The Community Infrastructure Fund (CIF) is a £200 million programme announced in July 2004 to support transport projects which will bring forward housing developments in the four Growth Areas. £193 million has now been allocated to a range of projects.

Decisions on projects to be supported are made jointly by DfT and DCLG Ministers, based on assessments of bids against the criteria for the Fund, including value for money and their relevance to housing development. Officials in DCLG who deal with CIF do so as part of their ongoing duties and there is no extra cost to the Department in carrying out this role.

For accounting purposes, payments from the Fund are made from within DfT alone. DfT issues the formal Funding Agreements to project leads and receives quarterly monitoring reports and claims for payment. DCLG will continue to see these monitoring reports, and will be involved in any discussions about individual projects as necessary as they progress.
20. Please provide a breakdown of the cost of the free smoke alarms programme noted on p 116. 

Since October 2004, a total of 578,239 Home Fire Risk Checks have been undertaken leading to the installation of 743,575 smoke alarms. A full cost breakdown by the Fire & Rescue Authority is at Annex 4.

21. Please explain why in annex F two different “PSA3”s are listed (for elected regional assemblies and fire, respectively).

The two PSA3s listed in the table relate to different spending reviews, ie SR02 and SR04. The first PSA3 shown is an elected regional assemblies target, which was subsumed within the new regional economic performance target (PSA2) adopted following SR04, and this element was met following the referendum in the North East on 4 November 2004. ODPM made a final assessment against this target in its Annual Report for 2004–05. The second PSA3 shown is a wholly new target under SR04, focusing on Fire. DCLG will continue to report against all live targets inherited from ODPM, HO and DTI.

22. Where functions, targets and spending programmes are being transferred from other Government departments to DCLG, what steps are being taken to ensure the audit trail is clear and comparable through 2006–07 and beyond?

The functions, targets and spending programmes being transferred to DCLG from other Government departments are being dealt with according to established Machinery of Government procedures. The PSA targets associated with the transferred functions have been added to the existing DCLG targets and will be monitored in line with Treasury guidance. The resources involved with the transferred functions will be moved using the Supplementary Estimates process. The resources will become part of DCLG’s budgets and accounts and will be subject to the usual internal and external audit procedures.

23. Please explain, similarly, how the Department intends to ensure a clear audit trail for the purposes of the Gershon efficiencies programme following the Machinery of Government changes.

DCLG has not inherited any new efficiency targets as a result of the Machinery of Government Changes. DCLG will continue to make progress towards the targets set as part of the 2004 Spending Review and monitor performance against agreed baselines. Changes to workforce numbers and administration budgets as a result of the new Department will be recorded using current systems and processes to ensure a clear audit trail is maintained. These will also be agreed with OGC and Treasury.

24. What steps has the Department taken, since the Committee reported on the 2005 Annual Report, to monitor staff views on the issues of bullying and leadership? What evidence is there that training programmes instituted by the Department are proving effective in changing the internal culture?

Following the ODPM Annual Report and Staff Survey in 2005, the then Department Board put in place a range of measures to improve leadership and tackle bullying and harassment. We initiated a mandatory training programme focused on coaching skills, in which 450 (82%) of all team leaders and senior managers participated. The evaluation showed that 87% of participants felt better equipped with the skills needed to improve the performance of staff, with a similar number (82%) identifying action to take back from the programme into the workplace.

A second mandatory training programme, again for all team leaders and senior managers, focused on dignity and respect. 532 (92%) of eligible staff participated. Four fifths (80%) of participants reported they felt mostly or completely able to recognise and commit to changing inappropriate behaviour in others, and 87% in themselves. About the same number (81%) felt mostly or completely able to recognise where strong management may be interpreted as harassment.

Since its establishment, DCLG has built on this work and sought to improve staff engagement through two taskforces on workforce equalities and on our performance management arrangements. Our transformation programme focuses on developing our people and our skills as one of its core strands. We will conduct our next staff survey in January 2007.

25. During the inquiry into the 2005 Annual Report, the Department provided the Committee with information concerning a financial irregularity which ultimately led to two individuals being convicted. Has the Department recovered the money lost through this fraud?

The Court hearing has been delayed until 15 December because information is still awaited from the United States. Police have identified the trail of much of the stolen money, but what proportion of this will be recoverable is largely subject to the judicial process both here and in the US. We expect to know more after the resumption of the hearing in December.
EFFICIENCY

26. The Annual Report refers to savings made in some, but not all, workstreams identified in the Efficiency Technical Note (ETN). What savings have been made in the workstreams of Administration and Social Housing (New Supply)?

At the time of publication, DCLG had not reported any savings made in Administration and Social Housing (New Supply). We have now reported (at Quarter 1 2006–07) £4.8 million efficiency savings achieved in Administration and £392 million efficiency savings achieved in Social Housing (New Supply).

27. Registered Social Landlords are already 70% of the way towards the target set in the Efficiency Technical Note of £195 million per annum efficiencies by 2007–08 (figures on p 43)
   (a) Will the target be revised in the light of this first year success?

   The efficiency targets for Social Housing including Registered Social Landlords (RSLs) were set as part of the 2004 Spending Review. The RSLs’ efficiency savings have exceeded expectations but there are no plans to revise the target. Future targets are a matter for the 2007 Comprehensive Spending Review and no decisions have been taken on this.

28. How do the figures reported on p 43 (Management and Maintenance £74.6 million; Capital Works £64.4 million) reconcile to the forecast gains for these workstreams in 2005–06 on p 45 (£35 million and £2 million respectively)?

   Annual forecasts were developed at the time we were introducing the efficiency agenda and were based on our knowledge of the sector and support that was being put in place to drive efficiency.

   For capital works we had planned that the development of housing procurement partnerships between RSLs and local authorities would be the vehicle by which efficiencies would be delivered. Our plans were based on the knowledge that these would require time to be fully operational, following the appointment of the National Change Agent, the consultants charged with setting them up. The £2 million was our assumption of what would be delivered through this route in the first year. In the event RSLs were able to deliver initial efficiencies even without the development of the partnerships and this is reflected in the higher figures they have achieved.

   For management and maintenance, the £35 million saving was an estimate based on the development of pilots through which social landlords would aim to reengineer some of the services they provided. They had already been working towards efficiencies before we developed the pilot, and this early work is reflected in their improvement on the estimate.

   We now have a much more realistic view of what can be achieved and a firmer basis on which to set future forecasts, and will use that to inform the setting of future targets.

29. What evidence is there that the quality of RSL work has not deteriorated?

   RSLs’ efficiency gains in the areas of management and maintenance, commodity goods and capital works are measured through the annual return of Annual Efficiency Statements (AES) to the Housing Corporation. The Corporation has published a template AES which was used by the majority of RSLs (in the region of 90%).

   The template asks RSLs to provide evidence that efficiency gains have not been made at the expense of quality of services. Further to the AES regime, the Housing Corporation continues to monitor overall RSL performance through on-going regulatory engagement and is confident that the quality of RSL work has not deteriorated.

   In the case of gains in the fourth workstream, new supply, the Corporation ensures that homes are completed to the agreed specification and quality by regular and on-going sampling through its Compliance Audit processes and Site Quality visits. The compliance audit of the procedural aspects, including checking that relevant documentary evidence is available to support the required standards, is undertaken by independent qualified auditors. The site quality checks on a sample of completed homes by each affordable housing provider is undertaken by the Corporation’s inhouse qualified technical staff.

   (a) How have the efficiencies generated by RSLs benefited the taxpayer?

   Efficiencies in New Supply have benefitted the taxpayer through the provision of affordable housing that would have otherwise cost the taxpayer more and/or the provision of better housing design and space standards leading to more flexible accommodation at no extra cost to the taxpayer.

   A further benefit to the taxpayer is identified through the template AES, which asks how efficiency gains will be used to improve services. Many RSLs have, for example, indicated that the gains will be used to improve services around Anti Social Behaviour, by employing additional staff in their ASB teams.
30. Other workstreams do not appear to be so far advanced. What are the final figures for the whole of 2005–06 and why were they not available in the Annual Report published in July?

The Annual Report published the most recent figures DCLG had reported to OGC. At that time we did not have figures for the whole of 2005–06 because, in line with regular practice, efficiency data for all workstreams is provided in arrears and some were not yet available. The final 2005–06 picture for some workstreams will not have been confirmed until analysis is complete of the backward-look Annual Efficiency Statements, which were received in August 2006. We will forward the full picture to the Committee upon completion.

The nearest available figure is at Quarter 1 2006–07, which DCLG reported as £722.4 million efficiency gains. A breakdown is as follows:

- Fire and Rescue Services £78 million.
- Social Housing registered Social Landlords: Management and Maintenance £74.6 million; Capital Works £64.4 million; Commodities £11.5 million; New Supply £392 million.
- Homelessness £33.4 million.
- Regional Development Agencies £63.7 million.
- Administration £4.8 million.

31. The efficiency gains are described as having been “provisionally audited”. How has this been achieved? Will the efficiency gains be independently verified?

The Department’s Internal Audit Service undertook a healthcheck of the efficiency programme during 2005–06 and are now in the process of undertaking the follow-up work to validate the efficiency gains in the programme.

There will also be an independent review of reported efficiency gains and processes by external auditors for the largest elements of the programme (this covers 96% of our efficiency gains). This will include an independent review by the Audit Commission of Annual Efficiency Statements (AESs) submitted by Local Authorities and Fire and Rescue Authorities. In addition, the Housing Corporation has commissioned a number of cross-cutting studies which examine the efficiencies reported in AESs.

32. How have the criteria for local authorities and others for tackling homelessness changed (p 45)?

Homelessness grant allocations in 2005–06 were formulated through a process based on recognising need and rewarding performance. This took account of recent performance in tackling and preventing homelessness, existing levels of homelessness and commitment to the effective implementation of homelessness strategies. Grant allocations were awarded to support local authorities in the delivery of their homelessness strategies and in doing so meeting the Government’s key homelessness targets.

The homelessness grants are no longer ring-fenced but each grant payment is subject to satisfactory performance reports being received. Where these reports indicate that the authority could be having problems in delivering the required outcomes we offer practical support and advice from our team of specialist advisers to help raise their performance.

PSA PERFORMANCE TABLES

33. PSA 1 (Neighbourhood Renewal) relies on a number of other government departments achieving their PSA targets. Both the Department for Education and Skills and the Department for Work and Pensions have reported their relevant PSA targets as “not yet assessed” because the relevant data is not available. How were you able to conclude that PSA 1 was “on course” without the relevant evidence?

We assess progress and direction of travel on PSA 1 by producing an overall rating of the 6 PSA 1 floor target indicators.

Progress on Health (Cardio-Vascular Disease) and Crime is very good and is “green” rated. Housing and Liveability are covered in other parts of the report, but again, progress is “green” rated.

Our assessment on the DWP and DfES (KS3) targets is described below.

DWP

For worklessness, DWP have only recently begun to be able to produce data for their SR04 target data (data from the Labour Force Survey tracking worklessness in the worst performing wards). As we do not yet have an adequate time series for this data, we made an assessment of progress on PSA 1 using the most recently available data that we can access (tracking worklessness in the 21 English local authority districts with the worst initial labour market position, from the SR02 DWP target).
Our target covers wards in the DWP target which are located in NRF areas only. As these wards are heavily concentrated in the 21 English local authorities districts, the SR02 data is considered to be a reliable, DWP-approved proxy.

The DWP PSA is much wider (less than half of target wards are also in NRF areas)—covering non-NRF English areas as well as Scotland and Wales. Wards in the DWP target but outside of NRF areas tend to be more widely dispersed amongst local authority districts. For these reasons progress against the 21 local authority districts would not be a suitable proxy indicator for the DWP SR04 target.

On the basis of this proxy data, we assessed progress as amber red acknowledging that, despite good progress on the proxy, we await clear evidence from the ward data.

DfES

Again, we have based our assessment on the best available data. DfES Key Stage data is subject to a process of review and refinement which means that (taking 2004–05 academic year as an example) the Department released initial data in the Autumn 2005, the revised, more reliable data in Spring 2006, followed by final confirmed data in July 2006.

For our purposes we assessed our KS3 target using 2003–04 data and an understanding gained from the revised 2004–05 data we had at the time. The latest data is available on the floor targets website: www.fti.neighbourhood.gov.uk

We understand that DfES have assessed their KS3 target and that this is reported in their 2006 Department report:
http://www.dfes.gov.uk/publications/deptreport2006/docs/6483-DepRep06.pdf

Given the challenge remaining in terms of proportion of failing schools in NRF areas, we assessed this as red.

Aggregating the overall performance in all these elements, we assessed the overall progress as amber red. However, we concluded that delivery was on course given the progress on worklessness and also the investment being made by DfES over the next two years in addressing failing secondary schools.

34. Why is PSA 4 (Local Government) described as being on course when the reported performance all relates to 2005, the baseline year? What were the results of the “next tranche” of councils undertaking the new-style corporate assessment/Joint Area Review, due to be reported on in March 2006?

The Audit Commission report in December 2005 against the new CPA methodology set the baseline for improvement over the period to 2008. However, it also provided an assessment of the direction of travel which showed that 70% of councils were improving strongly or well. In addition local authorities were reporting in their annual efficiency statements that they were ahead of their targeted efficiency gains for the year, since confirmed. Together these results indicated that local government was on course to improve effectiveness and efficiency in leading and delivering services to all communities.

The first Quarterly update published on 30 March 2006 (taking account of Corporate Assessments published since 15 December 2005) covered two authorities and resulted in no overall CPA category changes. The second quarterly update published on 29 June covered 9 Authorities. Of these, three moved from a Corporate Assessment score of 2 to 3 and their overall CPA rating improved from 2 to 3 stars. The third update was published on 12 October covering 18 Councils. Of these, two will rise from 2 to 3 stars, and one will drop from 4 to 3 stars overall due to a reduction in its children and young people’s services score following their Joint Area Review. The latest announcement is available on the Audit Commission web site at:
http://www.audit-commission.gov.uk/cpa/whatsnew.asp

35. 96% of councils are assessed as delivering at or above the minimum requirements for “use of resources”. What is the breakdown between those councils scoring 2 and those scoring 3?

Of the 150 Single Tier and County Councils, 62 scored 2 (at only minimum requirements—adequate performance) and 82 scored 3 (consistently above minimum requirements—performing well).

36. The performance of local government against efficiency targets in 2005–06 has not been updated since the Autumn Performance Report. What are the final figures for the whole of 2005–06 and why were they not available in the Annual Report published in July?

Local authorities submitted their 2005–06 Backward Look efficiency statements, reporting on the gains achieved in the 2005–06 financial year, on 6 July. These statements were then reviewed by DCLG and other departments and any relevant feedback on the contents was sent to councils at the end of July. Local authorities had until the end of August to make any necessary changes to their statements and then resubmit them. Therefore, we only received the final data on efficiency gains made by councils on 1 September, too late to be included in the Annual Report.
Annex 5 summarises the results of the 2005–06 Backward Look and 2006–07 Forward Look statements submitted this year. It shows that councils expect to have met the 2007–08 efficiency target of £3 billion a year early, which would represent a significant achievement.

It should be noted that the numbers in Annex 5 are subject to change should the auditors appointed by the Audit Commission find (as a result of their review work currently underway) that any of the 2005–06 Backward Look statements submitted by councils are unsatisfactory.

37. Please provide exact data to clarify the statement on p 53 that “in NRF areas, 32.4% of schools were below the floor target in 2004, whereas 11.1% were below the floor in non-NRF areas”.

In 2003–04 there were 1,216 schools in NRF areas of which 394 (32.4%) were below the KS3 Floor Target. In the same year there were 1,907 schools in non-NRF areas of which 213 (11.1%) were below floor target. This represents a 0.4 percentage point decrease in the gap between NRF and non NRF since 2001–02. (The data is based on the 88 areas in receipt of NRF at the time).

(a) How does the floor target relate to “successful delivery”?

Successful delivery is seen as closing the gap in attainment between schools in NRF and non NRF areas. As this floor target refers to attainment in all schools, it automatically ensures a DfES focus on NRF areas.

38. Please provide exact data to clarify the statement on p 53 that “In areas where the Drug Interventions Programme operates intensively, . . . there has been a 19% average reduction in acquisitive recorded crime (drug-related) in the 12 months to January 2006 compared with the average for the year April 2002 to March 2003”.

The Home Office are not currently able to provide precise data. We will provide this to the Committee separately when it becomes available.

(a) Why are the recording years for this data different (one being the calendar year and the other the financial year), and why did this change take place?

The DIP data is collected by the Home Office on a monthly basis. At the time of providing the extract for inclusion in the Annual Report data had only been disseminated up to January 2006. It is normal practice, however to present data for full financial years. When extended to March 2006, our original average of a 19% reduction (to January 2006) has risen to an annual decrease of 20% (to March 2006).

(b) Given the change, are these data sets directly comparable?

Given that the 12 month periods are slightly different, they are not strictly comparable. However, for the purposes of the Annual Report, we included the most recently available data that we had, ie for the 12 months up to January 2006. We anticipated that there would not be a significant change between the 12 months up to January 2006 and the financial year March 2005 to March 2006. This has been demonstrated by the final confirmed figures which are, indeed, better than those included in the Annual Report.

39. What assessment has been made of the pilot delivery skills training course on improving outcomes for deprived BME communities (p 55)?

The Department has worked with Government Offices to design and develop a training course to help Government Office staff develop their capacity to identify and effectively challenge poor Neighbourhood Renewal outcomes for communities suffering the worst deprivation, through their ‘partnership challenge’ function. This “Delivery Skills Training” has been reviewed by a Neighbourhood Renewal Advisor. Overall, Government Office thought the course was good and would have an impact on their work.

40. Where LSPs were asked to complete priority Floor Target Action Plans, have Ministers yet made a decision on reinstatement of the withheld Neighbourhood Renewal Fund allocation (p 56)?

In February the Government decided to take action in relation to three LSPs (Birmingham, Nottingham, and Kingston upon Hull) who had not adequately shown how they were improving their performance in helping deprived areas. The Government withheld 10% of their indicative NRF allocation for the financial year 2006–07 (total of £5.9 million).

Since February, the three LSPs have received strong support from the Government Offices and been given substantial and intensive support from experienced Neighbourhood Renewal Advisers. They were asked to develop Floor Target Action Plans, which were assessed by each Government Office and then moderated by two senior analytical Neighbourhood Renewal Advisers on behalf of the Neighbourhood Renewal Unit. Ministers decided in July that these three LSPs had completed satisfactory plans demonstrating how national floor targets were to be met. As a result withheld funds (equating to 10% of those areas allocation between April-July) have since been repaid to those areas as a single payment through the normal channels.
41. Page 56 notes that from 2006 two local authorities will no longer be eligible to receive Neighbourhood Renewal Fund. Which are these two authorities, and on what basis have they ceased to be eligible?

(a) Is any transitional support being made available to these authorities?

From 2001–06, the Indices of Deprivation 2000 were used to allocate NRF. Over this period 88 local authorities were eligible for the fund. The new allocation for 2006–08 is based upon the more detailed and precise Indices of Deprivation 2004. These give us a more detailed understanding of patterns of deprivation in England than has been available in the past—the new Super Output Area (SOA) level data enables us to target very small pockets of deprivation more precisely. Only the 86 local authority districts that fall within the top 50 most deprived nationally on any of the 6 district level summaries of the Indices of Deprivation 2004 are eligible for NRF.

The reduction from 88 areas receiving NRF to 86 is not simply due to two local authorities no longer being eligible. Three authorities will receive NRF for the first time (Barnet, Norwich, and North East Lincolnshire), and five authorities will no longer receive NRF (Kensington and Chelsea, Wandsworth, Luton, Portsmouth and Southampton) as they do not fall within the most deprived districts. Although included in the 88 areas, these 5 authorities were on the border of eligibility anyway and therefore have received transitional, or partial NRF support for 5 years which is now coming to an end. Similarly, six additional authorities included in the 86 (Allerdale, Ashfield, Hyndburn, Kerrier, Lincoln and Pendle) no longer qualify for NRF under this methodology but will receive transitional payments of 66% of their former allocation in 2006–07, reducing to 33% in 2007–08.

42. The report notes (p 75) that 9,869 Key Worker Living units had been completed up to December 2005. How many of these units are now occupied by key workers?

To date the Key Worker Living (KWL) programme has helped 11,825 key workers into a new home; 8,946 key workers through Open Market HomeBuy (equity loans) and 2,879 key workers through New Build HomeBuy and Intermediate renting.

The Department’s goal was to assist 10,456 key workers through the Key Worker Living programme during the first two years of the programme, to March 2006. We actually assisted 10,696 key workers into a new home during this period.

311 of the New Build units completed to date have been unoccupied for more than six months, a void rate of 7%. If we take into account the number of units under offer or reserved, the void rate is only 4.5%. We would normally expect a void rate of 5%-6% at any given time as it normally takes between three and six months to market and sell a unit.

43. Please explain the statement on p 87 of the report indicating that the analysis of retail floor-space “has limitations”. What further work is being done, and why?

The “limitations” mentioned on p 87 acknowledge that it is not possible to monitor exactly the extent of retail development going into towns centres (as defined by local authority planning boundaries), but that we estimate this using a statistical model, which provides a good approximation. The model has been developed to identify areas of town centre activity across the country. Retail development within these statistical boundaries (together with other information) is then identified. These approximated boundaries do not absolutely match the local authority planning boundaries, but they do identify a consistent set of town centres across the country.

In order to minimise the limitations, we actively involve the local authorities in reviewing the boundaries produced by the model. Their local knowledge is used to refine and improve the model and so improve the accuracy of the town centre boundaries produced. In the next few months, we will publish areas of town centre activity for 1998–2003—previously only boundaries for 2000 and 2002 have been produced. Again, local authorities have been consulted in this process. We expect that the new data set will provide a more robust data set when compared to the town centre statistics we have previously published.

44. Why have “a number of ALMOs . . . taken longer than anticipated to achieve the necessary two-star rating”? What is meant, in this case, by a “two-star rating” (p 90)?

The Audit Commission’s Housing Inspectorate scores ALMOs’ performance on a 4-point scale: poor (no stars), fair (1 star), good (2 stars) and excellent (3 stars). DCLG’s policy is that an ALMO must have at least a 2-star rating to qualify for funding under the ALMO programme. All ALMOs aspire to at least 2 stars on first inspection, but some have failed to achieve this or have deferred inspections when it became clear that they were unlikely to do so. To date one ALMO scored no stars on initial inspection and nine scored 1 star, though five of these have been re-inspected and have then scored 2 stars. There are currently 11 ALMOs with three stars, 29 with two, five with 1 and one with no stars.
45. Which three local authorities have yet to have their options appraisals signed off/ submitted for sign-off? For what reasons have these authorities been delayed?

The three local authorities which had not had an options appraisal signed off were the London Borough of Southwark, Birmingham City Council and the London Borough of Camden.

Southwark wished to focus on improving other services before embarking on their options appraisal. The options appraisal has now been completed and was signed off in June 2006.

Birmingham City council is the single largest stock-owning authority in England, and had to revisit its options after a failed transfer ballot in 2002. It then took a two tier approach with eleven area based option appraisals and an overarching decent homes strategy which will be signed off shortly.

Camden is now the only local authority without an options appraisal and is in a similar situation to Birmingham after its failed ALMO bid. We are continuing to work with Camden and Government Office for London to resolve this.

46. Please justify the statement that “we are on course to meet our target [to bring all social housing into decent condition] in deprived areas”: has the 2004 target been met since the report was published (p 90)?

The 2004 English House Condition Survey confirms that 67% of the reduction in non-decent homes in the social sector has occurred in the most deprived areas (the 112 most deprived authorities) between 2001 and 2004. This exceeds the target that 50% of the progress between 2001–04 would take place in the most deprived local authority areas.

47. The bar chart showing Secretary of State Planning Casework on page 84 is missing a timescale, as are a number of other charts and graphs in the Annual Report. Please could you reproduce the bar chart for the Committee, to include the relevant timescale?

The bar charts from pages 83–85 are reproduced at Annex 6.

48. How have you been able to present figures for public satisfaction with local parks and open spaces for 2006–07 already (p 97)?

As stated in the Annual Report, progress against this target is judged using the three-yearly resident satisfaction survey with local authority services (BV119e). The survey next reports by end 2007 for the years to 2006–07. As we have not yet received that data, or data for the interim years (2004–05 and 2005–06), the milestones shown for these years illustrate the sort of sustained, incremental progress needed to achieve our target by 2008.

The bar chart shown in p 97 of the Annual Report is reproduced at Annex 7, amended to distinguish between actual and projected progress between our baseline year and the delivery of the target in 2008.

49. The figures presented in the core tables in the 2006 Annual Report (tables B1, B2, B3, B7 and B8) for 2000–01 to 2004–05 have changed substantially from those presented in the 2005 Annual Report. Please can you provide an explanation for this? How do the “new” figures for the period 2005–06 to 2006–07 reconcile to those agreed in the Spending Review 2004 and those forecast in the ODPM Annual Report 2005?

The main reasons for the changes between the figures in these tables are:

— Capital grants to the private sector were reclassified by Treasury from resource (investment) to capital (see answer to question 9). This has led to a large increase in the capital budget and corresponding reduction in the resource budget;

— European Regional Development Fund income was reclassified by Treasury and is now included in this table under the “European structural Funds—Net” heading. As income is expected to equate to expenditure the net figure has reduced from that shown in the 2005 Report (expenditure only) to that in the 2006 report (expenditure less income, ie zero);

— Two expenditure programmes, overhanging debt and loan charges, were reclassified by Treasury from being within the capital budget to being considered financing transactions across government and are therefore no longer included in any of these tables.

In each of the above cases as the changes were simply reclassification of spending, the changes were applied to all years covered by the tables. Thereby, ensuring that the “new” figures were able to be compared to those agreed in SR04 and forecast in the 2005 ODPM Annual Report.

In addition,

— as noted in footnote 1 to table B1, £26 billion was transferred to DFES for dedicated schools grant (06–07 and 07–08 only);
as noted in footnote 1 to table B2 (06–07 and 07–08 only) £148 million was transferred from “local and regional government” to “better services”; 
— it is also normal practice for all departments, classification changes apart, to manage their budgets within the available totals arising from spending reviews. This means that reallocations between programmes and priorities take place throughout the year, affecting the breakdown of the numbers between lines in the tables.

50. Please explain the bottom section of table B1: why are the figures for grants apparently higher than the figure for total spending by local authorities?

DCLG gives large amounts of Revenue Support Grant to local authorities in England on behalf of the whole of Government. The total grant given by DCLG to local authorities is therefore significantly more than the amount which authorities spend on DCLG activities.

51. Please explain the projected tripling of capital spend on central administration in 2006–07 (table B3, p 102)

In 2005–06, expected outturn was an underspend on the budget of £16,929k. This was due to the Department’s electronic transformation programme, which supports our corporate modernisation agenda and accounts for the majority of the Central Admin spending, still being in its early stages. 2006–07 sees the programme reach its main implementation phase resulting in a large increase in spend. In 2006–07 and 2007–08, the available budget for Central Admin spend is £21,064k.

52. Please confirm the layout of table B4: are the entries here misaligned?

Unfortunately the entries are misaligned as we inadvertently put the wrong version of the Table in the Annual Report, for which we apologise. A copy of the correct Table is at Annex 8. There was also a typographical error in the figure for “Capital employed within main department” for 2001–02 which should have read £1,176,866 instead of £176,886. The correct figure is shown in the revised Table.

53. What are the “significant changes in the cost of capital” referred to in footnote 2, p 104?

Cost of capital charges are calculated from our balance sheet amounts where the main variations occur in net current assets/liabilities (in-year working capital). The balance sheet relating to net current assets/liabilities rose from 2003–04 to 2004–05, but was much lower in 2005–06. Therefore, the average balance has reduced from 2004–05 to 2005–06. The main areas for change are in prepayments and accrued income (debtors); other creditors; and accruals and deferred income (creditors) eg balances for European Regional Development Fund and National Non Domestic Rates (subsidy).

54. Please explain footnote 1 on p 105, indicating that “reported figures on workforce reduction may be revised following the results of re-evaluating baseline data with OGC and ONS”. Why has re-evaluation proved necessary, and when will revised data become available?

Historically there has been a difference in the data series for calculating workforce figures by ONS and the former ODPM. DCLG has been working with ONS and Treasury to develop a consistent approach to reporting workforce figures based on the same definitions. This has required a revision of historical data, which has now been completed. We are finalising discussions with the Treasury and expect to be in a position to report up to date workforce reduction figures against revised data shortly.

55. Please explain why (a) significant increases in identifiable expenditure per head are planned between 2005–06 and 2006–07 in the North East and North West; (b) why significant increases were projected in 2005–06 for the Eastern, London and South East regions; and (c) why identifiable expenditure per head was expected to fall significantly in the South West between 2003–04 and 2004–05.

(a) The increases between 2005–06 and 2006–07 for NE and NW regions are largely attributable to inconsistencies in the treatment of the budgets for the Housing Market Renewal Fund programme. While 2005–06 budgets were excluded from the table because they were correctly classed as related to payments to local authorities, the budgets for 2006–07 and 2007–08 were classed incorrectly as payments to the private sector and therefore included. The budgets were not corrected until January 2006, after the aggregates for this table were finalised by Treasury. If the 2006–07 and 07–08 HMRF budgets were excluded from the totals in this table to give a consistent treatment between the years, we estimate the per head figures for the North East would be £119.5 not £138.3 for 2006–07 and £128.2 not £151.5 for 07–08; and for the North West £99.2 not £128.9 for 06–07; and £102.8 not £139.5 for 2007–08. Corrections have now been made to the Treasury database and therefore the figures will be on a consistent basis across the years in the table which will appear in next year’s report.
(b) the increases in 2005–06 for the East, London and South East regions are as a result of investment from a number of programmes, primarily English Partnerships and Housing Revenue Account Subsidy. For example, the increase in spend by English Partnerships in (i) the Eastern region is due to a large site acquisition in Oakington, Cambridgeshire, (ii) London relates to funding for the First Time Buyers Initiative and (iii) South East region supports regeneration across the growth areas.

(c) the reduction in expenditure in the South West between 2003–04 and 2004–05 is due to changes to a number of programmes. For example, the tailing off of investment in the Safer Communities Supported Housing Fund and the Starter Home Initiative which were limited-life programmes due to complete in 2004–05, and the rent rebate element of Housing Revenue Account subsidy passing to DWP. Other regions, such as London, experienced a similar reduction in expenditure between 2003–04 and 2004–05. For some regions, such as the South East, there was a reduction in funding from the above programmes but this was balanced out by expenditure from other programmes, such as English Partnerships investment.

(a) Why are the figures for 2004–05 and 2005–06 in tables B7 and B8 still referred to as “plans”?

The column heading for 2004–05 is an error—it should read “outturn”. The 2005–06 heading of “plans”, however, is correct, because the regional data is compiled from earlier data than the rest of the report. This is explained in the fifth bullet point on page 109.

56. Please explain why such a large proportion of “identifiable expenditure” on civil defence (table B9, p 108) is recorded as “not identifiable”.

The table breaks down identifiable expenditure by region but, for completeness, a national total by category of non-identifiable expenditure is also shown in this table. Non identifiable expenditure in the 2006 report is that regarded by Treasury and ONS as collective services delivered nationally. Up until now that is how New Dimension expenditure has been classified and this makes up the £30 million quoted under civil defence. From next year as part of an overall review by Treasury and ONS the search and rescue element of this will be reclassified as identifiable.

57. Please explain why the figure for personal social services in the Eastern region is significantly higher than in other regions in the same table.

Unfortunately, some of the column headings in this table are incorrect resulting from changes in the standard ordering of regions adopted in government publications. We apologise for this error, which occurred due to formatting problems in preparing the tables for printing. The correct figures/headings are shown in table 7.19, pages 128 and 129 of “Public Expenditure Statistical Analyses 2006” (Cm 6811).

The figure of 17.1 shown against Personal Social Services for Eastern region actually relates to London. Most of this is as a result of homelessness programmes.

58. Please explain the figures recorded for “public sector occupational pensions” in the same table (B9). Should the figure for the Eastern region be 0.5 (rather than 0.3) to tally with the total? Why is the Eastern region the only region to record an entry?

Figures in the table are compiled from a database and rounded to the nearest £0.1 million. This means that each of the entries for regions other than London is below £0.1 million and rounds down to zero, whereas in total the sum is £0.5 million.

The error in column headings referred to the answer to question 57 similarly applies. Therefore, the £0.3 million figure actually relates to London, not the Eastern region. The basis of regional data presented in these tables is explained in bullet point 1 on page 109. Data is intended to reflect the region benefiting from the expenditure, not the location of employees. The £0.3 million figure relates to Housing Corporation pensions and relates to London, the region which receives the highest level of spending by the Housing Corporation.

59. Please explain the note headed “EP” to table C4 (p 111). Does EP here refer to English Partnerships?

“EP” in the note to table C4 does refer to English Partnerships.

(a) Why, in the same note, are none of the figures from 2002 onwards reported as final audited outturns?

(a) The figures in the note should have been updated to provide outturn figures. These figures have now been revised to provide actual outturn figures and are attached at Annex 9. The figures for 2005–06 have also been updated to reflect outturn as these figures are now available. Future Annual Reports will provide outturn figures where appropriate along with planned expenditure for future years.
(b) What measures (if any) has the Department taken to ensure that the expenditure of the organisation is being audited properly and in a timely manner?

(b) English Partnerships’ accounts are annually audited by the National Audit Office. The Department holds regular meetings with the NAO to discuss EP’s Financial Accounts and expenditure.

RESOURCE ACCOUNTS

60. The remuneration report on page 19 shows an increase of over £200,000 in the cash equivalent transfer value of Rob Smith’s pension benefits during 2005–06. What is the reason for the large increase?

Rob Smith retired on 31 December 2005, and this real increase in his CETV was due to the enhancement to his pension benefits on early retirement terms.

61. How did the Department arrive at the year end cash position of being £33.5 million overdrawn?

(a) For how long was the Department overdrawn?

The Department aims to manage its cash by not drawing down in advance of need from the main Treasury Supply in order to ensure that its bank balance is not excessively large. Unfortunately there were three large unforecast payments in the last two days of the year, which resulted in the bank account being overdrawn on the last day of the financial year. The account was back in balance the following working day.

62. According to the Annual Report 2006 total public spending (capital plus resource) on Housing Supply and Demand has increased by over 7% between 2004–05 and 2005–06. However, the Resource Accounts for 2005–06 (p 32) show spending on Objective 1 has actually fallen by 32%. Why is there such a substantial difference between the Annual Report and the Resource Accounts and how should these figures be interpreted?

The main reason for the difference between the Resource Account figures and those in the Annual Report is that expenditure for the Regional Development Agencies and the London Development Agency appears to have been incorrectly allocated to the Housing Supply and Demand Objective in the 2004–05 Accounts, when it should have been allocated to the Development of English Regions Objective. The Net figure for Objective 1 at page 32 of the Annual report should therefore have been £3,026,165 million and the figure for Objective 5 should have been £1,881,047 million. The revised Resource Account figures for Objective 1 now show a 0.5% increase in expenditure from 2004–05 to 2005–06. The difference between this and the 7% increase in the Annual Report is because the Annual Report figures were based on forecast outturn figures and the Resource Account figures are based on actual expenditure which, in the event, turned out to be less than the forecast outturn.

63. In note 11 on page 49 the under-receipt of Capital Pooled Housing Receipts’ is stated as £800 million. The variance on sub-head N (Decent places to live, capital grants to local authorities) of £34.5 million is explained on page 41 as a result of “fewer than expected receipts relating to the Capital Pooled Housing Receipts”. Why is the variance on sub-head N so small, given the £800 million shortfall in receipts?

The variance in Note 11 relates to Net Operating Costs. The variance on sub-head N refers to Resource Outturn. Net Operating Costs incorporate CFERs (Consolidated Fund Extra Receipts), which are excluded from Resource Outturn. Only a small proportion of Capital Pooled Housing Receipts are used to offset Departmental spend, the vast majority are CFERs paid to Treasury, which is why there is such a variance between the two amounts.

64. Note 22 to the Resource Accounts shows a more than £1 billion shift in spending between Objectives 1 and 5 from 2004–05 to 2005–06. How is the Department able to switch spending between objectives so freely when much of its expenditure is via grants, committed in advance?

As noted in the answer to Question 62 the expenditure for the Regional Development Agencies and the London Development Agency was misallocated. The figures at Note 22 should have read:

<table>
<thead>
<tr>
<th>Total Public Spending (Capital plus Resource)</th>
<th>2004–05 £000</th>
<th>2005–06 £000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Delivering a better balance between housing supply and demand by supporting sustainable growth, reviving markets and tackling abandonment.</td>
<td>3,026,415</td>
<td>2,973,858</td>
</tr>
<tr>
<td>2. Promoting the development of English regions by improving economic performance so that all are able to reach their full potential, and developing an effective framework for regional governance by taking account of the public’s view of what is best for their area.</td>
<td>2,310,543</td>
<td>2,019,558</td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

INTRODUCTION

1. This report summarises the results of our examination of the data systems used by the Office of the Deputy Prime Minister (the Department) in 2005 to monitor and report on progress against their 2003–06 Public Service Agreement (PSA) targets.

THE DEPARTMENT AND THEIR PSA TARGETS

2. The Department’s PSA sets out for Parliament and the public their top level aims, objectives and targets. The Department’s Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the PSA targets. The underlying data systems are an important element in this framework of control.

3. Under the 2002 Spending Review the Department agreed seven PSA targets for the period 2003–06. The most recent public statement provided by the Department of progress against their 2003–06 PSA targets was in the 2004 Autumn Performance Report.

THE PURPOSE AND SCOPE OF THIS REVIEW

4. The Government invited the Comptroller and Auditor General to validate the data systems used by the Department to monitor and report performance against their PSA targets. During the period December 2004 to March 2005, the National Audit Office (NAO) carried out an examination of the data systems for all of the Department’s 2003–06 PSA targets. This involved for each individual data system a detailed review of the processes and controls governing:
   — The matching of data to the PSA target. The data system should measure the progress of all key elements of performance referred to in the PSA target;
   — The selection, collection, processing and analysis of data. Control procedures should mitigate all known significant risks to data reliability. In addition, system processes and controls should be adequately documented to support consistent application over time; and
   — The reporting of results. Outturn data should be presented fairly for all key aspects of performance referred to in the target. Any significant limitations should be disclosed and the implications for interpreting progress explained.

5. Our conclusions are summarised in the form of traffic lights (see figure 1). The ratings are based on the extent to which departments have:
   (i) put in place and operated internal controls over the data systems that are effective and proportionate to the risks involved;
   (ii) explained clearly any limitations in the quality of its data systems to Parliament and the public.

6. The remaining sections of this report provide an overview of the results of our assessment, followed by a brief description of the findings and conclusions for each individual data system. Our assessment does not provide a conclusion on the accuracy of the outturn figures included in the Department’s public performance statements. This is because the existence of sound data systems reduces but does not eliminate the possibility of error in reported data.

Figure 1: Key to traffic light ratings

<table>
<thead>
<tr>
<th>Rating</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>GREEN</td>
<td>The data system is fit for the purpose of measuring and reporting performance against the target. Or The data system is appropriate for the target and the Department have explained fully the implications of limitations that cannot be cost-effectively controlled.</td>
</tr>
<tr>
<td>AMBER</td>
<td>The data system addresses the majority of risks to data quality but needs strengthening to ensure that remaining risks are adequately controlled. Or The data system addresses the majority of risks to data quality but includes limitations that cannot be cost-effectively controlled; the Department need to explain the implications of these more clearly to the reader.</td>
</tr>
</tbody>
</table>
The data system is not fit for the purpose of measuring and reporting performance against the target.

The Department have not yet put in place a system to measure performance against the target

Or

The system is not sufficiently established to form a view on its fitness for purpose.

OVERVIEW

7. The Department have seven PSA Targets. Targets 4 and 6 include three sub-targets, however, we have drawn one overall conclusion for each target. The data systems used to monitor performance against the Department’s targets are based on data sourced from a range of external providers, including other government departments, the Audit Commission, local authorities, housing associations, Ordnance Survey and National Statistics, as well as data collected by the Department itself. The data used include surveys and administrative data.

8. Figure 2 summarises our assessment of the Department’s PSA data systems.

**Figure 2: Summary rating for each data system**

<table>
<thead>
<tr>
<th>No</th>
<th>Target</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Promote better policy integration nationally, regionally and locally; in particular to work with departments to help them meet their PSA floor targets for neighbourhood renewal and regional prosperity.</td>
<td>AMBER</td>
</tr>
<tr>
<td>2</td>
<td>Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006.</td>
<td>AMBER</td>
</tr>
<tr>
<td>3</td>
<td>Provide the opportunity by the end of this Parliament for a referendum on regional government in regions where there is a demand for it.</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>4</td>
<td>Improve delivery and value for money of local services by: — introducing comprehensive performance assessments and action plans, and securing a progressive improvement in authorities' scores; — overall annual improvements in cost effectiveness of 2% or more; and — assisting local government to achieve 100% capability in electronic delivery of priority services by 2005, in ways that customers will use.</td>
<td>AMBER</td>
</tr>
<tr>
<td>5</td>
<td>Achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt—and the sustainability of existing towns and cities—through specific measures to be set out in the Service Delivery Agreement.</td>
<td>AMBER</td>
</tr>
<tr>
<td>6</td>
<td>All local planning authorities to complete local development frameworks by 2006 and to perform at or above best value targets for development control by 2006 with interim milestones to be agreed in the Service Delivery Agreement. The Department to deal with called in cases and recovered appeals in accordance with statutory targets.</td>
<td>AMBER</td>
</tr>
<tr>
<td>7</td>
<td>By 2010, bring all social housing into decent condition with most of this improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups.</td>
<td>GREEN</td>
</tr>
</tbody>
</table>

9. As summarised above, one of the Department’s data systems has been classified as “green” with no significant uncontrolled risks to the data systems. Data systems for five targets have been classified as amber as they address the majority of risks to data quality but need strengthening to ensure that remaining risks are adequately controlled or else disclosure of the limitations of the data systems needs to be strengthened. We have not allocated a rating to one target (PSA3) because this target has been dropped by ODPM.
10. In 2002–03, the NAO carried out a trial examination of the data systems for three of the Department’s 2001–04 PSA targets. We noted that, as the ODPM was a new department, its corporate control environment was necessarily evolving at that time. Nevertheless, the Department were putting in place a number of steps to strengthen the management framework for PSA targets, which were also likely to contribute to an increased organisational commitment to data quality. As part of our validation of the data systems used to monitor and report performance against the Department’s 2003–06 PSA targets, we again reviewed the Department’s corporate control environment as well as the individual data systems for each target.

11. Our main overall conclusions and suggestions for the Department are:

— The Department has given responsibility for co-ordinating ODPM’s efforts to achieve their PSA targets to one central division, Business Planning and Delivery Division. This has encouraged consistency between the individual delivery teams in operating and reporting on the PSA targets.

— In order to ensure that the targets set can be measured appropriately, Departmental staff who negotiate and agree targets with HM Treasury should also consult statisticians and other specialists early in the target setting process and when developing new data systems. With effect from Comprehensive Spending Review 2007, the Department may also wish to consider introducing a formal sign-off process for targets and data systems by departmental statisticians and other appropriate experts.

— Since our trial examination in 2002–03, the Department has made organisational changes including separating some technical staff such as statisticians from policy staff, who are charged with PSA delivery. However, during our fieldwork, we noted that centralisation of such staff as a corporate resource had not been completed—for example, the statisticians and analysts responsible for monitoring PSA data quality for targets 5, 6 and 7 formed part of the Department’s central Analytical Services Division but those with similar responsibility for the other targets were generally located with the relevant policy or delivery teams. We noted that centralisation appeared to have worked well and allowed for clear segregation of responsibility between technical and policy staff working on individual PSA targets. Consequently, we suggested that the Department may wish to consider the benefits of completing the centralisation of its technical staff. We have subsequently been informed that this issue has been considered by the Department as part of a wider review of its analytical services. The review findings, which were accepted by the Board, were that the Department should continue to operate a “mixed model” of centralised and outbedded technical staff, according to the differing needs of policy areas.

— Historically, responsibility for Information Systems has been devolved to individual business units within the Department. As a result, there have been no standardised information systems and little sharing of data across units. This has the potential to create inefficiencies and duplication of work. We note that a new IS strategy has recently been approved by the ODPM Board and welcome initiatives to share data more widely across the Department.

— Where there are limitations in the quality of data used to measure performance against individual PSA targets, the Department should ensure that the limitations and their impact are clearly explained to the reader in their published performance reports.

FINDINGS AND CONCLUSIONS FOR INDIVIDUAL DATA SYSTEMS

12. The following sections summarise the results of the NAO’s examination of each data system.

PSA target 1

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

Data Systems

13. This target draws on the data systems underpinning 13 floor targets which promote a minimum standard for disadvantaged groups or areas, or a narrowing of the gap between them and the rest of England. The floor targets are the responsibility of nine government departments including ODPM itself and the data systems used are defined in the Technical Notes of the relevant departments. Consequently, ODPM must rely on the integrity of the data provided by the other eight departments, as well as of their own data, when measuring performance against this target.
Good Practice

14. The Department has undertaken a significant amount of work with the other government departments in order to obtain appropriate and relevant data on a timely basis and also to determine the data limitations. This on-going liaison and information sharing is an example of good practice in controlling the risk to data quality.

Key Risks

15. The measure of success for this target is that all of the floor targets are achieved within their respective timeframes. However, the Autumn Performance Report 2004 does not indicate progress by floor target. It is therefore difficult for the reader of the Report to assess actual performance.

16. Moreover, the chosen measure of success is quantitative and does not provide any indication of whether the Department is successfully fulfilling its role of “promoting better policy integration” and of “working with other departments to help them meet their targets”, and there are no systems in place to assess this.

17. There is no formal agreement on data provision between ODPM and the other government departments. Consequently, the Department is heavily reliant on informal arrangements, which could lead to inconsistency in the quality of data provided or to the provision of data which does not meet ODPM’s requirements. The department recognises this risk and has informed us that discussions will start shortly to agree formal Service Level Agreements. The Department is also highly reliant on the quality assurance procedures within the other departments (which they have no control over) although they have successfully developed a good informal network, working with data teams in other departments to address key risks to ODPM.

Conclusion

18. The data system does not measure the effectiveness of ODPM in promoting better policy integration or in working with departments to help them meet their floor targets. The data system does address the majority of risks to data quality but needs strengthening to ensure that remaining risks are adequately controlled. In addition, disclosures within the Autumn Performance Report need strengthening.

PSA target 2

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

Data Systems

19. This target is shared between ODPM, DTI and HM Treasury. It aims to make sustainable improvements in the economic performance of all English Regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006. The measures used to assess progress against this target are based on regional Gross Value Added (GVA) per head data, which are provided by the Office for National Statistics (ONS).

20. Christopher Allsopp, Fellow in Economics at New College, Oxford, was commissioned to carry out an independent review of the regional information and statistical framework needed to support this PSA target. The Allsopp review issued its final report in March 2004, which concluded that “present estimates of regional GVA were not of sufficient quality to support analysis of the Government’s policy objectives to increase growth in the regions”.

21. ONS have committed to full implementation of the recommendations made in the Allsopp Report and propose to deliver the first regional GVA data in 2010.

Good Practice

22. The ODPM Director of Regional Policy sits on the ONS stakeholder group which is responsible for ensuring that the ONS are performing to target against their 2010 target and to ensure that the data that is being collected by ONS is fit for the purpose of assessing regional economic performance.
Key Risks

23. Because of the insufficient GVA data, ODPM are currently informing themselves of performance against this target using supplementary Regional Economic Performance PSA (REPPSA) indicators which cover the five drivers of productivity; investment, innovation, skills, enterprise and competition. The supplementary indicators are not designed to provide an indication of progress against the target but “improvements in the majority of these indicators will be considered as evidence that progress is on track” (Public Service Agreement 2003–05: Technical Note). The indicators are primarily designed to be monitored by government and to influence policy development.

24. ONS plan to deliver the first real GVA data in 2010. This means that ODPM will not know what progress has been made against this PSA target until it is too late to influence the outcome.

25. In addition, although some disclosures have been made about the significant limitations in the current GVA data, ODPM have reported that performance against this target will be reported in 2010. What the 2004 Autumn Performance Report does not make clear, is that although the ONS plans to deliver its first regional real GVA data in 2010, this data will use “experimental and probably still partial data.”

Conclusion

26. The data system needs strengthening. GVA data will not be available until 2010 and even then it will be experimental and probably partial data. Disclosure in the Autumn Performance Report also needs strengthening. In order to provide the reader with clearer information, the Department’s Performance Reports should disclose the data limitations likely to be inherent in the GVA data that will be reported in 2010. Alternatively, the Department may wish to consider adopting an alternative measure or package of measures to monitor this PSA target.

PSA target 3

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

Data Systems

27. The measure of achievement of this target is that referenda are held in regions where there is a demand for it.

28. During 2003, a soundings exercise was carried out in each of the eight English Regions outside London to determine the level of interest in holding a referendum on regional government. The results of the soundings exercise showed that in three regions (North East, North West and Yorkshire and the Humber) more than 50% of respondents were in favour of a referendum.

29. A referendum was held in the North East in November 2004, in which 78% of those who voted were opposed to a regional assembly. In the same month, the Government announced to Parliament that it had decided not to proceed with referenda in the North West and Yorkshire and the Humber. Consequently, this PSA target has been dropped in SR2004.

Conclusion

30. Not applicable. The reasons for not proceeding with the referenda were documented in the Autumn Performance Report 2004.

PSA target 4

Improve delivery and value for money of local services by:

— introducing comprehensive performance assessments and action plans, and securing a progressive improvement in authorities’ scores;
— overall annual improvements in cost effectiveness of 2% or more; and
— assisting local government to achieve 100% capability in electronic delivery of priority services by 2005, in ways that customers will use.
Data Systems

31. This PSA target is made up of three constituent parts. Each part has defined data systems and is reported on separately within the overall PSA target.

32. For the first part of the PSA, the source data are the Comprehensive Performance Assessments (CPA) undertaken annually by the Audit Commission. CPA scores are obtained using prescribed measures of every local authority’s core service performance, together with its ability to improve. The results are combined to produce a final score for each local authority. The Audit Commission undertake an internal moderation process to ensure consistency across local authorities. The results are subsequently summed across all local authorities (without weighting) to give an overall assessment of progress.

33. For the second part of the PSA target, cost effectiveness is measured using a basket of performance indicators which cover the range of services that are provided by local government. These include Best Value Performance Indicators (BVPIs) and Performance Assessment Framework indicators. ODPM and a panel of experts specifically chose the indicators to provide as full a picture of every service block as possible.

34. For the third part of the PSA, electronic delivery of services is measured using Best Value Performance Indicator 157. BVPI 157 is the nationally set target for delivering or supporting services by electronic means. The data is obtained via annual Implementing e-Government (IEG) returns submitted online by local authorities. Priority services have been defined and local authorities must specify on the IEG return which of these services have been e-enabled and which have not. Take-up of priority services is also measured through the IEG returns.

Good Practice

35. Data specification for the Cost Effectiveness part of PSA 4 was achieved through an exhaustive consultation process involving external research academics and in-house researchers and statisticians. This is a good example of bringing together the expertise and understanding of a wide range of stakeholders.

36. For the IEG part of PSA 4, online submission of the local authority returns reduces the administrative burden of collecting and processing data and significantly improves the efficiency of the whole process. In addition, the fact that local authority returns can be amended as changes occur ensures that up-to-date information is always available. ODPM cross-check the information provided by local authorities to independent data from the Society of Information Technology Management.

Key Risks

37. From 2005, the Audit Commission plans a significant change in the Comprehensive Performance Assessment methodology, which means that comparison between the old and new system will be difficult. The Audit Commission is unable to apply their new methodology retrospectively to ensure comparability over time because certain data that is needed under the new methodology was not collected in the past. ODPM do not have a contractual high level data provision agreement for CPA data with the Audit Commission and as a consequence their need for comparable data is not protected. This issue has not been disclosed in the Autumn Performance Report 2004.

38. The Autumn Performance Report 2004 states in respect of the Cost Effectiveness part of this PSA target that “Best Value Performance Indicators provide robust, externally audited and quality assured data.” However, it does not mention that some of the data used has been qualified or the rationale for using qualified data. In addition the Report does not inform the reader of the impact of the qualifications on the reported results.

Conclusion

39. The data systems address the majority of risks to data quality across the three parts of PSA Target 4. However, disclosure in the Autumn Performance Report needs strengthening. In particular, the lack of comparability between current CPA data and CPA data available from 2005 onwards, together with the reasons for this, needs to be explained in the Department’s Performance Reports. Other limitations in the data used to measure performance against this target, such as the use of qualified data in the Cost Effectiveness part, the rationale for doing so and the impact on reported results, should also be disclosed.

PSA target 5

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

40. This target seeks to achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the green belt. This is a wide ranging data system with component indicators of success based on the symptoms of both low and high housing demand. Other indicators are based around the sustainability of existing towns and cities and the protection of green belt land. In all there are eight indicators. Data sources include local authorities, the Housing Corporation, Land Registry and Ordnance Survey. Progress against each indicator is reported in the Autumn Performance Report.

41. The NAO review of this PSA specifically examined two of the data systems. These were indicator 3 (Numbers of statutory homeless with children in temporary accommodation), which uses data collected by the Department itself and the data system for indicators 7 and 8 which both use data from the Land Use Change Statistics survey which is collected by a third party (Ordnance Survey).

Good Practice

42. A Service Level Agreement exists between ODPM and Ordnance Survey. This includes specific agreements over certain data quality checks that are embedded into the Ordnance Survey central database.

Key Risks

43. Under the Service Level agreement with Ordnance Survey, ODPM require “ground verification” checks to be carried out on a regular basis for both OS surveyors and contractors. However ODPM do not specifically ensure that these checks have taken place and do not receive the results of these checks. As ODPM are not actively managing all aspects of their Service Level Agreement, there is a risk that the required checks are not actually taking place. Consequently, this may impact adversely on data quality. The Department has confirmed that in future it will ensure that it obtains the results of the checks.

44. ODPM staff cross check the homelessness information that they receive from local authorities within London to information that is received by the Greater London Authority (GLA) on a monthly basis. However where the GLA data comes from the same source as the Department’s data, no real assurance can be taken from the checks undertaken as errors in the data received by the GLA are likely to be replicated in the data received by the Department.

45. Specific data on the levels of statutory homeless families with children in temporary accommodation has only been collected since March 2002. Prior to that date there is only data on all households in temporary accommodation. This limitation in the data is recorded in the Technical Notes but it is not reported in the Autumn Performance Report.

Conclusion

46. The review of this PSA target identified areas of weakness arising from the processes underpinning the data systems chosen for testing. These weaknesses do not undermine the value of the entire system. However, strengthening these areas would result in a more robust and reliable data collection system.

47. In addition, data quality limitations inherent in the homelessness data have been disclosed in the Technical Notes but not in the Autumn Performance Report. Consequently disclosure in the Autumn Performance Report needs strengthening.

PSA target 6

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

Data Systems

48. This PSA target is made up of three constituent parts, each of which aims to speed up the planning process. Each part has defined data systems and is reported on separately within the overall PSA target.

49. The legislation which established Local Development Frameworks only received Royal Assent in April 2004. At the time of our review, Local Planning Authorities (LPAs) were in the process of drawing up their Local Development Schemes (a three year project plan which sets out what local development documents they will produce for their Local Development Framework and by when). Progress against the Local Development Framework part of the target will be measured using local development documentation provided by each LPA to its Government Office (GO) as evidence of progress against the milestones set in its Local Development Scheme.
50. The Development Control Target is measured annually using Best Value Performance Indicator (BVPI) 109, which measures the speed of handling three classes of planning application. The data (covering 100% of such planning applications) comes from the planning authorities and is audited on a sample basis by auditors appointed by the Audit Commission. The Department place reliance on the work of the auditors and on quality assurance checks undertaken by the Audit Commission to gain assurance on the quality of the BVPI data used.

51. Performance on the ODPM Casework part of the target is measured against a Ministerial target set for the Planning Inspectorate (PINS) and ODPM. The target is that by March 2004, 80% of called in cases and recovered appeals will be decided in 16 weeks from close of inquiry and that this level of performance will be sustained for the remainder of the spending review period. Progress against this target is measured using management information collected by both PINS and ODPM. ODPM cross-check the data they receive from PINS in respect of this target to other supporting data received, such as individual Inspector’s reports (for example to confirm type of development and date of inquiry).

Good Practice

52. There has been anecdotal evidence of “perverse incentives” being used by local authorities in order to achieve their development control targets. Examples include LAs refusing planning applications simply to speed up the decision process rather than for genuine planning reasons; LAs deciding straightforward planning applications and deferring difficult cases in order to achieve the targets; or getting applicants to withdraw their plans and submit revised ones, at which point the time clock starts again. ODPM have undertaken a substantial amount of monitoring activity on perverse incentives, including employing an academic consultant. These monitoring activities have not found any evidence that reported data is distorted or has been manipulated in any way.

Key Risks

53. The start and end dates to be used in measuring performance against the Development Control target are clearly defined in the guidance notes issued to local authorities. However, the appointed auditors who check a sample of BVPI returns each year have found that some LAs are not applying the guidance properly in respect of the date of registration and the date of decision for planning application. As a result, every local authority has been given the opportunity to re-submit its data and there has been a huge response from both qualified and unqualified LAs. At the time of our review, there had been no assessment or disclosure of the impact of these errors on the reported data and ODPM had not considered whether a similar error may have arisen on other data collected for its PSA targets. We understand that the Department has subsequently carried out an assessment of the impact of the resubmitted returns, which has led to a number of local authorities repaying overpayments of Planning Delivery Grant (which is in part paid out on the basis of the returns).

54. In addition, the Technical Note states that “The reliability of the major indicator is affected by the small number of applications received by some authorities in the major category.” However, this limitation is not reported in the Autumn Performance Report 2004.

Conclusion

55. As outlined above, the PSA6 target is made up of three separate parts, each of which relates to specific aspects of the planning process and each of which is measured and reported on separately by the Department. At Figure 2 in this Report, we have given an overall Amber rating for the data systems underlying this PSA target. This overall rating was arrived at by taking account of our conclusion on each individual part of the target as outlined below.

56. At the time of our review it was too early to form an opinion on the operation of the data systems for the Local Development Framework part of the PSA target.

57. A number of weaknesses in respect of the Development Control part of the PSA have not been disclosed in the Autumn Performance Report.

58. The data system for ODPM casework is fit for the purpose of measuring and reporting performance against the target.

PSA target 7

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

59. The results of the English House Condition Survey are used to measure performance against this target. The survey is carried out specifically for ODPM, was conducted once every five years from 1967 until 2001 and has been undertaken annually since 2002. Private sector housing has been included in the EHCS since 2000. The survey uses a stratified random sample of households and includes an interview with sampled householders as well as a physical survey of their home. The survey is managed by the ONS on behalf of ODPM. Consultants organise and supervise the physical survey work. The Building Research Establishment acts as Development Partner for the survey on behalf of ODPM.

60. As well as undertaking the EHCS national survey, performance on social housing is monitored at a local level using separate returns from local authorities and registered social landlords.

Good Practice

61. The terms “decent condition” and “vulnerable group” have now been clearly defined.

62. Project Initiation Plans agreed with ONS, BRE and the consultants clearly set out the respective responsibilities of each party involved in the survey.

Key Risks

63. No significant uncontrolled risks have been identified.

Conclusion

64. The EHCS is a clearly defined survey of the condition of social housing. The clarity in definition of key terms will allow for greater consistency in future. Consequently the data system is fit for the purpose of measuring and reporting performance against the target.

Annex 2 (Q4)

<table>
<thead>
<tr>
<th>Region</th>
<th>LA(s)</th>
<th>TOTAL</th>
<th>Year 1</th>
<th>Year 2</th>
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<td>3,540,000</td>
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<td>875,500</td>
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<td>4,570,000</td>
<td>7,470,000</td>
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<td>5,242,869</td>
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<td>Durham (Derwentside, Wear Valley, Sedgefield and Easington)</td>
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<td>Coventry</td>
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<td>2,775,000</td>
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<td>YH</td>
<td>Bradford</td>
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<td>4,875,000</td>
<td>7,979,500</td>
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<td>TOTAL</td>
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<td>45,723,021</td>
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GVA per head (£) 2004

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<td>North East</td>
<td>13,433</td>
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<tr>
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<td>14,940</td>
</tr>
<tr>
<td>Yorkshire &amp; the Humber</td>
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<td>East Midlands</td>
<td>15,368</td>
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<td>West Midlands</td>
<td>15,325</td>
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<td>East of England</td>
<td>18,267</td>
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<td>London</td>
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<td>South East</td>
<td>19,505</td>
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<td>South West</td>
<td>15,611</td>
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<tr>
<td>England</td>
<td>17,188</td>
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<td>------------------------------------------------</td>
<td>---------</td>
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<td>£5 million</td>
<td>£5 million</td>
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<td>Avon Fire Authority</td>
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<td>Bedfordshire and Luton Combined Fire Authority</td>
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<td>Essex Fire Authority</td>
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<td>Gloucestershire Fire Authority</td>
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<td>The Greater London Authority for the London Fire and Emergency Planning Authority</td>
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<td>Greater Manchester Fire and Civil Defence Authority</td>
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<td>Hampshire Fire and Rescue Authority</td>
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<td>Hereford &amp; Worcester Fire Authority</td>
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<td>Humberside Fire Authority</td>
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<td>Kent and Medway Towns Fire Authority</td>
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<td>Lancashire Combined Fire Authority</td>
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<td>Leicester, Leicestershire and Rutland Combined Fire Authority</td>
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<td>South Yorkshire Sheffield City Council</td>
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<td>Stoke on Trent and Staffordshire Combined Fire Authority</td>
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<td>Wiltshire Fire Authority</td>
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| £5,000,000 | £5,000,000 | £5,000,000 | £10,000,000 |
Annex 5 (Q36)

<table>
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<tr>
<th>Category</th>
<th>Actual</th>
<th>Target</th>
<th>Actual</th>
<th>Target</th>
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<tr>
<td>Gains made in 2004–05 and sustained through 2005–06</td>
<td>693.3</td>
<td>N/A</td>
<td>517.7</td>
<td>N/A</td>
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<td>New gains made in 2005–06</td>
<td>1,237.6</td>
<td>N/A</td>
<td>898.7</td>
<td>N/A</td>
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<td><strong>Cumulative gains made by end 2005–06</strong></td>
<td><strong>1,930.9</strong></td>
<td><strong>1,022.8</strong></td>
<td><strong>1,416.4</strong></td>
<td><strong>511.4</strong></td>
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<tr>
<td>Cumulative gains made by end 2005–06 and expected to be ongoing through 2006–07</td>
<td>1,811.8</td>
<td>N/A</td>
<td>1,327.9</td>
<td>N/A</td>
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<td>New gains expected in 2006–07</td>
<td>1,274.8</td>
<td>N/A</td>
<td>1,020.7</td>
<td>N/A</td>
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<td><strong>Expected cumulative gains by end 2006–07</strong></td>
<td><strong>3,086.6</strong></td>
<td><strong>2,007.8</strong></td>
<td><strong>2,348.6</strong></td>
<td><strong>1,003.9</strong></td>
</tr>
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</table>

Annex 6 (Q47)

Development Control: Major performance

Development Control: Minor performance
Ev 56  Communities and Local Government Committee: Evidence

Development Control: Other performance

Secretary of State Planning Casework (%)

Programme of DPD submissions according to “In effect” local development schemes on 9 February 2006
Annex 7 (Q48)

Satisfaction with Parks and Open Spaces

![Chart showing satisfaction with parks and open spaces over years 2000/01 to 2006/07.]

- National Satisfaction
- Projected national satisfaction
- Satisfaction in NRF Areas
- Projected satisfaction in NRU areas

Annex 8 (Q52)

OFFICE OF THE DEPUTY PRIME MINISTER: DEPARTMENTAL ANNUAL REPORT

Table 4: Office of the Deputy Prime Minister Capital Employed (£000s)

<table>
<thead>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Intangible Fixed Assets</td>
<td>49</td>
<td>57</td>
<td>361</td>
<td>427</td>
<td>909</td>
<td>742</td>
<td>568</td>
<td></td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Land and Buildings</td>
<td>26,696</td>
<td>29,088</td>
<td>26,748</td>
<td>28,001</td>
<td>30,639</td>
<td>32,327</td>
<td>33,226</td>
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<tr>
<td>Plant and machinery</td>
<td>3,597</td>
<td>3,872</td>
<td>40,113</td>
<td>37,580</td>
<td>37,931</td>
<td>35,157</td>
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<td>Vehicles</td>
<td>0</td>
<td>10,757</td>
<td>23,736</td>
<td>41,726</td>
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<td>53,096</td>
<td>49,237</td>
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<td>IT</td>
<td>16,665</td>
<td>17,940</td>
<td>23,163</td>
<td>31,631</td>
<td>48,248</td>
<td>56,735</td>
<td>75,933</td>
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<tr>
<td>Other</td>
<td>6,751</td>
<td>7,268</td>
<td>30,482</td>
<td>23,582</td>
<td>50,887</td>
<td>43,501</td>
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<td>Investments</td>
<td>24,729</td>
<td>24,627</td>
<td>46,591</td>
<td>46,312</td>
<td>46,310</td>
<td>45,501</td>
<td>44,872</td>
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<td>Current Assets</td>
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<td>2,284,082</td>
<td>974,089</td>
<td>2,505,775</td>
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<td>Creditors (&lt;=1 year)</td>
<td>-3,302,313</td>
<td>-1,398,375</td>
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<td>-1,906,593</td>
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<td>Creditors (&gt;1 year)</td>
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<td>-2</td>
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<td>Provisions</td>
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<td>-41,479</td>
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<td>-32,454</td>
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<td>-86,439</td>
<td>-88,278</td>
<td>-807,832</td>
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<td>NDPB net assets</td>
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<td>641,024</td>
<td>752,758</td>
<td>935,234</td>
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<td>1,570,778</td>
<td>1,615,865</td>
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<tr>
<td>Total capital employed in departmental group</td>
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<td>578,859</td>
<td>666,319</td>
<td>846,956</td>
<td>2,246,276</td>
<td>2,385,658</td>
<td>2,432,202</td>
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Notes:
1. Prior to the creation of ODPM the first audited figures were produced as comparatives (2001–02 Outturn) during the preparation of ODPM’s first set of audited accounts (2002–03 Outturn). 2000–01 audited figures are available only for the NDPBs already in existence before ODPM’s formation.
2. Years 2001–02 to 2003–04 exclude figures for The Rent Service which was transferred to the Department for Work and Pensions on 1 April 2004.
Table C4: Administration costs for larger NDPBs

<table>
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<td>English Partnerships (£m)</td>
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<td>Commission for the New Towns</td>
<td>16.7</td>
<td>18.4</td>
<td>15.9</td>
<td>18.8</td>
<td>17.5</td>
<td>19.0</td>
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<td>Urban Regeneration Agency</td>
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<td>Housing Action Housing Action Trusts (£m)</td>
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<td>Castle Vale</td>
<td>3.8</td>
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<td>3.4</td>
<td>3.4</td>
<td>4.9</td>
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<td>Liverpool</td>
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<td>3.4</td>
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<tr>
<td>North Hull</td>
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<td>–</td>
<td>–</td>
<td></td>
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<tr>
<td>Stonebridge</td>
<td>3.6</td>
<td>3.8</td>
<td>4.4</td>
<td>4.2</td>
<td>4.3</td>
<td>2.5</td>
<td>2.5</td>
<td></td>
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<tr>
<td>Tower Hamlets</td>
<td>1.4</td>
<td>1.5</td>
<td>1.8</td>
<td>1.2</td>
<td>1.3</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>1.3</td>
<td>0.9</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
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<tr>
<td>HATs TOTAL</td>
<td>14.0</td>
<td>13.9</td>
<td>13.5</td>
<td>12.2</td>
<td>14.2</td>
<td>6.1</td>
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<tr>
<td>Housing Corporation (£m)</td>
<td></td>
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<tr>
<td>Standards Board for England (£m)</td>
<td>30.6</td>
<td>34.1</td>
<td>37.9</td>
<td>39.4</td>
<td>40.0</td>
<td>36.8</td>
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<td>6.5</td>
<td>8.9</td>
<td>8.9</td>
<td>8.0</td>
<td>8.0</td>
<td></td>
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</tr>
</tbody>
</table>

Notes:
1 "Larger" here means a body with at least 25 staff and which normally relies on grant-in-aid for 50% of its income or trades mainly with Government departments.
2 North Hull HAT ceased operating in March 1999.
3 Tower Hamlets HAT was formally dissolved at the end of June 2004.
4 Waltham Forest HAT ceased operating in April 2002.
5 Standards Board for England began operating in March 2001. The figures refer to the amount of grant-in-aid paid to the Standards Board.

English Partnerships
2002–03 outturn £104,798 (calculated from last year’s Stewardship Report)
2003–04 outturn £140.2 million (DEL limits)
2004–05 outturn £345.9 million (DEL limits)
2005–06 outturn £489.0 million (DEL limits)
2006–07 plans £297,496 (DEL limits)
2007–08 plans £319,400 (DEL Allocation)

Explanatory Memorandum by the Department for Communities and Local Government—Winter Supplementary Estimates 2006–07 (AR 02)

Introductory Note
The changes to Departmental Expenditure Limits which are referred to below were announced by the Secretary of State for the Department of Communities and Local Government on 21 November 2006. Official Report, columns 23 WS–26 WS. Changes to Departmental Expenditure Limits, of which the Department has two (Main Programmes and Local Government), are not always identical to the changes to the Estimates described below. This is because:

a) some expenditure within Departmental Expenditure Limits (DEL) is non-Voted while some Voted expenditure is outside Departmental Expenditure Limits; and

b) the Departmental Expenditure Limit includes expenditure by Trading Funds, Non Departmental Public Bodies (NDPBs) and Public Corporations and supported capital expenditure to local authorities which are not included in the Estimate. The Estimate records expenditure by the Department and its Executive Agencies only, which includes grant in aid to NDPBs and capital grants to Public Corporations.
END YEAR FLEXIBILITY

The end of year flexibility (EYF) entitlements were included in the Public Expenditure 2005–2006 Provisional Outturn White Paper (Cm 6883) which was presented to Parliament by the Chief Secretary to the Treasury in July 2006.

MACHINERY OF GOVERNMENT CHANGES

As a result of the Machinery of Government Changes on 5 May 2006
The Department for Communities and Local Government was formed to take on most of the responsibilities of the Office of the Deputy Prime Minister and to take on responsibilities for Race, Cohesion and Faith from the Home Office and for gender and equality policy from the Department of Trade and Industry.
In addition:
(a) the responsibility for the work of the Deputy Prime Minister was transferred to the Deputy Prime Minister’s Office;
(b) the responsibility for parts of the Social Exclusion Unit was transferred to the Cabinet Office Social Exclusion Task Force; and
(c) the Equalities Review Team was transferred to the Department from the Cabinet Office.

SUMMARY OF CHANGES SOUGHT IN ESTIMATE

RFRI: IMPROVING THE QUALITY OF LIFE BY CREATING THRIVING, INCLUSIVE AND SUSTAINABLE COMMUNITIES IN ALL REGIONS.

This RfR covers expenditure on Housing, Planning, Supporting People, Sustainable Communities, Liveability, Civil Resilience, Fire Services, Neighbourhood Renewal, Equality, Race, Cohesion and Faith and work by the Regional Development Agencies and the London Development Agency; and the cost of the administration of the Department and the Government Offices.
Two new lines have been added to the Estimate: Y and Z. These are to cover the work being carried out by Local Area Agreements (LAAs). Line Y shows receipts from other government departments and Line Z shows the provision for LAAs.
As a result of the Estimate the overall resource position on RFRI will change as set out in the following table:

<table>
<thead>
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<tr>
<td>Existing net provision:</td>
<td>8,685,198</td>
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<tr>
<td>Increase in provision sought:</td>
<td>885,208</td>
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<tr>
<td>Revised net provision:</td>
<td>9,570,406</td>
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The element of the Main Programmes Departmental Expenditure Limit within the Estimate that is associated with this Request for Resources will be increased by £433,678,000 from £4,848,217,000 to £5,281,895,000.

Annex A sets out the detailed technical changes made to the Estimate Sections. The following describes the main changes that have been made.

SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL)

CENTRAL GOVERNMENT SPENDING

SECTION A—HOUSING SUPPLY AND DEMAND

Transfers to Section A

£2,800,000 from English Partnerships to the Planning Inspectorate and Valuation Office Agency to cover a shortfall in income from quality assuring local Authorities Local Development Frameworks. £6,380,000 from Planning Delivery Grant to fund the Planning Inspectorate (£2,000,000), Planning Application Services, Advisory Team on Large Applications, and Planning Policy Statement 3 (£4,380,000).
Transfers from Section A

£208,000 transferred from Other Growth Areas to cover Other Growth Areas expenditure by Northamptonshire Urban Development Corporation.

£800,000 from Other Growth Areas to cover expenditure on work carried out for Other Growth Areas by English Partnerships.

£4,300,000 from Thames Gateway for non-voted expenditure by Thames Gateway London Urban Development Corporation.

£4,800,000 switched from Thames Gateway resource and £900,000 from Thames Gateway capital for expenditure by Thurrock Urban Development Corporation in the Thames Gateway.

£100,000 resource and £900,000 capital from Thames Gateway to fund expenditure by the East of England Development Agency in the Thames Gateway.

£290,000 from Planning to INTERREG for the Transactional ERDF and State Aid (TESA) system.

£444,000 from Regional Housing Board to Regional Chambers to support Regional Housing Board work by local authority hosted regional assemblies and independent regional assemblies.

£200,000 from Landlord’s Licensing and Safety Ratings programme to fund increased number of Social HomeBuy Local Authority pilot schemes.

£300,000 from Research to Departmental Unallocated Provision.

£2,045,000 from Other Growth Areas to fund expenditure on Other Growth Areas by Northamptonshire Urban Development Corporation.

As a result of all changes there is a decrease in provision for Section A of £7,142,000 (decrease of £8,292,000 resource; increase of £1,150,000 capital).

Section B—Decent Places to Live

Transfers to Section B

£500,000 within section from Liveability to Housing Corporation to cover pensions pressures.

£2,255,000 drawdown from end year flexibility for expenditure by Housing Action Trusts to meet agreed capital commitments.

£3,790,000 capital from Departmental Unallocated Provision to cover capital expenditure on Groundwork.

£300,000 drawdown of end year flexibility and £75,000 from ASD research to cover expenditure on the National Register of Social Housing.

Transfers from Section B

£3,790,000 resource from Groundwork to Departmental Unallocated Provision.

As a result of all changes there is an overall increase in provision for Section B of £2,630,000 resource.

Section C—Tackling Disadvantage

Transfers to Section C

£1,320,000 from non-voted Housing Corporation to Coalfields Regeneration Trust for capital expenditure.

£8,000,000 within Local Enterprise Growth Initiative (LEGI) from support for Local Authorities to central government grant to cover LEGI expenditure.

£3,500,000 from Other Growth Areas to Coalfields Regeneration Trust for capital expenditure on the Coalfields Respite Centre.

£2,000,000 within Homelessness from (support for Local Authorities) to cover expenditure by voluntary bodies.

£615,000 from Homelessness (support for Local Authorities) to the New Ventures Fund.

£23,737,000 from the Home Office as a result of a Machinery of Government Change to cover expenditure on improving race and faith equalities and community cohesion.

£8,020,000 from the Department for Trade and Industry as a result of a Machinery of Government Change to cover expenditure on improving gender equality.
Transfers from Section C
£500,000 from Coalfields Regeneration Trust to non-voted Housing Corporation to cover pensions pressures.
£615,000 from Homelessness (support for Local Authorities) to the New Ventures Fund.
£12,249,000 from the New Ventures Fund to cover expenditure on Local Area Agreements.
£5,551,000 from the New Ventures Fund to Departmental Unallocated Provision.
£684,000 from Safer Stronger Communities element of New Ventures fund to cover pressures on Supporting People administration grant.
As a result of all changes there is an increase in provision for Section C of £18,843,000 (£18,818,000 resource; £25,000 capital).

Section D—Better Services

Transfers to Section D
£600,000 from Local Government Capacity Building fund to Fire Services for the development of the leadership model of a FRS Centre for Leadership.
£1,230,000 from Fire Credit Approvals to Fire Services for capital expenditure on an Electronic Data Collection System.

Transfers from Section D
£1,500,000 from Fire Services to cover expenditure by the Audit Commission on performance assessment for the Fire and Rescue Authorities.
£240,000 from Fire Services to meet expenditure of FireBuy.
As a result of all changes there is an increase in provision for Section D of £90,000 (decrease of £1,140,000 resource; increase of £1,230,000 capital).

Section E—Development of English Regions

Transfers to Section E
£40,000,000 drawdown of end year flexibility to cover Regional Development Agency capital expenditure.
£19,300,000 drawdown of end year flexibility to cover £800,000 resource expenditure and £18,500,000 capital expenditure on the Northern Way.
£274,000 from Regional Housing Board to Regional Chambers to support Regional Housing Board work by regional assemblies.
£10,000 drawdown of end year flexibility to cover Regional Development Agency resource expenditure.
As a result of all changes there is an increase in provision for Section E of £59,584,000 resource.

Section F—Central Administration

Transfers to Section F
£7,147,000 from Home Office to reflect administration costs associated with Machinery of Government changes.
£3,036,000 from Department of Trade and Industry to reflect administration costs associated with Machinery of Government changes.
£120,000 from Department for Culture Media and Sport for the Minister for Women.
£520,000 from Cabinet Office for Parliamentary Counsel work.
£12,677,000 drawdown of end year flexibility to cover a transfer to Government Office administration expenditure (£10,572,000) and for planned central administration expenditure (£2,105,000).
£6,500,000 drawdown from end year flexibility to fund Early Exits Scheme.
£292,000 from the Cabinet Office for the Equalities Review Team.
£3,000,000 drawdown of capital end year flexibility to cover capital expenditure on e-business, of which £2,358,000 is for expenditure on Electronic Document and Records Management and telephony projects in the Government Offices.
**Transfers from Section F**

£1,160,000 from Central Administration to the Deputy Prime Minister’s Office to reflect Machinery of Government changes.

£926,000 from Central Administration to the Cabinet Office to cover the work on Social Exclusion following Machinery of Government changes.

£11,072,000 from Central Administration for the Government Offices’ work on various schemes including emergency planning (£2,309,000); planning review (£2,132,000); local area agreements (£1,000,000) and street wardens (£394,000).

£2,358,000 from Central Administration capital provision to cover Government Offices expenditure on Electronic Document and Records Management and telephony projects.

As a result of all changes there is an increase in provision for Section F of £17,776,000 (£17,134,000 resource; £642,000 capital).

**SECTION G—GOVERNMENT OFFICES**

**Transfers to Section G**

£11,072,000 from Central Administration for the Government Offices’ work on various schemes including emergency planning (£2,309,000); planning review (£2,132,000); local area agreements (£1,000,000) and street wardens (£394,000).

£3,000,000 from Department for Education and Skills to fund Government Office early exits.

£7,051,000 from Department for Environment Food and Rural Affairs to Government Offices to fund GO early exits (£2,071,000); additional core funding (£3,519,000 Countryside Agency (£941,000); SR2002 (£520,000).

£1,257,000 from Department of Trade and Industry to fund Government Office early exits.

£66,000 from Department for Culture Media and Sport for contribution to fund Government Office early exits.

£2,358,000 capital provision from Central Administration for Electronic Document and Records Management and telephony projects.

**Transfers from Section G**

£993,000 to HM Treasury in respect of efficiency savings required under SR04.

As a result of all changes there is an increase in provision for Section G of £23,811,000 (£21,453,000 resource; £2,358,000 capital).

**SECTION H—EUROPEAN STRUCTURAL FUNDS (NET)**

No change.

**SECTION I—EUROPEAN STRUCTURAL FUNDS (COMMUNITIES AND LOCAL GOVERNMENT)**

**Transfers to Section I**

£5,000,000 from non-voted English Partnerships to cover European Regional Development Fund’s interpretation provision.

£290,000 from Planning to INTERREG for the Transactional ERDF and State Aid (TESA) system.

£962,000 drawdown of end year flexibility (£682,000 resource and £280,000 capital) for European Regional Development Fund for the Transactional ERDF and State Aid (TESA) system.

As a result of these changes there is an increase in provision for Section I of £6,252,000 (£5,972,000 resource; £280,000 capital).
SECTION J—ORDNANCE SURVEY

No change.

SECTION K—QUEEN ELIZABETH II CONFERENCE CENTRE EXECUTIVE AGENCY

Transfers to Section K

£117,000 drawdown from end year flexibility to correct an error in the Main Estimate figures.
As a result of this change there is an increase in provision for Section K of £117,000 resource.

SUPPORT FOR LOCAL AUTHORITIES

SECTION L—HOUSING SUPPLY AND DEMAND

Transfers to Section L

£800,000 drawdown of end-year flexibility for Housing Market Renewal Fund capital expenditure on grant payments.
£818,000 drawdown of end year flexibility for capital expenditure on Choice Based Lettings.
£398,191,000 transfer from non-voted Local Authority Supported Capital Expenditure to Regional Housing Pot (£384,191,000) and Gypsy and Travellers’ Sites (£14,000,000).
£33,500,000 drawdown from DEL Reserve for Housing Market Renewal Fund to cover resource expenditure.
£200,000 from Landlord’s Licensing and Safety Ratings programme to increase the number of Social Homebuy Local Authority Pilot Schemes.

Transfers from Section L

£20,000,000 from the Housing Market Renewal Fund to non-voted English Partnerships.
£3,200,000 from Other Growth Areas to English Partnerships to carry out work on Other Growth Areas.
£38,100,000 from Thames Gateway to non-voted expenditure by London Urban Development Corporation in the Thames Gateway.
£26,425,000 from Thames Gateway to cover expenditure by Thurrock Urban Development Corporation in the Thames Gateway.
£2,800,000 transfer within Thames Gateway to cover expenditure by the English Partnerships in the Thames Gateway.
£1,200,000 transfer within Thames Gateway to cover non-voted expenditure by the South East England Development Agency in the Thames Gateway.
£3,500,000 from Other Growth Areas to Coalfields Regeneration Trust to cover expenditure on the Coalfields Respite Centre.
£6,380,000 from Planning Delivery Grant to fund the Planning Inspectorate (£2,000,000), Planning Application Services, Advisory Team on Large Applications and Planning Policy Statement 3 (£4,380,000).
£10,000,000 from Other Growth Areas to non-voted Other Growth Areas to cover cost of work carried out by Northamptonshire Urban Development Corporation.
£1,500,000 transfer within Thames Gateway to non-voted Thames Gateway to cover expenditure by the East of England Development Agency.
As a result of all changes there is an increase in provision for Section L of £320,404,000 resource.

SECTION M—DECENT PLACES TO LIVE

Transfers to Section M

£745,000 drawdown of Invest to Save Budget to meet Private Housing Renewal planned expenditure.
As a result of this change there is an increase in provision for Section M of £745,000 resource.
SECTION N—TACKLING DISADVANTAGE

Transfers to Section N

- £40,300,000 transfer from Local Area Agreements for expenditure on New Ventures Fund projects.
- £30,000,000 transfer of provision from Tackling Disadvantage for expenditure on Safer and Stronger Communities.
- £4,232,000 drawdown of end year flexibility for Disabled Facilities Grant (£200,000 resource and £4,032,000 capital) to meet demands on Local Authorities for mandatory grants.
- £3,600,000 transfer from non-voted Departmental Unallocated Provision to Local Enterprise Growth Initiatives to cover capital needed by local authorities.
- £2,100,000 drawdown of end year flexibility to cover expenditure on New Deal for Communities programme.
- £684,000 from Safer Stronger Communities element of New Ventures fund to cover Supporting People administration grant.

Transfers from Section N

- £120,860,000 transfer of baseline to new Estimates line Z—Local Area Agreements.
- £11,970,000 transfer from New Ventures Fund to cover expenditure on Local Area Agreements.
- £5,000,000 from Local Enterprise Growth Initiatives to Departmental Unallocated Provision.
- £8,000,000 transfer within Local Enterprise Growth Initiatives from support for Local Authorities to central government grant to cover LEGI expenditure.
- £2,000,000 transfer within Homelessness to cover expenditure by voluntary bodies.
- £21,250,000 from Local Government Grants to Current Grants within New Ventures Fund programme.

As a result of all changes there is a decrease in provision for Section N of £88,164,000 resource.

SECTION O—BETTER SERVICES

Transfers from Section O

- £330,000 drawdown from Invest to Save Budget for expenditure on Fire Reducing Exclusion, Starting Positive Engagement with Children Together (RESPECT) Project.

As a result of this change there is an increase in provision for Section O of £330,000 resource.

SECTION P—DEVELOPMENT OF ENGLISH REGIONS

Transfers to Section P

- £5,000,000 from non-voted Departmental Unallocated Provision for capital expenditure on Combined Universities of Cornwall.
- £170,000 from Regional Housing Boards to Regional Chambers to support Regional Housing Board work by local authority hosted regional assemblies.
- £551,000 drawdown from end year flexibility to cover expenditure by the London Development Agency.

As a result of these changes there is an increase in provision for Section P of £5,721,000 resource.

SECTION Q—EUROPEAN STRUCTURAL FUNDS—NET

No change.
SPENDING IN ANNUALLY MANAGED EXPENDITURE (AME)

CENTRAL GOVERNMENT SPENDING

SECTION R—DECENT PLACES TO LIVE

Transfers from Section R
A decrease of £47,702,000 required to meet Housing Revenue Account subsidy.
As a result of this change there is a decrease in Section R of £47,702,000 resource.

SECTION S—BETTER SERVICES
No change.

SUPPORT FOR LOCAL AUTHORITIES

SECTION T—BETTER SERVICES
No change.

NON-BUDGET

SECTION U—HOUSING SUPPLY AND DEMAND

Transfers to Section U
£439,149,000 increase in grant in aid to cover expenditure by the Housing Corporation (£311,411,000); Thames Gateway: London Urban Development Corporation (£42,400,000); Thames Gateway: Thurrock Urban Development Corporation (£32,125,000); English Partnerships (£29,500,000); Other Growth Areas: West Northamptonshire Urban Development Corporation (£12,253,000); Other Growth Areas: English Partnerships (£4,000,000) Thames Gateway: English Partnerships (£2,800,000); Thames Gateway: East of England Development Agency (£2,500,000); Thames Gateway: South East England Development Agency (£1,200,000) and Leasehold Enfranchisement Advisory Service (£960,000).
As a result of these changes there is an increase in provision for Section U of £439,149,000 resource.

SECTION V—BETTER SERVICES

Transfers to Section V
£240,000 increase in grant in aid for FireBuy. As a result of this change there is an increase in provision for Section V of £240,000 resource.

SECTION W—DECENT PLACES TO LIVE
No change.

SECTION X—TACKLING DISADVANTAGE

£20,624,000 increase in grant in aid from the Home Office resulting from Machinery of Government changes.
£7,356,000 increase in grant in aid from Department of Trade and Industry resulting from Machinery of Government changes.
As a result of these changes there is an increase of provision for Section X of £27,980,000 resource.

SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL)

CENTRAL GOVERNMENT SPENDING

SECTION Y—LOCAL AREA AGREEMENTS

Receipt of £413,067,000 from other government departments for Local Area Agreements—£353,367,000 from the Department for Education and Science and £59,700,000 from the Home Office.
As a result of this change there is a decrease in provision for Section Y of £413,067,000 resource.
SUPPORT FOR LOCAL AUTHORITIES

SECTION Z—LOCAL AREA AGREEMENTS

Transfer of £413,067,000 from Local Area Agreements for expenditure on Local Area Agreements.

RFR2: PROVIDING FOR EFFECTIVE DEVOLED DECISION MAKING WITHIN A NATIONAL FRAMEWORK.

This RFR covers support for Local Authorities through revenue support grant and redistributed non-domestic rates; payments to the Valuation Office Agency for rating and valuation services; payments to the Audit Commission for Best Value inspections; Greater London Authority (GLA) general grant; other grants to local authorities and costs associated with boundary and electoral reviews.

As a result of the Estimate the overall resource position for RFR2 will change as set out in the following table:

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<thead>
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<th></th>
<th>£000</th>
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<tr>
<td>Existing net provision</td>
<td>23,372,915</td>
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<td>Increase in provision sought</td>
<td>466,292</td>
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<tr>
<td>Revised net provision</td>
<td>23,839,207</td>
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The element of the Local Government Departmental Expenditure Limit within the Estimates that is associated with this Request for Resources will increase by £58,131,000 from £22,631,372,000 to £22,689,503,000.

SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL)

CENTRAL GOVERNMENT SPENDING

SECTION A—VALUATION SERVICES

Transfers from section A

£2,371,000 from Valuation Office Agency to Standards Board for England (non voted) to support the costs of its relocation to Manchester.

As a result of this change there is a decrease in provision for Section A of £2,371,000 resource.

SECTION B—BEST VALUE INSPECTION

Transfers to Section B

£1,500,000 from Fire Services to cover expenditure by the Audit Commission on performance assessment for Fire and Rescue Authorities.

£3,271,000 from Capacity Building (section H) to Best Value Intervention to fund in year spending pressures for a number of intervention projects.

As a result of these changes there is an increase in provision for Section B of £4,771,000 resource.

SECTION C—LOCAL GOVERNMENT RESEARCH, PUBLICITY, MAPPING AND ELECTORAL COSTS

Transfers to Section C

£519,000 drawdown of end year flexibility for Local Government on Line.

£365,000 from Mayoral Referendums (section D) to Local Government Research to support Research for Lyons and Business Improvement Districts.

£194,000 from Capacity Building (Section H) to Local Government Research to pay for Capacity Building Research.

Transfers from Section C

£250,000 from Mapping Costs to Emergency Financial Assistance (Section H) to increase provision for payments under the Bellwin scheme.

As a result of these changes there is an increase in provision for Section C of £828,000 resource.
SECTION D—LOCAL GOVERNANCE

Transfers from Section D

£30,000 from Mayoral Referendums to make up the funding gap for Best Value Parish Councils Grant (section H).

£365,000 from Mayoral Referendums to Local Government Research (section C) to support Research for Lyons and Business Improvement Districts.

£219,000 from Mayoral Referendums to Standards Board for England (non voted) to support the costs of its relocation to Manchester.

As a result of these changes there is a decrease in provision for Section D of £614,000 resource.

SUPPORT FOR LOCAL AUTHORITIES

SECTION E—REVENUE SUPPORT GRANT

Transfers to Section E

£35,000,000 drawdown of end year flexibility for Private Finance Initiative Special Grant as agreed with the Chief Secretary last year, to reflect higher anticipated take up of grant in 2006–07.

As a result of this change there is an increase in provision for Section E of £35,000,000 resource.

SECTION H—OTHER GRANTS AND PAYMENTS

Transfers to Section H

£8,000,000 drawdown of end year flexibility for Capacity Building to reflect a switch in spending needs between 2006–07 and 2007–08. Monies are to be repaid to the consolidated fund in 2007–08.

£10,000,000 drawdown of end year flexibility reassigned from DCA for Local Government on Line to fund capital expenditure on Government Connect.

£6,634,000 drawdown of end year flexibility for Local Government on Line capital expenditure to fund programme slippage from 2005–06.

£250,000 from Mapping Costs (section C) to Emergency Financial Assistance to increase provision for payments under the Bellwin scheme.

£30,000 from Mayoral Referendums (section D) to make up the funding gap for Best Value Parish Councils Grant.

An additional £1,602,000 from the Treasury funded Invest to Save programme to provide cover for all 2006–07 claims.

Transfers from Section H

£1,934,000 from Emergency Financial Assistance to Standards Board for England (non voted) to fund an agreed budget.

£600,000 from Local Government Capacity Building fund to Fire Services for the development of the leadership model of a FRS Centre for Leadership.

£194,000 from Capacity Building Local Government Research (section C) to pay for Capacity Building Research.

£3,271,000 from Capacity Building to Best Value Intervention (section B) to fund in year spending pressures for a number of intervention projects.

As a result of these changes there is an increase in provision for Section H of £20,517,000 (£3,883,000 resource: £16,634,000 capital).
SPENDING IN ANNUALLY MANAGED EXPENDITURE (AME)

LOCAL GOVERNMENT

SECTION I—NON-DOMESTIC RATES OUTTURN AND ADJUSTMENTS AND LABGIS

Transfers to Section I

Increase of £316,000,000 for National Non-domestic Rates outturn adjustments to provide for expected local authority claims.

An additional £92,000,000 for Local Authority Business Growth Incentive Scheme required due to slippage in 2005–06.

As a result of these changes there is an increase in provision for Section I of £408,000,000.

NON-BUDGET

SECTION J—NON-DEPARTMENTAL PUBLIC BODIES

Increase in Grant in Aid of £3,661,000 for the Standards.

A reduction of Grant in Aid of £3,500,000 for the Valuation Tribunal Service.

As a result of these changes there is an increase in provision for Section J of £161,000.

NET CASH REQUIREMENT

As a result of the changes in the Estimates the Net Cash Requirement is to be increased by £1,357,195,000 from £32,068,455,000 to £33,425,650,000.

CHANGES TO DEL

As a result of the Estimates the Department’s Main Programmes DEL will be increased by £184,097,000 from £9,234,045,000 to £9,418,142,000 and the administration costs limit will also be increased by £31,863,000 from £286,784,000 to £318,647,000. Within the DEL change, the impact on resources and capital are as set out in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Change</th>
<th>Voted</th>
<th>Non-voted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource</td>
<td>135,605</td>
<td>3,497,677</td>
<td>149,218</td>
<td>3,646,895</td>
</tr>
<tr>
<td>Of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration budget</td>
<td>31,863</td>
<td>318,647</td>
<td>—</td>
<td>318,647</td>
</tr>
<tr>
<td>Near-cash in RDEL</td>
<td>154,556</td>
<td>3,444,582</td>
<td>150,615</td>
<td>3,595,197</td>
</tr>
<tr>
<td>Capital</td>
<td>48,492</td>
<td>2,152,622</td>
<td>3,618,625</td>
<td>5,771,247</td>
</tr>
<tr>
<td>Depreciation*</td>
<td>— 603</td>
<td>— 32,360</td>
<td>— 2,813</td>
<td>— 35,173</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>183,494</strong></td>
<td><strong>5,617,939</strong></td>
<td><strong>3,765,030</strong></td>
<td><strong>9,382,969</strong></td>
</tr>
</tbody>
</table>

*Depreciation, which forms part of resource DEL, is excluded from the total DEL, since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

The change in the Resource Element of the DEL arises from:

(i) take up of End Year Flexibility of £22,582,000 comprising:

Programme Expenditure

(a) £300,000 for National Register of Social Housing;
(b) £1,427,000 from the Invest to Save Budget comprising of £745,000 for Private Housing Renewal and £682,000 for the European Regional Development Fund;
(c) £200,000 for the Disabled Facilities Grant programme;
(d) £1,361,000 for the Development of English Regions;
(e) £117,000 for the Queen Elizabeth II Conference Centre;
Administration costs

(f) £19,177,000 for administration costs comprising of £12,677,000 to cover the work of Department for Communities and Local Government; and £6,500,000 from Other Current to fund Early Exits.

(ii) Draw down of £330,000 from the Treasury’s Invest to Save Budget for the Fire Respect Project.

(iii) Draw down of £33,500,000 from the DEL Reserve for the Housing Market Renewal Pathfinders.

(iv) A transfer of £993,000 to the Treasury in respect of efficiency reductions required under SR04.

(v) A net transfer of £81,086,000 from other government departments, comprising:

FROM OTHER GOVERNMENT DEPARTMENTS

Programme

(a) £60,683,000 to reflect Machinery of Government changes in May 2006 comprising of £16,083,000 from the Department of Trade and Industry and £44,600,000 from the Home Office

Administration Costs (Central Department)

(b) £10,475,000 to reflect Machinery of Government changes in May 2006 comprising of £7,147,000 from the Home Office; £3,036,000 from the Department of Trade and Industry and £292,000 from Cabinet Office for Equalities Review Team;

(c) £120,000 from the Department for Culture Media and Sport for the Minister for Women;

(d) £520,000 from the Cabinet Office for the Parliamentary Counsel.

Administration Costs (Government Offices)

(e) £4,323,000 for contribution to the Government Office release scheme comprising of £3,000,000 from the Department for Education and Skills; £1,257,000 from the Department of Trade and Industry; £66,000 from the Department for Culture Media and Sport;

(f) £7,051,000 from the Department of Environment Food and Rural Affairs comprising of £3,519,000 for additional Core Funding; £941,000 for Countryside Agency; £520,000 for balance for the SR2002 total and £2,071,000 for contribution to the Government Office release scheme.

TO OTHER GOVERNMENT DEPARTMENTS

Administration Costs (Central Department)

(g) £2,086,000 for May 2006 Machinery of Government Changes comprising of £1,160,000 to the Deputy Prime Minister Office and £926,000 to the Cabinet Office for work on Social Exclusion.

(vi) an increase in receipts of £440,680,000 offsetting increases in provision of £123,000 for Tenants Deposit Scheme; £24,000,000 for Tackling Disadvantage and £400,472,000 for Local Area Agreement programme; £996,000 for Central Administration; £7,700,000 for Mapping Data and Services and £7,389,000 for Government Offices.

(vii) a net transfer of £900,000 to Request for Resources (RfR 2) comprising of a transfer of £1,500,000 from Fire Services (RfR1) to Best Value Inspectorate (RfR2) and £600,000 from Capacity Building (RfR2) to Fire Services (RFR1).

(viii) a net transfer of £21,086,000 from voted to non voted provision comprising:

From voted to non-voted provision

(a) £800,000 to Other Growth Areas Urban Regeneration Agencies;

(b) £9,100,000 to Thames Gateway comprising of £4,300,000 to London UDC and £4,800,000 to Thurrock Urban Development Corporation (UDC);

(c) £960,000 within the LEASE programme;

(d) £14,641,000 to Departmental Unallocated provision comprising of £300,000 from Research; £3,790,000 from Groundwork; £5,000,000 from Local Enterprise Growth Initiative (LEGI); and £5,551,000 from the New Ventures Fund;

(e) £2,045,000 to Other Growth Areas (Northampton UDC);

(f) £1,000,000 to Housing Corporation comprising of £500,000 from Liveability and £500,000 from Coalfields Regeneration Trust;

(g) £240,000 to FiReBuy programme; and
(h) £100,000 to East of England Development Agency.

To voted from non-voted provision

(i) £2,526,000 to Planning Inspectorate;

(j) £274,000 to Valuation Office Agency Right to Buy;

(k) £5,000,000 to European Regional Development Fund.

(ix) As a result of the changes to Request for Resources 1, The Department of Communities and Local Government’s administration provision will be increased by £38,587,000 from £286,867,000 to £325,454,000.

The Change in the Capital Element of the DEL Arises from

(x) a take up of EYF of £32,587,000 comprising of:

Programme Expenditure

(a) £800,000 for Housing Market Renewal Fund;

(b) £818,000 for Pilot Based Lettings;

(c) £2,255,000 for Housing Action Trusts;

(d) £4,032,000 for Disabled Facilities Grant;

(e) £2,100,000 for New Deal for Communities;

(f) £18,500,000 for Northern Way;

(g) £280,000 for European Regional Development Fund from the Invest to Save Budget; and

(h) £802,000 for the Housing Corporation.

Administration Costs (Central DCLG)

(i) £3,000,000 for capital expenditure.

(xii) an increase in receipts of £18,595,000 offsetting increases in provision of £6,000,000 for Tackling Disadvantage and £12,595,000 for the Local Area Agreements.

Within the capital element of the DEL there is a net transfer of £313,757,000 from non voted to voted provision comprising:

From voted to non voted provision

(a) £10,208,000 to Northampton UDC;

(b) £26,000,000 to English Partnerships comprising of £20,000,000 from the Housing Market Renewal Fund and £3,200,00 from Other Growth Areas and £2,800,000 from Thames Gateway ;

(c) £65,425,000 to Thames Gateway comprising of £38,100,000 for London UDC; and £27,325,000 for Thurrock UDC;

(d) £1,200,000 to Thames Gateway South East of England Development Agency; and

(e) £2,400,000 to East of England Development Agency.
To voted from non voted provision

(f) £14,000,000 to Gypsy and Traveller’s Sites;
(g) £384,100,000 to Regional Housing Pot;
(h) £500,000 to Liveability Fund;
(i) £17,840,000 from Departmental Unallocated Provision comprising of £3,790,000 to Groundwork; £3,600,000 to LEGI; £5,450,000 for the Local Area Agreement and £5,000,000 for Combined Universities;
(j) £1,320,000 to the Coalfields Regeneration Trust;
(k) £1,230,000 to Fire Services.

Administration Cost Limit

The change to the Administration Cost Limit arises from a net transfer as a result of Machinery of Government changes (£8,805,000); a draw down of EYF (£12,677,000); and a net transfer from other government departments (£10,381,000).

3. Changes to End Year Flexibility

<table>
<thead>
<tr>
<th>END YEAR FLEXIBILITY (£M) 2006–07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Start of Year</strong></td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td><strong>Resource:</strong></td>
</tr>
<tr>
<td>Ringfenced</td>
</tr>
<tr>
<td>Non Ringfenced</td>
</tr>
<tr>
<td>Administration</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
</tr>
<tr>
<td><strong>Capital:</strong></td>
</tr>
<tr>
<td>Ringfenced</td>
</tr>
<tr>
<td>Non Ringfenced</td>
</tr>
<tr>
<td>Administration</td>
</tr>
<tr>
<td><strong>Sub total</strong></td>
</tr>
<tr>
<td><strong>Total:</strong></td>
</tr>
<tr>
<td>Ringfenced</td>
</tr>
<tr>
<td>Non Ringfenced</td>
</tr>
<tr>
<td>Administration</td>
</tr>
</tbody>
</table>

Local Government DEL

As a result of the Estimates the Department’s Local Government DEL will be increased by £62,655,000 from £22,741,021,000 to £22,803,676,000. Within the DEL change, the impact on resources and capital are as set out in the following table:

<p>| Change in DEL £'000 |
|---------------------|---------------------|---------------------|---------------------|</p>
<table>
<thead>
<tr>
<th></th>
<th><strong>New DEL</strong></th>
<th><strong>Voted</strong></th>
<th><strong>Non-voted</strong></th>
<th><strong>Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration budget</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Near-cash in RDEL</td>
<td>45,505</td>
<td>22,432,618</td>
<td>105,157</td>
<td>22,537,775</td>
</tr>
<tr>
<td>Capital</td>
<td>16,634</td>
<td>256,885</td>
<td>8,500</td>
<td>265,385</td>
</tr>
<tr>
<td>Depreciation*</td>
<td>-516</td>
<td>-516</td>
<td>-516</td>
<td>-516</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62,139</strong></td>
<td><strong>22,689,503</strong></td>
<td><strong>113,657</strong></td>
<td><strong>22,803,160</strong></td>
</tr>
</tbody>
</table>

* Depreciation, which forms part of resource DEL, is excluded from the total DEL, since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

The change in the resource element of the DEL arises from:

(i) take up of End Year Flexibility of £43,519,000 comprising
(a) £8,000,000 for Capacity Building;
(b) £519,000 for Local Government on Line;
(c) £35,000,000 for Private Finance Initiative.

(ii) a net transfer of £900,000 from Request for Resources (RfR 1) comprising of a transfer of £1,500,000 to Best Value Inspection (RfR2) from Fire Services (RfR1) and £600,000 from Capacity Building (RfR2) to Fire Services (RfR1).

(iii) Draw down of £1,602,000 from the Invest to Save Budget for several projects relating to bids for Rounds 7 and 8.

(iv) an increase in cash receipt of £308,000 with a corresponding increase in DEL cover for the Standards Boards.

(v) a net transfer of £4,524,000 from voted to non voted provision comprising of £2,371,000 from Valuation Services and £219,000 from Local Governance and £1,934,000 from the Bellwin programme.

(vi) The change in the capital element of the DEL arises from a take up of End Year Flexibility of £16,634,000 for Local Government on Line.

Changes to End Year Flexibility

END YEAR FLEXIBILITY (£M) 2006–07

<table>
<thead>
<tr>
<th>Resource:</th>
<th>Start of Year</th>
<th>Reassigned from DCA</th>
<th>Take up in Winter Supps</th>
<th>Remaining EYF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ringfenced</td>
<td>109.613</td>
<td>43.519</td>
<td>66.094</td>
<td></td>
</tr>
<tr>
<td>Non Ringfenced</td>
<td>3.012</td>
<td>0</td>
<td>3.012</td>
<td></td>
</tr>
<tr>
<td>Sub total</td>
<td>112.625</td>
<td>43.519</td>
<td>69.106</td>
<td></td>
</tr>
<tr>
<td>Capital:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringfenced</td>
<td>259.148</td>
<td>10.000</td>
<td>252.514</td>
<td></td>
</tr>
<tr>
<td>Non Ringfenced</td>
<td>27.323</td>
<td>0</td>
<td>27.323</td>
<td></td>
</tr>
<tr>
<td>Sub total</td>
<td>286.471</td>
<td>10.000</td>
<td>279.837</td>
<td></td>
</tr>
<tr>
<td>Total:</td>
<td>368.761</td>
<td>10.000</td>
<td>318.608</td>
<td></td>
</tr>
<tr>
<td>Non Ringfenced</td>
<td>30.335</td>
<td>0</td>
<td>30.335</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>399.096</td>
<td>10.000</td>
<td>348.943</td>
<td></td>
</tr>
</tbody>
</table>

Effect on Communities and Local Government PSA Targets

As a result of the Estimates the expenditure against the Department’s PSA targets will change as set out in the following table:

<table>
<thead>
<tr>
<th>PSA Target</th>
<th>EYF including Invest to Save Budget</th>
<th>Machinery Drawdown from Government Reserve</th>
<th>Transfer from DUP</th>
<th>Transfer from OGD</th>
<th>Transfers between targets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tackle social exclusion and deliver neighbourhood renewal working with departments to help them meet their PSA floor targets—by 2010</td>
<td>6,072</td>
<td>0</td>
<td>8,000</td>
<td>−1,107</td>
<td>12,965</td>
<td></td>
</tr>
<tr>
<td>2. Sustainable improvements in economic performance of English Regions—by 2008</td>
<td>7,913</td>
<td>0</td>
<td>14,000</td>
<td>5,316</td>
<td>27,229</td>
<td></td>
</tr>
<tr>
<td>3. Reduce the number of accidental fire-related deaths in the home by 20% and the number of deliberate fires by 10%—by 2010</td>
<td>330</td>
<td>0</td>
<td>−900</td>
<td>−570</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Improving effectiveness and efficiency of local government in leading and delivering services to all communities—by 2008</td>
<td>0</td>
<td>0</td>
<td>145</td>
<td>145</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Achieving better balance between housing availability and demand</td>
<td>11,334</td>
<td>0</td>
<td>67,900</td>
<td>18,000</td>
<td>128,405</td>
<td>259,138</td>
</tr>
<tr>
<td>6. Planning system to deliver sustainable development outcomes and to achieve best value standards for planning by 2008</td>
<td>0</td>
<td>0</td>
<td>1,230</td>
<td>1,230</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Communities and Local Government Committee: Evidence  
Ev 73

<table>
<thead>
<tr>
<th>PSA Target</th>
<th>EYF including Machinery of Government</th>
<th>Drawdown from Reserve</th>
<th>Transfer from DUP</th>
<th>Transfer from OGD</th>
<th>Transfers between targets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Bring all social housing into decent condition by 2010</td>
<td>7,256</td>
<td>0</td>
<td>2,100</td>
<td></td>
<td></td>
<td>– 129,649 – 120,293</td>
</tr>
<tr>
<td>8. Lead delivery of cleaner, safer, greener public spaces, and improvement of built environment in deprived areas with measurable improvement by 2008</td>
<td>300</td>
<td>0</td>
<td></td>
<td>5,000</td>
<td>75</td>
<td>5,375</td>
</tr>
<tr>
<td>9. By 2008, working with other departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government’s objectives on equality and social inclusion.</td>
<td>0</td>
<td>16,083</td>
<td></td>
<td>0</td>
<td></td>
<td>16,083</td>
</tr>
<tr>
<td>10. Reduce race inequalities and build community cohesion.</td>
<td></td>
<td></td>
<td>44,805</td>
<td>0</td>
<td></td>
<td>44,805</td>
</tr>
<tr>
<td>Total</td>
<td>33,205</td>
<td>60,888</td>
<td>33,500</td>
<td>75,000</td>
<td>40,000</td>
<td>3,515</td>
</tr>
</tbody>
</table>

Notes
1. The figures in the Table do not include costs not attributable to the Office’s PSAs ie administration costs and the Queen Elizabeth II Conference Centre.
2. The LG DEL of £22.8 billion contributes to PSA 4.

The main effects on programmes as a result of these changes are:

**PSA 1**

The EYF has been drawn down for work to be carried out by the New Deal for Communities programme and for work being carried out by the RDAs and the LDA including work on the Northern Way. There is also a transfer from the Department of Trade and Industry for work to be carried out by the RDAs and the LDA.

In addition to the figures in the table a further £413 million (£353 million from DfES and £60 from the Home Office) was received to fund those Department’s funding streams in Local Area Agreements. The figures do not appear in the table as the amounts are invoiced for by the Department and therefore do not appear in the DEL because the increased provision is offset by receipts.

**PSA 2**

The EYF has been drawn down for work to be carried out by the RDAs and the LDA including work on the Northern Way. There is also a transfer from the Department of Trade and Industry for work to be carried out by the RDAs and the LDA.

The other changes consist mainly of a transfer from EP to the ERDF programme.

**PSA 3**

The drawdown was for the Fire Services and contributes towards the Reducing Exclusion, Starting Positive Engagement with Children Together (RESPPECT) project.

The decrease in expenditure consists of a transfer to the LG DEL for a contribution towards the payment of Audit Commission bills in relation to performance assessment work for the Fire & Rescue Authorities.

**PSA 4**

The transfer in was for the work on the Transactional ERDF and State Aid (TESA) system.

**PSA 5**

The EYF drawdown covered work by the RDAs and LDA including work on the Northern Way. In addition EYF was also drawn down for the Housing Corporation; the funding of pilot letting schemes and for the Housing Market Renewal Fund for the existing pathfinder projects. Resources from the Departmental Unallocated Provision were transferred for use by the Housing Corporation. There is also a transfer from the Department of Trade and Industry for work to be carried out by the RDAs and the LDA.
The Reserve drawdown was for the Housing Market Renewal programme to cover a resource spending pressure previously covered by capitalisation by local authorities. The Transfers include extra resources for the Housing Corporation and the Regional Housing Pot Grant.

PSA 6

The small change in resources is a result of transfer within Planning and a transfer to the Planning Inspectorate.

PSA 7

The main drawdown of EYF is for funding mandatory Disabled Facilities Grant and work carried out by Housing Action Trusts. The main transfer out is to the Housing Corporation but within the PSA there is an increase for Gypsy Site grants.

PSA 8

The EYF is for the National Register of Social Housing (NROSH) project. Resources from the Departmental Unallocated Provision have been transferred for use by Combined Universities in Cornwall.

PSA 9

The amount for this PSA is for the resources transferred by the Home Office for the responsibilities taken over by the Department for Race, Faith and Cohesion. It includes expenditure on the Commission for Racial Equality and the Community Development Foundation.

PSA 10

The amount for this PSA is for the resources transferred by the Department of Trade and Industry for the responsibilities taken over by the Department for Equality issues and includes expenditure on the Equal Opportunities Commission.

RfR1: Improving the Quality of Life by Creating Thriving, Inclusive and Sustainable Communities in All Regions

Housing revenue account subsidy; homelessness and rough sleepers; payments to the Housing Corporation; payments to the Audit Commission for registered social landlord inspections; disabled facilities grant; renewal of private sector housing; best value in housing; home selling; procurement efficiency and social housing; payments to local authorities in respect of Local Area Agreements; rent and leasehold services; national approved letting scheme; social housing mobility including choice-based local authority lettings; council tenant participation; housing transfers; procurement efficiency and social housing; regional housing boards advice; payments to Housing Action Trusts; the Supporting People programme; capital grants to local authorities for housing; Local Authority Social Housing Grant transitional compensation; payments to the Commission for Architecture and the Built Environment; payments to the Academy for Sustainable Communities; Housing Improvement Agencies; charges by Valuation Offices in respect of Right to Buy; refurbishment and acquisition of gypsy sites; deprived neighbourhoods, including the New Deal for Communities programmes; payments to the Urban Regeneration Agency; payments to the Department of Trade and Industry for Regional Development Agencies and the London Development Agency; Groundwork; initiatives to accelerate the growth areas, including payments to development corporations and other local delivery agencies; grants and payments for creating and improving parks and public spaces; co-ordinating strategy for dealing with abandoned vehicles; payments that derive from European Structural Funds Regulations (including ERDF match funding); exchange rate losses and other losses relating to European Regional Development Fund (ERDF) projects; coalfields regeneration; planning; the Planning Inspectorate; fire and rescue services, including grants paid to Chief Fire Officers’ Association and measures to deal with the aftermath of terrorism; payments and loans to the Fire Service College (trading fund); fire service superannuation; fire service dispute(s); payments to Firebuy; mapping data and services; Ordnance Survey trading fund; regional assemblies, payments for the Mersey Basin Campaign; work on improving race, gender and faith equalities; payments to the Equal Opportunities Commission and the Commission for Racial Equality; costs associated with the setting up of the Commission for Equality and Human Rights; special grants paid under section 88B of the Local Government Finance Act 1988; special grants paid under Section 31 of the Local Government Act 2003; minor grants and payments in support of housing, planning,
regeneration, liveability, urban design, building regulation, research, development, surveys; monitoring, statistics, advice and consultancies; initiatives to tackle areas of low demand housing; publicity, promotion and publications; communications; Special Grants Programme support to voluntary bodies; subscriptions and contributions to international organisations; co-ordination of cross-cutting issues including social exclusion; the residual functions of Property Services Agency (PSA); residual payments concerning the privatisation of the Building Research Establishment; payments and loans in connection with the Queen Elizabeth II Conference Centre trading fund; the Neighbourhood Renewal Unit; the Teenage Pregnancy Unit; the administration and operation of the Department; providing for the administration of the Government Offices; the purchase, acquisition, hire, lease and rent of land, buildings, plant, equipment, machinery, vehicles and capital assets; research; housing statistics, special payments; and associated non-cash items.

Section +/− change (£000s) Further comment to text above

1A
(Of which: Resource −7,142 To decrease resource provision to £146,920,000:
Resource −8,292 by the net transfer of £800,000 Other Current provision and
Capital 1,150 £10,753,000 Grant provision from Housing Supply and
Demand (Section A) to non voted provisions; by increasing
Other Current provision by £4,270,000 for Housing Supply and
Demand (Section A) funded through a net transfer from
Housing Supply and Demand (Support for Local Authorities)
(Section L):
by the transfer of £200,000 Grant provision for Housing Supply
and Demand (Section A) to Housing Supply and Demand
(Support for Local Authorities) (Section L):
by the transfer of £75,000 Other Current provision for Housing
Supply and Demand (Section A) to Decent Places to Live
(Section B):
by the transfer of £290,000 Other Current provision for Housing
Supply and Demand (Section A) to Development of English
Regions (Section E);
by the transfer of £170,000 Other Current provision for Housing
Supply and Demand (Section A) to Development of English
Regions—Support for Local Authorities (Section E);
by increasing the Grant Provision by £123,000 for Housing
Supply and Demand (Section A) fully offset by receipts.

To increase capital provision to £5,794,000:
by the transfer of £1,150,000 capital provision to Housing
Supply and Demand (Section A) from Housing Supply and
Demand (Support for Local Authorities) (Section L).

1B
(Of which: Resource +2630 To increase resource provision to £44,194,000:
Resource +2,630 by increasing the grant provision by £2,255,000 and Other
Capital 0 Current Provision by £300,000 for Decent Places to Live
(Section B) by draw down from EYF:
by the transfer of £75,000 Other Current Provision from
Housing Supply and Demand (Section A) to Decent Places to
Live (Section B).

1C
(Of which: Resource +18,843 To increase resource provision to £92,987,000:
Resource +18,818 by the transfer of £5,551,000 Other Current provision from
Capital 25 Tackling Disadvantage (Section C) to non voted provisions;
by the net transfer of £820,000 Grant provision from non voted
provisions to Tackling Disadvantage (Section C):
by increasing the grant provision by £2,000,000 and Other
Current provision by £16,317,000 for Tackling Disadvantage
(Section C) by a net transfer from Tackling Disadvantage
(support for Local Authorities) (Section N):
by increasing the Grant provision by £3,500,000 for Tackling
Disadvantage (Section C) by a transfer from Housing Supply
and Demand (Support for Local Authorities) (Section L):
<table>
<thead>
<tr>
<th>Section</th>
<th>+/- change</th>
<th>(£000s)</th>
<th>Further comment to text above</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>by increasing Other Current provision by £31,732,000 for Tackling Disadvantage (Section C) in respect of Machinery of Government changes in May 2006; by increasing receipts by £30,000,000 for Tackling Disadvantage (Section C) fully offset by an increase in provision for Tackling Disadvantage (Support for Local Authorities) (Section N).</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>To increase capital provision to £25,000:</strong> in respect of Machinery of Government changes in May 2006.</td>
</tr>
<tr>
<td>1D</td>
<td>+ 90</td>
<td></td>
<td><strong>To decrease resource provision to £106,304,000:</strong></td>
</tr>
<tr>
<td></td>
<td>Resource</td>
<td>-1,140</td>
<td>by the net transfer of £1,140,000 Other current provision for Better Services (Section D) to non voted provision (£240,000) and the Request for Resources 2 (£900,000).</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td>1,230</td>
<td><strong>To increase capital provision to £16,840,000:</strong> by increasing the Other current provision by £1,230,000 for Better Services (Section D) funded through a transfer from Non-Voted Fire Services.</td>
</tr>
<tr>
<td>1E</td>
<td>+ 59,584</td>
<td></td>
<td><strong>To increase resource provision to £1,329,666:</strong></td>
</tr>
<tr>
<td></td>
<td>Resource</td>
<td></td>
<td>by increasing the Grant provision by £59,310,000 for Development of English Regions (Section E) funded through a draw down of End of Year Flexibility;</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td>+59,584</td>
<td>by a transfer of £274,000 from Housing Supply and Demand (Section A) to Development of English Regions (Section E).</td>
</tr>
<tr>
<td>1F</td>
<td>+ 17,776</td>
<td></td>
<td><strong>To increase resource provision to £214,957,000:</strong> by a transfer of £1,160,000 from Central Administration (Section F) to the Deputy Prime Minister’s Office to reflect Machinery of Government Changes;</td>
</tr>
<tr>
<td></td>
<td>Resource</td>
<td>+17,134</td>
<td>by a transfer of £7,147,000 to the Central Administration (Section F) from the Home Office to reflect Machinery of Government Changes;</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td>+642</td>
<td>by a transfer of £338,000 from Central Administration (Section F) to the Cabinet Office;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>by a transfer of £11,072,000 from Central Administration (Section F) to Government Offices;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>by increasing the Administration provision by £12,677,000 for Central Administration (Section F) by draw down of End of Year Flexibility; by increasing the Other Current provision by £6,500,000 for Central Administration (Section F) by draw down of End of Year Flexibility;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>by increasing the Administration provision by £224,000 for Central Administration (Section F) funded through a transfer by the Cabinet Office;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>by increasing the Other Current provision by £8,696,000 for Central Administration (Section F) fully offset by an increase in receipts.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>To increase the capital provision to £21,706,000:</strong> by increasing the Other Current provision by £3,000,000 for Central Administration (Section F) by draw down of End of Year Flexibility;</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>by the transfer of £2,358,000 capital provision from Central Administration (Section F) to Government Offices.</td>
</tr>
</tbody>
</table>
### Section G

<table>
<thead>
<tr>
<th>Change (£000s)</th>
<th>Further comment to text above</th>
</tr>
</thead>
<tbody>
<tr>
<td>+23,811</td>
<td>To increase resource provision to £123,023,000:</td>
</tr>
<tr>
<td><strong>Of which:</strong></td>
<td></td>
</tr>
<tr>
<td>Resource:</td>
<td>by increasing the Administration provision by £7,389,000 for Government Office Administration (Section G) fully offset by an increase in receipts;</td>
</tr>
<tr>
<td>Capital:</td>
<td>by the transfer of £11,072,000 to Government Office Administration (Section G) from Central Administration (Section F);</td>
</tr>
<tr>
<td></td>
<td>by the transfer of £3,000,000 Administration provision to Government Office Administration (Section G) from the Department for Education and Skills;</td>
</tr>
<tr>
<td></td>
<td>by the transfer of £7,051,000 Administration provision to Government Office Administration (Section G) from Department for Environment Food and Rural Affairs;</td>
</tr>
<tr>
<td></td>
<td>by the transfer of £1,257,000 Administration provision to Government Office Administration (Section G) from Department for Trade and Industry;</td>
</tr>
<tr>
<td></td>
<td>by the transfer of £66,000 Administration provision to Government Office Administration (Section G) from Department for Culture, Media and Sport;</td>
</tr>
<tr>
<td></td>
<td>by a transfer of £993,000 from Government Office Administration (Section G) in respect of efficiency savings required by SR04.</td>
</tr>
</tbody>
</table>

To increase the capital provision to £5,218,000:

<table>
<thead>
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</thead>
<tbody>
<tr>
<td></td>
<td>by the transfer of £2,358,000 to Government Office Administration (Section G) from Central Administration (Section F).</td>
</tr>
</tbody>
</table>

### Section H

<table>
<thead>
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<td>+0</td>
<td>There is no change to the resource provision:</td>
</tr>
<tr>
<td><strong>Of which:</strong></td>
<td></td>
</tr>
<tr>
<td>Resource:</td>
<td></td>
</tr>
<tr>
<td>Capital:</td>
<td></td>
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### Section I

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<tr>
<td>+6,252</td>
<td>To increase resource provision to £7,974,000:</td>
</tr>
<tr>
<td><strong>Of which:</strong></td>
<td></td>
</tr>
<tr>
<td>Resource:</td>
<td>by increasing the Other current provision by £682,000 for the European Structural Fund (Section I) by a draw down of End of Year Flexibility;</td>
</tr>
<tr>
<td>Capital:</td>
<td>by transfer of Other Current provision by £5,000,000 to European Structural Fund (Section I) from non voted provision;</td>
</tr>
<tr>
<td></td>
<td>by transfer of Other Current provision by £290,000 to European Structural Fund (Section I) from Housing Supply and Demand (Section A).</td>
</tr>
</tbody>
</table>

To increase the capital provision to £280,000:

<table>
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<tbody>
<tr>
<td></td>
<td>by increasing the Other current provision by £280,000 for the European Structural Fund (Section I) by a draw down of End of Year Flexibility.</td>
</tr>
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</table>

### Section J

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<td>+0</td>
<td>There is no change to the resource provision:</td>
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<tr>
<td><strong>Of which:</strong></td>
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<tr>
<td>Resource:</td>
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<td>Capital:</td>
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### Section K

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<tr>
<td>+117</td>
<td>To increase resource provision to £1,292,000:</td>
</tr>
<tr>
<td><strong>Of which:</strong></td>
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<tr>
<td>Resource:</td>
<td>by increasing the Other current provision by £117,000 for the Queen Elizabeth II Conference Centre Executive Agency by a draw down of End of Year Flexibility.</td>
</tr>
<tr>
<td>Capital:</td>
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<tr>
<td>Section</td>
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<tr>
<td>+ / - change</td>
<td>(£000s)</td>
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<tr>
<td>1L</td>
<td>+320,404</td>
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<tr>
<td>Of which:</td>
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<td>Resource</td>
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<tr>
<td>Capital</td>
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<tr>
<td>1M</td>
<td>+745</td>
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<tr>
<td>Of which:</td>
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<td>Resource</td>
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<tr>
<td>1N</td>
<td>-88,164</td>
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<td>-88,164</td>
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<tr>
<td>Capital</td>
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<tr>
<td>1O</td>
<td>+330</td>
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<tr>
<td>Of which:</td>
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<tr>
<td>Resource</td>
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<tr>
<td>Capital</td>
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<tr>
<td>1P</td>
<td>+5,721</td>
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<td>Capital</td>
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<td>1Q</td>
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<td>Section</td>
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</tr>
<tr>
<td></td>
<td>Resource</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
</tr>
</tbody>
</table>
RfR2: PROVIDING FOR EFFECTIVE DEVOLVED DECISION MAKING WITHIN A NATIONAL FRAMEWORK

Payments to the Valuation Office Agency for rating and valuation services; payments to the Audit Commission for Best Value inspections; revenue support grant and redistributed non-domestic rates to receiving authorities in England; repayments of excess contributions made by local authorities in respect of non-domestic rates in 2004-05 and previous years; preparation for the Greater London Authority and related bodies; Greater London Authority (GLA) general grant; intervention action and capacity building in local authorities; local Public Service Agreement (PSA) performance fund payments; special grants paid under section 88B of the Local Government Finance Act 1988 and section 31 of the Local Government Act 2003; Best Value grants to Parish Councils; grants to beacon councils; emergency financial assistance to local authorities; payments to bodies specified by the Secretary of State under section 78 of the Local Government Finance Act 1988, as amended, and to the Commission for Local Administration in England; mapping and other costs associated with local government reviews and revisions to administrative and electoral boundaries following Parish and Electoral Commission reviews; grant-in-aid to the Standards Board for England and to Valuation Tribunal Service; payments in respect of the work of the Parliamentary Boundary commissions; electoral functions in the United Kingdom; payments in respect of the capital element of contracts let under the private finance initiative; research, development, surveys, monitoring, statistics, advice and consultancies; publicity, promotion and publications; special payments; subscriptions to the Commonwealth Local Government forum; and associated non-cash items.

<table>
<thead>
<tr>
<th>Section</th>
<th>+/- change</th>
<th>(£000s)</th>
<th>Further comment to text above</th>
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</thead>
<tbody>
<tr>
<td>2A</td>
<td>-2,371</td>
<td></td>
<td>To decrease resource provision to £167,450,000:</td>
</tr>
<tr>
<td>Of which: Resource</td>
<td>-2,371</td>
<td>0</td>
<td>by the transfer of £2,371,000 Other current provision from Valuation Services (Section A) to non voted provision for Standard Boards.</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2B</td>
<td>+4,771</td>
<td></td>
<td>To increase resource provision to £27,491,000:</td>
</tr>
<tr>
<td>Of which: Resource</td>
<td>+4,771</td>
<td>0</td>
<td>by the transfer of £1,500,000 Other Current provision to Best Value Inspection (Section A) from RFR1(Fire Services); by the transfer of £3,271,000 Other Current provision to Best Value Inspection (Section B) from Other Grants and Payments (Section H).</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2C</td>
<td>+828</td>
<td></td>
<td>To increase resource provision to £4,267,000:</td>
</tr>
<tr>
<td>Of which: Resource</td>
<td>+828</td>
<td>0</td>
<td>by increasing the Other current provision by £519,000 for Local Government research and publicity, Mapping and Electoral costs (Section C) by draw down of End of Year Flexibility; by the net transfer of £56,000 Other current provision from Local Government research and Publicity, Mapping and Electoral Costs (Section C) to Other Grants and Payments (resource grants) (Section H); by the transfer of £365,000 Other current provision to Local Government research and publicity, Mapping costs and Electoral law (Section C) from Local Governance (Section D).</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2D</td>
<td>-614</td>
<td></td>
<td>To decrease resource provision to £11,000:</td>
</tr>
<tr>
<td>Of which: Resource</td>
<td>-614</td>
<td>0</td>
<td>by a transfer of £30,000 Other Current provision to Other Grants and Payments (Section H) from Local Governance (Section D); by a transfer of £365,000 Other Current provision to Local Government research and Publicity, Mapping and Electoral Costs (Section C) from Local Governance (Section D); by a transfer of £219,000 Other Current provision from Local Governance (Section D) to non voted provision.</td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>2E</td>
<td>+35,000</td>
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<td>To increase resource provision to £3,912,866:</td>
</tr>
<tr>
<td>Of which: Resource</td>
<td>+35,000</td>
<td>0</td>
<td>by increasing the Grant provision by £35,000,000 for Revenue Support Grants (Section E) funded through draw down of End of Year Flexibility.</td>
</tr>
<tr>
<td></td>
<td>Capital</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section  | +/- change | (£000s) | Further comment to text above
--- | --- | --- | ---
F | 0 | | There is no change to the resource provision:
   Of which: 
   Resource | 0 |
   Capital  | 0 |
G | 0 | | There is no change to the resource provision:
   Of which: 
   Resource | 0 |
   Capital  | 0 |
H | +20,517 | | To increase resource provision to £1,039,550,000:
   Of which: 
   Resource | +20,517 |
   Capital  | 0 |
   by increasing the Grant provision by £23,634,000 for Other Grants and Payments (resource grants) (Section H) by draw down of End of Year Flexibility;
   by a transfer of £30,000 Other Current provision from Local Governance (Section D) to Other Grants and Payments (Section H);
   by the transfer of £3,271,000 Other Current provision to Best Value Inspection (Section A) from Other Grants and Payments (Section H);
   by the net transfer of £56,000 Other current provision from Local Government research and Publicity, Mapping and Electoral Costs (Section C) to Other Grants and Payments (resource grants) (Section H);
   by increasing the Other current provision by £1,602,000 for Other Grants and Payments (resource grants) (Section H) by a draw down from Invest to Save budget (ISB);
   by the transfer of £1,934,000 Other current provision for Other Grants and Payments (resource grants) (Section H) to non voted provision;
   by a transfer of £600,000 Other current provision for Other Grants and Payments (resource grants) (Section H) to Request for Resources 1 (Fire Services).
I | +408 | | To increase resource provision to £1,128,000:
   Of which: 
   Resource | +408 |
   Capital  | 0 |
   by increasing the Grant provision by £408,000 for Non-domestic Rates Outturn Adjustments and LABGIS (Section I).
J | +161 | | To increase resource provision to £21,704,000:
   Of which: 
   Resource | +161 |
   Capital  | 0 |
   by increasing the grant in aid provision by £161,000 for Non-departmental public bodies (Section J).

Revised Explanatory Memorandum by the Department for Communities and Local Government—Winter Supplementary Estimates, 2006–07 (AR 03)

1 December 2006

At our evidence session on Monday, I undertook to provide the Committee with a revised explanatory memorandum covering the Department’s Winter Supplementary Estimates ahead of the Secretary of State’s appearance before you on Monday. I am sorry that during Monday’s session we were not able to answer your questions on this subject as fully as I would have wished.

The Committee raised a number of points about the £1.35 billion request for provision made in the estimates. Of this total, £147 million represents a proposed increase in the spending within Departmental Expenditure Limits; this includes £111 million End Year Flexibility drawn down in respect of previous years’ underspends; £2 million is Invest to Save Budgets awarded by HM Treasury; and £33.5 million is a call on the reserve for Housing Market Renewal Pathfinders. If it would be of assistance to you and your colleague on the Committee on considering the estimates, I have agreed with the Secretary of State that we would be very happy to arrange for officials here to brief members of the Committee, or your clerks, on the detail.
INTRODUCTORY NOTE

1. The changes to Departmental Expenditure Limits which are referred to below were announced by the Secretary of State on 21 November, Official Report, columns 23WS to 26WS. Changes to Departmental Expenditure Limits, of which the Department has two (Main Programmes and Local Government), are not always identical to the changes to the Estimates described below. This is because:
   a. some expenditure within Departmental Expenditure Limits (DEL) is non-Voted while some Voted expenditure is outside Departmental Expenditure Limits; and
   b. the Departmental Expenditure Limit includes expenditure by Trading Funds, Non Departmental Public Bodies (NDPBs) and Public Corporations and supported capital expenditure to local authorities which are not included in the Estimate. The Estimate records expenditure by the Department and its Executive Agencies only, which includes grant in aid to NDPBs and capital grants to Public Corporations.

END YEAR FLEXIBILITY

2. The end of year flexibility (EYF) entitlements were included in the Public Expenditure 2005–06 Provisional Outturn White Paper (Cm6883) which was presented to Parliament by the Chief Secretary to the Treasury in July 2006.

MACHINERY OF GOVERNMENT CHANGES

3. As a result of the Machinery of Government Changes on 5 May 2006, the Department for Communities and Local Government was formed to take on most of the responsibilities of the Office of the Deputy Prime Minister and to take on responsibilities for Race, Cohesion and Faith from the Home Office and for gender and equality policy from the Department of Trade and Industry.

4. In addition:
   a. the responsibility for the work of the Deputy Prime Minister was transferred to the Deputy Prime Minister’s Office;
   b. the responsibility for parts of the Social Exclusion Unit was transferred to the Cabinet Office Social Exclusion Task Force; and
   c. the Equalities Review Team was transferred to the Department from the Cabinet Office.

ORGANISATION OF INFORMATION

5. The memorandum is structured as follows:
   Paragraphs 6 to 10: summarise the high level changes sought in the Estimate and explain the main reasons for these changes.
   Paragraphs 11 to 29: explain the most significant changes by Estimate section (line).
   Paragraphs 30 to 63: summarise all of the significant changes by Estimate section (line).
   Paragraphs 64 to 66: summarise the changes to the net cash requirement and the Administration Costs Limit (ACL) and detail changes to end year flexibility (EYF).
   Paragraphs 67 to 84: explain the impact of the changes sought on expenditure against PSA targets.

SUMMARY OF CHANGES SOUGHT IN ESTIMATE

6. The Department for Communities and Local Government’s Winter Supplementary Estimate requests additional net resource provision above Main Estimates totals of £1,351.5 million (£885.208 million for R/R1 and £466.292 million for R/R2).

7. Impact on Public Expenditure

   Of the overall increase in net resource provision:
   i. £844.530 million (62%) does not lead to any change in public expenditure because it largely reflects the impact on the Estimates of transfers between existing budgets in Departmental Expenditure Limits (DEL).
   ii. £360.298 million (27%) reflects a net drawdown from the unallocated Annually Managed Expenditure (AME) budget held by Treasury (as the AME margin) as a consequence of latest estimates of demand led spending.
(iii) £146.672 million (11%) is an increase in spending within DEL funded by a combination of drawdown of entitlement to End Year Flexibility (EYF) (£111.240 million); drawdown from the Treasury’s Invest to Save Budget (ISB) (£1.932 million) in respect of successful bids; and an agreed claim on the DEL Reserve (£33.5 million) towards the resource costs of the Housing Market Renewal Pathfinders.

Main reasons for increase

8. Under 7(i) above, the overall increase in net resource provision is principally a consequence of:

(a) A net transfer from non-voted to voted spending of £291.532 million on RfR1, primarily reflecting a switch from borrowing approvals (Supported Capital Expenditure) for local authorities to payments of capital grant to Registered Social Landlords (RSLs). This follows the advice of the Regional Housing Boards (RHBs) and does not add to public expenditure as it is already covered within the Departmental Expenditure Limit (DEL) set by the Treasury; and

(b) An increase in non-budget—grant-in-aid of £467.369 million on RfR1, of which around £311 million is for the Housing Corporation. Of this, only £0.8 million, which is funded from end year flexibility, adds to public expenditure. The remainder is split broadly between £200 million as a result of a transfer between spending programmes, and £100 million due to timing differences where expenditure is incurred in one year, but the actual cash payments are made in a subsequent year neither of which adds to public spending.

9. Under 7(ii) above, the overall increase in Annually Managed Expenditure (AME) of £408 million on RfR2, is mainly due to an increase of £316 million for payments to reflect the difference between estimated and actual contributions to the National Non-Domestic Rate (NNDR) Pool by local authorities. Each year local authorities make contributions to the NNDR pool based on their estimate of the amount of non-domestic rates they will collect for the year. At the year end, adjustments are made involving further payments by authorities to the pool, or payments by the Department to authorities, to reflect the difference between the estimated and actual amounts due to the pool. These adjustments amounted to £316 million against a total NNDR pool of £18,000 million in 2005–06.

10. The changes in paragraph 7 are shown in tabular form below.

(all figures £ million) RfR1 RfR2 Total

Changes that do not increase Public Expenditure
a. Transfer from non-voted to voted 291.532 −4.524
b. Non Budget (Grant in Aid) 467.369 0.161
c. Transfers to/from OGDs including MOG changes 91.142
d. Transfers between RfRs −0.900 0.900
e. Transfer from Resource to Capital within RfR −1.150
Sub Total 847.993 −3.463 844.530

Changes between Departmental AME and Treasury’s Unallocated AME Margin
f. Annually Managed Expenditure (AME) −47.702 408.000 360.298

Changes that increase Public Expenditure
g. End Year Flexibility (EYF) & Invest to Save Budget (ISB) 51.417 61.755
h. Drawdown from Reserve 33.500
Sub Total 84.917 61.755 146.672
Total 885.208 466.292 1,351.500

(Figures in table above reflect net changes)

ALL SIGNIFICANT CHANGES BY ESTIMATE SECTION

RfR1

Section L (Housing Supply and Demand)

11. The main programme affected on this section is the Regional Housing Pot which is receiving £384.191 million (this change is included line (a) of the table at paragraph 10 above). The Regional Housing Pot (RHP) brings together funding for three activities: new supply of affordable housing; activity to bring local authorities’ own housing stock to the decent homes standard; and a range of initiatives to support private sector decent homes, regeneration and mixed communities.
12. The £384 million represents a switch from borrowing approvals (Supported Capital Expenditure) for local authorities to payments of capital grant which is a result of a change in the way the programme is being delivered. Previously it was undertaken by local authorities (and supported by non-voted supported capital expenditure). However, following the advice of the Regional Housing Boards (RHBs), some of the expenditure will now be undertaken by Registered Social Landlords (RSLs) and will therefore need to be funded by voted capital grants.

13. The RHBs identified two issues, the problem of debt-free authorities not making full use of their allocation, and projects involving more than one authority where the need to share an approval to borrow was a barrier to delivery. We therefore sought Treasury agreement to convert borrowing approvals to capital grant primarily to address these. This does not represent a net increase in public spending.

14. The RHBs have two main roles:

(a) preparation of Regional Housing Strategies (RHS). These identify priorities to be addressed (both national and regional) in each region, and include (and are informed by) a clear evidenced base picture of the current state of housing in the region. The RHS provides the basis on which the advice to Ministers is put; and

(b) advising Ministers on how the region’s allocation of funding for housing capital works (the Regional Housing Corporation) should be spent.

Section U (Housing Supply and Demand—Non Budget)

15. This section is for the grant-in-aid which is given to Non Departmental Public Bodies to cover the provision they have in their DEL budgets. It basically covers their cash expenditure. The increase is mainly due to increases in grant-in-aid to the Housing Corporation (£311.411 million); London Urban Development Corporation (£42.4 million); Thurrock Urban Development Corporation (£32.125 million) and English Partnerships (£29.5 million) (all included within the totals figures in line (b) of the table at paragraph 10 above).

16. The Housing Corporation’s targets currently set for its Affordable Housing Programme is 49,000 social rented homes and 35,000 low cost home ownership homes. These completions will go towards achieving the Department’s targets of providing 30,000 social rented homes per year by 2008 and over 100,000 low cost home ownership homes by 2010. The transfer to the Housing Corporation at Winter Supplementary should ensure the delivery of the first year’s milestones for the Corporation’s programme and will also fund some schemes which will not complete until 2007–08 and 2008–09 within the original public expenditure provision for the current (SR04) spending review period.

17. The increase of £42.4 million for the London Thames Gateway Development Corporation (LTGDC) reflects a transfer of funding from the Department’s Thames Gateway programme. This should help enable the Corporation to deliver on its objective of regenerating its area. East of London, including the Lower Lea Valley, through bringing land and buildings into effective use, encouraging the development of existing and new industry and commerce, and ensuring that housing and social facilities are available to encourage people to live and work in the area. The LTGDC’s remit includes playing a part, in partnership with others, in developing proposals for investment to complement the Olympics legacy programme.

18. The increase of £32.125 million to Thurrock Thames Gateway Development Corporation follows a transfer of funding from the Department’s Thames Gateway programme to help enable the Corporation to deliver on its objective of regenerating the Thurrock area through bringing land and buildings into effective use, encouraging the development of existing and new industry and commerce, and ensuring that housing and social facilities are available to encourage people to live and work in the area.

19. The increase for English Partnerships (EP) (a key delivery agency for sustainable communities) is to support additional expenditure on physical regeneration programmes across England, involving increasing the supply of high quality affordable homes, for example for key workers, ensuring the best use of land, including brownfield and public sector sites, and encouraging the highest standards of design and construction to produce exemplar developments. Around £2.2 million of the £29.5 million relates to an increase in public expenditure offset by reductions on other programmes. The balance (£27.3 million) arises from a number of factors relating to EP’s normal business operation, including income and timing of land sales and receipt of proceeds.

Sections Y and Z (Local Area Agreements)

20. This is a presentational change to enable the Department to better track expenditure on Local Area Agreements (LAA), and meet NAO and Treasury requests for better transparency on LAA expenditure on the face of the Estimate. The two new sections show receipts by the Department (section Y) of £413 million (£353 million from DfES and £60 million from the Home Office) for their contribution to LAA programmes and spending (section Z) funded by a combination of the receipts (section Y) and a transfer of £110 million from the Department’s own programmes. Section Z covers all expenditure on LAA by the Department and there is, now therefore, no expenditure elsewhere on the Estimate for LAA. There is no increase in the net resource requirement on the Estimate as a consequence of these changes.
21. A Local Area Agreement (LAA) is a three-year agreement, based on local Sustainable Community Strategies, that sets out the priorities for a local area agreed between Central Government, represented by the Government Office (GO), and a local area, represented by the lead local authority and other key partners through Local Strategic Partnerships (LSPs).

22. LAAs were conceived primarily as a means of capturing the wide range of area based funding streams, allowing for rationalisation of the funding and streamlining of the administration and monitoring that surrounds them. To allow this, funding from many existing programmes are merged, and outcomes across the four blocks below are agreed.

— Children and Young People.
— Healthier Communities and Older People.
— Safer and Stronger Communities.
— Economic Development.

23. Expenditure on LAAs will not result in cuts in other areas of departmental activity. LAAs are simply a different delivery vehicle for providing the outputs that would have been provided by the programmes contributing to LAAs. Given that the spending is funded by transfers from elsewhere, this change does not lead to additional public spending overall.

Section I (Non-domestic Rates Outturn Adjustments and LABGIS)

24. There are two significant changes on this section, which together total £408 million in Annually Managed Expenditure (AME) (reflected in line (f) of the table at paragraph 10 above). £316 million is for an adjustment made to reflect the difference between estimated and actual contributions to the National Non-Domestic Rate (NNDR) Pool by local authorities. The total Outturn adjustment for 2005–06 (including payments and receipts) represents a difference of 3.1% between the provisional amount LAs forecast at the beginning of the year and what they actually collected. This is because changes in rateable valuations within the local authority area during the year result in some authorities having paid more or less than was due by way of interim contributions. The outturn settlement returns to them the amounts so overpaid or recovers amounts underpaid. Only the amounts paid to authorities are voted as amounts they pay to the department must be surrendered direct to the consolidated fund. So far around £192 million of receipts have been paid to the Department for surrender to the consolidated fund.

25. A 3.1% difference is higher in 2005–06 than in previous years, partly because of the effects of the transition scheme introduced to phase in the effects of increases in valuation arising out of the revaluation of NNDR properties in 2005. The 3.1% is subject to any further adjustments arising from the audit of authority’s returns.

26. Local authorities have some control of their cash flows as they can apply for a downward revision of the provisional amount they said they would collect up to four times a year. This ensures that the NNDR they pay to the Department is as close as possible to what they are actually collecting, although there may be a time delay between, for example, the impact of a decision on a valuation appeal and their payments being adjusted.

27. Each authority is entitled to plan its expenditure on the basis of known assets and liabilities, and the outturn settlement enables them to meet those liabilities.

28. The £92 million is to increase provision for The Local Authority Business Growth Incentives Scheme (LABGIS) which is required because of modifications to the scheme which aim to simplify it and increase the level of reward available to local authorities in order to increase the incentive to maximise local economic growth.

29. The LABGIS scheme is designed to give local authorities an incentive to maximise local economic growth by allowing them to retain a proportion of increases in local business rate revenues to spend on their own priorities in the local area. The scheme will allocate up to £1billion to eligible local authorities in England and Wales and is set to run for three years (2005–06 to 2007–08). The scheme is based on end year growth in rateable value and the money is genuinely additional and unringfenced (so local authorities are free to decide how to spend the reward).
OTHER SIGNIFICANT CHANGES BY ESTIMATE SECTION
SPENDING IN DEPARTMENTAL EXPENDITURE LIMITS (DEL)

ReF1: Improving the Quality of Life by Creating Thriving, Inclusive and Sustainable Communities in all Regions

Central Government Spending

30. Section A—Housing Supply and Demand

Transfers to Section A

£2,800,000 from English Partnerships to the Planning Inspectorate and Valuation Office Agency to cover a shortfall in income from quality assuring local Authorities Local Development Frameworks.

£6,380,000 from Planning Delivery Grant to fund the Planning Inspectorate (£2,000,000), Planning Application Services, Advisory Team on Large Applications, and Planning Policy Statement 3 (£4,380,000).

Transfers from Section A

£208,000 transferred from Other Growth Areas to cover Other Growth Areas expenditure by Northamptonshire Urban Development Corporation.

£800,000 from Other Growth Areas to cover expenditure on work carried out for Other Growth Areas by English Partnerships.

£4,300,000 from Thames Gateway for non-voted expenditure by Thames Gateway London Urban Development Corporation.

£4,800,000 switched from Thames Gateway resource and £900,000 from Thames Gateway capital for expenditure by Thurrock Urban Development Corporation in the Thames Gateway.

£100,000 resource and £900,000 capital from Thames Gateway to fund expenditure by the East of England Development Agency in the Thames Gateway.

£290,000 from Planning to INTERREG for the Transactional ERDF and State Aid (TESA) system.

£444,000 from Regional Housing Board to Regional Chambers to support Regional Housing Board work by regional assemblies.

£200,000 from Landlord’s Licensing and Safety Ratings programme to fund increased number of Social HomeBuy Local Authority pilot schemes.

£300,000 from Research to Departmental Unallocated Provision.

£2,045,000 from Other Growth Areas to fund expenditure on Other Growth Areas by Northamptonshire Urban Development Corporation.

As a result of all changes there is a decrease in provision for Section A of £7,142,000 (decrease of £8,292,000 resource; increase of £1,150,000 capital).

31. Section B—Decent Places to Live

Transfers to Section B

£500,000 within section from Liveability to Housing Corporation to cover pensions pressures.

£2,255,000 drawdown from end year flexibility for expenditure by Housing Action Trusts to meet agreed capital commitments.

£3,790,000 capital from Departmental Unallocated Provision to cover capital expenditure on Groundwork.

£300,000 drawdown of end year flexibility and £75,000 from research to cover expenditure on the National Register of Social Housing.
Transfers from Section B
£3,790,000 resource from Groundwork to Departmental Unallocated Provision.
As a result of all changes there is an overall increase in provision for Section B of £2,630,000 resource.

32. Section C—Tackling Disadvantage
Transfers to Section C
£1,320,000 from non-voted Housing Corporation to Coalfields Regeneration Trust for capital expenditure. 
£8,000,000 within Local Enterprise Growth Initiative (LEGI) from support for Local Authorities to central government grant to cover LEGI expenditure. 
£3,500,000 from Other Growth Areas to Coalfields Regeneration Trust for capital expenditure on the Coalfields Respite Centre.

33. Section D—Better Services
Transfers to Section D
£600,000 from Local Government Capacity Building fund to Fire Services for the development of the leadership model of a FRS Centre for Leadership. 
£1,230,000 from Fire Credit Approvals to Fire Services for capital expenditure on an Electronic Data Collection System.

Transfers from Section D
£1,500,000 from Fire Services to cover expenditure by the Audit Commission on performance assessment for the Fire and Rescue Authorities. 
£240,000 from Fire Services to meet expenditure of FireBuy. 
As a result of all changes there is an increase in provision for Section D of £90,000 (decrease of £1,140,000 resource; increase of £1,230,000 capital).

34. Section E—Development of English Regions
Transfers to Section E
£40,000,000 transfer from the Department of Trade & Industry to cover Regional Development Agency capital expenditure. 
£19,300,000 drawdown of end year flexibility to cover £800,000 resource expenditure and £18,500,000 capital expenditure on the Northern Way. 
£274,000 from Regional Housing Board to Regional Chambers to support Regional Housing Board work by regional assemblies. 
£10,000 drawdown of end year flexibility to cover Regional Development Agency resource expenditure. 
As a result of all changes there is an increase in provision for Section E of £59,584,000 resource.

35. Section F—Central Administration
Transfers to Section F
£7,147,000 from Home Office to reflect administration costs associated with Machinery of Government changes. 
£3,036,000 from Department of Trade and Industry to reflect administration costs associated with Machinery of Government changes. 
£120,000 from Department for Culture Media and Sport for the Minister for Women. 
£520,000 from Cabinet Office for Parliamentary Counsel work. 
£12,677,000 drawdown of end year flexibility to cover a transfer to Government Office administration expenditure (£10,572,000) and for planned central administration expenditure (£2,105,000). 
£6,500,000 drawdown from end year flexibility to fund Early Exits. 
£292,000 from the Cabinet Office for the Equalities Review Team.
£3,000,000 drawdown of capital end year flexibility to cover capital expenditure on e-business, of which £2,358,000 is for expenditure on Electronic Document and Records Management and telephony projects in the Government Offices.

Transfers from Section F

£1,160,000 from Central Administration to the Deputy Prime Minister’s Office to reflect Machinery of Government changes.

£926,000 from Central Administration to the Cabinet Office to cover the work on Social Exclusion following Machinery of Government changes.

£11,072,000 from Central Administration for the Government Offices’ work on various schemes including emergency planning (£2,309,000); planning review (£2,132,000); local area agreements (£1,000,000) and street wardens (£394,000).

£2,358,000 from Central Administration capital provision to cover Government Offices expenditure on Electronic Document and Records Management and telephony projects.

As a result of all changes there is an increase in provision for Section F of £17,776,000 (£17,134,000 resource; £642,000 capital).

36. Section G—Government Offices

Transfers to Section G

£11,072,000 from Central Administration for the Government Offices’ work on various schemes including emergency planning (£2,309,000); planning review (£2,132,000); local area agreements (£1,000,000) and street wardens (£394,000).

£3,000,000 from Department for Education and Skills towards the costs of early exits in the Government Offices.

£7,051,000 from Department for Environment Food and Rural Affairs, including towards the costs of early exits in the Government Offices (£2,071,000); additional core funding (£3,519,000); Countryside Agency (£941,000); SR2002 (£520,000).

£1,257,000 from Department of Trade and Industry towards the costs of early exits in the Government Offices.

£66,000 from Department for Culture Media and Sport towards the costs of early exits in the Government Offices.

£2,358,000 capital provision from Central Administration for Electronic Document and Records Management and telephony projects.

Transfers from Section G

£993,000 to HM Treasury in respect of efficiency savings required under SR04.

As a result of all changes there is an increase in provision for Section G of £23,811,000 (£21,453,000 resource; £2,358,000 capital).

37. Section H—European Structural Funds (net)

No change.

38. Section I—European Structural Funds (Communities and Local Government)

Transfers to Section I

£5,000,000 from non-voted English Partnerships to cover European Regional Development Fund’s interpretation provision.

£290,000 from Planning to INTERREG for the Transactional ERDF and State Aid (TESA) system.

£962,000 drawdown of end year flexibility (£682,000 resource and £280,000 capital) for European Regional Development Fund for the Transactional ERDF and State Aid (TESA) system.

As a result of these changes there is an increase in provision for Section I of £6,252,000 (£5,972,000 resource; £280,000 capital).
39. Section J—Ordnance Survey

No change.

40. Section K—Queen Elizabeth II Conference Centre Executive Agency

Transfers to Section K

£117,000 drawdown from end year flexibility to correct an error in the Main Estimate figures. As a result of this change there is an increase in provision for Section K of £117,000 resource.

Support for Local Authorities

41. Section L—Housing Supply and Demand

Transfers to Section L

£800,000 drawdown of end-year flexibility for Housing Market Renewal Fund capital expenditure on grant payments.

£818,000 drawdown of end year flexibility for capital expenditure on Choice Based Lettings.

£398,191,000 transfer from non-voted Local Authority Supported Capital Expenditure to Regional Housing Pot (£384,191,000) and Gypsy and Travellers’ Sites (£14,000,000).

£33,500,000 drawdown from DEL Reserve for Housing Market Renewal Fund to cover resource expenditure.

£200,000 from Landlord’s Licensing and Safety Ratings programme to increase the number of Social Homebuy Local Authority Pilot Schemes.

Transfers from Section L

£20,000,000 from the Housing Market Renewal Fund to non-voted English Partnerships.

£3,200,000 from Other Growth Areas to English Partnerships to carry out work on Other Growth Areas.

£38,100,000 transfer from Thames Gateway to non-voted expenditure by London Urban Development Corporation in the Thames Gateway.

£26,425,000 from Thames Gateway to cover expenditure by Thurrock Urban Development Corporation in the Thames Gateway.

£2,800,000 transfer within Thames Gateway to cover expenditure by the English Partnerships in the Thames Gateway.

£1,200,000 transfer within Thames Gateway to cover non-voted expenditure by the South East England Development Agency in the Thames Gateway.

£3,500,000 from Other Growth Areas to Coalfields Regeneration Trust to cover expenditure on the Coalfields Respite Centre.

£6,380,000 from Planning Delivery Grant to fund the Planning Inspectorate (£2,000,000), Planning Application Services, Advisory Team on Large Applications and Planning Policy Statement 3 (£4,380,000).

£10,000,000 from Other Growth Areas to non-voted Other Growth Areas to cover cost of work carried out by Northamptonshire Urban Development Corporation.

£1,500,000 transfer within Thames Gateway to non-voted Thames Gateway to cover expenditure by the East of England Development Agency.

As a result of all changes there is an increase in provision for Section L of £320,404,000 resource.

42. Section M—Decent Places to Live

Transfers to Section M

£745,000 drawdown of end year flexibility to meet Private Housing Renewal planned expenditure.

As a result of this change there is an increase in provision for Section M of £745,000 resource.
43. **Section N—Tackling Disadvantage**

Transfers to Section N

- £40,300,000 transfer from Local Area Agreements for expenditure on New Ventures Fund projects.
- £30,000,000 transfer of provision from Tackling Disadvantage for expenditure on Safer and Stronger Communities.
- £4,232,000 drawdown of end year flexibility for Disabled Facilities Grant (£200,000 resource and £4,032,000 capital) to meet demands on Local Authorities for mandatory grants.
- £3,600,000 transfer from non-voted Departmental Unallocated Provision to Local Enterprise Growth Initiatives to cover capital needed by local authorities.
- £2,100,000 drawdown of end year flexibility to cover expenditure on the New Deal for Communities programme.
- £684,000 from Safer Stronger Communities element of New Ventures fund to cover Supporting People administration grant.

Transfers from Section N

- £120,860,000 transfer of baseline to new Estimates section Z—Local Area Agreements.
- £11,970,000 transfer from New Ventures Fund to cover expenditure on Local Area Agreements.
- £5,000,000 from Local Enterprise Growth Initiatives to Departmental Unallocated Provision.
- £8,000,000 transfer within Local Enterprise Growth Initiatives from support for Local Authorities to central government grant to cover LEGI expenditure.
- £2,000,000 transfer within Homelessness to cover expenditure by voluntary bodies.
- £21,250,000 from Local Government Grants to Current Grants within New Ventures Fund programme.

As a result of all changes there is a decrease in provision for Section N of £88,164,000 resource.

44. **Section O—Better Services**

Transfers from Section O

- £330,000 drawdown from Invest to Save Budget for expenditure on the Fire Reducing Exclusion, Starting Positive Engagement with Children Together (RESPECT) Project.

As a result of this change there is an increase in provision for Section O of £330,000 resource.

45. **Section P—Development of English Regions**

Transfers to Section P

- £5,000,000 from non-voted Departmental Unallocated Provision for capital expenditure on Combined Universities of Cornwall.
- £170,000 from Regional Housing Boards to Regional Chambers to support Regional Housing Board work by regional assemblies.
- £551,000 drawdown from end year flexibility to cover expenditure by the London Development Agency.

As a result of these changes there is an increase in provision for Section P of £5,721,000 resource.

46. **Section Q—European Structural Funds—net**

No change.
Spending in Annually Managed Expenditure (AME)

Central Government Spending

47. Section R—Decent Places to Live

Transfers from Section R

A decrease of £47,702,000 required to meet Housing Revenue Account subsidy.

As a result of this change there is a decrease in Section R of £47,702,000 resource.

48. Section S—Better Services

No change.

Support for Local Authorities

49. Section T—Better Services

No change.

Non-Budget

50. Section U—Housing Supply and Demand

Transfers to Section U

£439,149,000 increase in grant in aid to cover expenditure by the Housing Corporation (£311,411,000); Thames Gateway: London Urban Development Corporation (£42,400,000); Thames Gateway: Thurrock Urban Development Corporation (£32,125,000); English Partnerships (£29,500,000); Other Growth Areas: West Northamptonshire Urban Development Corporation (£12,253,000); Other Growth Areas: English Partnerships (£4,000,000) Thames Gateway: English Partnerships (£2,800,000); Thames Gateway: East of England Development Agency (£2,500,000); Thames Gateway: South East England Development Agency (£1,200,000) and Leasehold Enfranchisement Advisory Service (£960,000).

As a result of these changes there is an increase in provision for Section U of £439,149,000 resource.

51. Section V—Better Services

Transfers to Section V

£240,000 increase in grant in aid for FireBuy.

As a result of this change there is an increase in provision for Section V of £240,000 resource.

52. Section W—Decent Places to Live

No change.

53. Section X—Tackling Disadvantage

£20,624,000 increase in grant in aid from the Home Office resulting from Machinery of Government changes.

£7,356,000 increase in grant in aid from Department of Trade and Industry resulting from Machinery of Government changes.

As a result of these changes there is an increase of provision for Section X of £27,980,000 resource.

Spending in Departmental Expenditure Limits (DEL)

Central Government Spending

54. Section Y—Local Area Agreements

Receipt of £413,067,000 from other government departments for Local Area Agreements—£353,367,000 from the Department for Education and Science and £59,700,000 from the Home Office.

As a result of this change there is a decrease in provision for Section Y of £413,067,000 resource.
Support for Local Authorities

55. Section Z—Local Area Agreements

An increase of £523,296,000 fully offset by receipts on section Y and transfers from other sections.

Ref2: Providing for Effective Devolved Decision Making Within a National Framework

Spending in Departmental Expenditure Limits (DEL)

Central Government Spending

56. Section A—Valuation Services

Transfers from section A

£2,371,000 from Valuation Office Agency to Standards Board for England (non voted) to support the costs of its relocation to Manchester.

As a result of this change there is a decrease in provision for Section A of £2,371,000 resource.

57. Section B—Best Value Inspection

Transfers to Section B

£1,500,000 from Fire Services to cover expenditure by the Audit Commission on performance assessment for Fire and Rescue Authorities.

£3,271,000 from Capacity Building (section H) to Best Value Intervention to fund in year spending pressures for a number of intervention projects.

As a result of these changes there is an increase in provision for Section B of £4,771,000 resource.

58. Section C—Local Government Research, Publicity, Mapping and Electoral Costs

Transfers to Section C

£519,000 drawdown of end year flexibility for Local Government on Line.

£365,000 from Mayoral Referendums (section D) to Local Government Research to support Research for Lyons and Business Improvement Districts.

£194,000 from Capacity Building (Section H) to Local Government Research to pay for Capacity Building Research.

Transfers from Section C

£250,000 from Mapping Costs to Emergency Financial Assistance (Section H) to increase provision for payments under the Bellwin scheme.

As a result of these changes there is an increase in provision for Section C of £828,000 resource.

59. Section D—Local Governance

Transfers from Section D

£30,000 from Mayoral Referendums to make up the funding gap for Best Value Parish Councils Grant (section H).

£365,000 from Mayoral Referendums to Local Government Research (section C) to support Research for Lyons and Business Improvement Districts.

£219,000 from Mayoral Referendums to Standards Board for England (non voted) to support the costs of its relocation to Manchester.

As a result of these changes there is a decrease in provision for Section D of £614,000 resource.
Support for Local Authorities

60. Section E—Revenue Support Grant

Transfers to Section E

£35,000,000 drawdown of end year flexibility for Private Finance Initiative Special Grant as agreed with the Chief Secretary last year, to reflect higher anticipated take up of grant in 2006–07.

As a result of this change there is an increase in provision for Section E of £35,000,000 resource.

61. Section H—Other Grants and Payments

Transfers to Section H

£8,000,000 drawdown of end year flexibility for Capacity Building to reflect a switch in spending needs between 06–07 and 07–08. Monies are to be repaid to the consolidated fund in 2007–08.

£10,000,000 drawdown of end year flexibility reassigned from DCA for Local Government on Line to fund capital expenditure on Government Connect.

£6,634,000 drawdown of end year flexibility for Local Government on Line capital expenditure to fund programme slippage from 2005–06.

£250,000 from Mapping Costs (section C) to Emergency Financial Assistance to increase provision for payments under the Bellwin scheme.

£30,000 from Mayoral Referendums (section D) to make up the funding gap for Best Value Parish Councils Grant.

An additional £1,602,000 from the Treasury funded Invest to Save programme to provide cover for all 2006–07 claims.

Transfers from Section H

£1,934,000 from Emergency Financial Assistance to Standards Board for England (non voted) to fund an agreed budget increase.

£600,000 from Local Government Capacity Building fund to Fire Services for the development of the leadership model of a FRS Centre for Leadership.

£194,000 from Capacity Building Local Government Research (section C) to pay for Capacity Building Research.

£3,271,000 from Capacity Building to Best Value Intervention (section B) to fund in year spending pressures for a number of intervention projects.

As a result of these changes there is an increase in provision for Section H of £20,517,000 (£3,883,000 resource: £16,634,000 capital).

SPENDING IN ANNUALLY MANAGED EXPENDITURE (AME)

Local Government

62. Section I—Non-domestic Rates Outturn and Adjustments and LABGIS

Transfers to Section I

Increase of £316,000,000 for National Non-domestic Rates outturn adjustments to provide for expected local authority claims.

An additional £92,000,000 for Local Authority Business Growth Incentive Scheme required due to slippage in 2005–06.

As a result of these changes there is an increase in provision for Section I of £408,000,000.

NON-BUDGET

63. Section J—Non-departmental public bodies

Increase in Grant in Aid of £3,661,000 for the Standards.

A reduction of Grant in Aid of £3,500,000 for the Valuation Tribunal Service.

As a result of these changes there is an increase in provision for Section J of £161,000.
NET CASH REQUIREMENT, ADMINISTRATION COST LIMIT AND END YEAR FLEXIBILITY

64. Net cash requirement

As a result of the changes in the Estimates the Net Cash Requirement is to be increased by £1,357,195,000 from £32,068,455,000 to £33,425,650,000.

65. Administration cost limit

The change to the Administration Cost Limit arises from a net transfer as a result of Machinery of Government changes (£8,805,000); a draw down of EYF (£12,677,000); and a net transfer from other government departments (£10,381,000).

66. Changes to end year flexibility

(a) Main Programmes DEL

<table>
<thead>
<tr>
<th></th>
<th>Start of Year</th>
<th>Take up in Winter Supps</th>
<th>Remaining EYF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringfenced</td>
<td>12.294</td>
<td>1.977</td>
<td>10.317</td>
</tr>
<tr>
<td>Non Ringfenced</td>
<td>43.041</td>
<td>7.928</td>
<td>35.113</td>
</tr>
<tr>
<td>Administration</td>
<td>58.076</td>
<td>12.677</td>
<td>45.399</td>
</tr>
<tr>
<td>Sub total</td>
<td>113.411</td>
<td>22.582</td>
<td>90.829</td>
</tr>
<tr>
<td>Capital:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringfenced</td>
<td>79.458</td>
<td>24.912</td>
<td>54.546</td>
</tr>
<tr>
<td>Non Ringfenced</td>
<td>297.702</td>
<td>4.675</td>
<td>293.027</td>
</tr>
<tr>
<td>Administration</td>
<td>32.913</td>
<td>3.000</td>
<td>29.913</td>
</tr>
<tr>
<td>Sub total</td>
<td>410.073</td>
<td>32.587</td>
<td>377.486</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringfenced</td>
<td>91.752</td>
<td>26.889</td>
<td>64.863</td>
</tr>
<tr>
<td>Non Ringfenced</td>
<td>340.743</td>
<td>12.603</td>
<td>328.140</td>
</tr>
<tr>
<td>Administration</td>
<td>90.989</td>
<td>15.677</td>
<td>75.312</td>
</tr>
</tbody>
</table>

(b) Local Government Programmes DEL

End Year Flexibility (£m) 2006–07

<table>
<thead>
<tr>
<th></th>
<th>Start of Year</th>
<th>Re-Assigned from DCA</th>
<th>Take up in Winter Supps</th>
<th>Remaining EYF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringfenced</td>
<td>109.613</td>
<td>43.519</td>
<td>66.094</td>
<td></td>
</tr>
<tr>
<td>Non Ringfenced</td>
<td>3.012</td>
<td>0</td>
<td>3.012</td>
<td></td>
</tr>
<tr>
<td>Sub total</td>
<td>112.625</td>
<td>43.519</td>
<td>69.106</td>
<td></td>
</tr>
<tr>
<td>Capital:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringfenced</td>
<td>259.148</td>
<td>10.000</td>
<td>16.634</td>
<td>252.514</td>
</tr>
<tr>
<td>Non Ringfenced</td>
<td>27.323</td>
<td>0</td>
<td>27.323</td>
<td></td>
</tr>
<tr>
<td>Sub total</td>
<td>286.471</td>
<td>10.000</td>
<td>16.634</td>
<td>279.837</td>
</tr>
<tr>
<td>Total:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ringfenced</td>
<td>368.761</td>
<td>10.000</td>
<td>60.153</td>
<td>318.608</td>
</tr>
<tr>
<td>Non Ringfenced</td>
<td>30.335</td>
<td>0</td>
<td>30.335</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td><strong>399.096</strong></td>
<td><strong>10.000</strong></td>
<td><strong>60.153</strong></td>
<td><strong>348.943</strong></td>
</tr>
</tbody>
</table>
67. Affect on Communities & Local Government PSA Targets

As a result of the Estimates the expenditure against the Department’s PSA targets will change as set out in the following table:

<table>
<thead>
<tr>
<th>PSA Target</th>
<th>EYF including Invest to Save Budget</th>
<th>Machinery of Government</th>
<th>Drawdown from Reserve</th>
<th>Transfer from DUP</th>
<th>Transfer from OGD</th>
<th>Transfers between targets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tackle social exclusion and deliver neighbourhood renewal working with departments to help them meet their PSA floor targets—by 2010</td>
<td>6,072</td>
<td>0</td>
<td>8,0</td>
<td>−1,107</td>
<td>12,965</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Sustainable improvements in economic performance of English Regions—by 2008</td>
<td>7,913</td>
<td>0</td>
<td>14,000</td>
<td>5,316</td>
<td>27,229</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Reduce the number of accidental fire-related deaths in the home by 20% and the number of deliberate fires by 10%—by 2010</td>
<td>330</td>
<td>0</td>
<td>0</td>
<td>−900</td>
<td>−570</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Improving effectiveness and efficiency of local government in leading and delivering services to all communities—by 2008</td>
<td>0</td>
<td>0</td>
<td>145</td>
<td>145</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Achieving better balance between housing availability and demand</td>
<td>11,334</td>
<td>0</td>
<td>33,500</td>
<td>67,900</td>
<td>18,000</td>
<td>128,405</td>
<td>259,138</td>
</tr>
<tr>
<td>6. Planning system deliver sustainable development outcomes and to achieve best value standards for planning by 2008</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1,230</td>
<td>1,230</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Bring all social housing into decent condition by 2010</td>
<td>7,256</td>
<td>0</td>
<td>2,100</td>
<td>−129,649</td>
<td>−120,293</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Lead delivery of cleaner, safer, greener public spaces, and improvement of built environment in deprived areas with measurable improvement by 2008</td>
<td>300</td>
<td>0</td>
<td>5,000</td>
<td>75</td>
<td>5,375</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. By 2008, working with other departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government’s objectives on equality and social inclusion.</td>
<td>0</td>
<td>16,083</td>
<td>0</td>
<td>16,083</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Reduce race inequalities and build community cohesion.</td>
<td></td>
<td>44,805</td>
<td>0</td>
<td>44,805</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total**                                                                 | 33,205                              | 60,888                  | 33,500                | 75,000           | 40,000           | 3,515                    | 246,108       |

**Notes**

1. The figures in the Table do not include costs not attributable to the Office’s PSAs ie administration costs and the Queen Elizabeth II Conference Centre.
2. The LG DEL of £22.8 billion contributes to PSA 4.
3. The figures for transfers between non-voted and voted expenditure are not included in the above table unless they result in a switch of resources between targets.

The main effects on programmes as a result of these changes are:

**PSA 1**

68. The EYF has been drawn down for work to be carried out by the New Deal for Communities programme and for work being carried out by the RDAs and the LDA including work on the Northern Way. There is also a transfer from the Department of Trade and Industry for work to be carried out by the RDAs and the LDA.

69. In addition to the figures in the table a further £413 million (£353m from DfES and £60 from the Home Office) was received to fund those Department’s funding streams in Local Area Agreements. The figures do not appear in the table as the amounts are invoiced for by the Department and therefore do not appear in the DEL because the increased provision is offset by receipts.
PSA 2

70. The EYF has been drawn down for work to be carried out by the RDAs and the LDA including work on the Northern Way. There is also a transfer from the Department of Trade and Industry for work to be carried out by the RDAs and the LDA.

71. The other changes consist mainly of a transfer from EP to the ERDF programme.

PSA 3

72. The drawdown was for the Fire Services and contributes towards the Reducing Exclusion, Starting Positive Engagement with Children Together (RESPECT) project.

73. The decrease in expenditure consists of a transfer to the LG DEL for a contribution towards the payment of Audit Commission bills in relation to performance assessment work for the Fire & Rescue Authorities.

PSA 4

74. The transfer in was for the work on the Transactional ERDF and State Aid (TESA) system.

PSA 5

75. The EYF drawdown covered work by the RDAs and LDA including work on the Northern Way. In addition EYF was also drawn down for the Housing Corporation; the funding of pilot letting schemes and for the Housing Market Renewal Fund for the existing pathfinder projects. Resources from the Departmental Unallocated Provision were transferred for use by the Housing Corporation.

76. There is also a transfer from the Department of Trade and Industry for work to be carried out by the RDAs and the LDA.

77. The Reserve drawdown was for the Housing Market Renewal programme to cover a resource spending pressure previously covered by capitalisation by local authorities.

78. The Transfers include extra resources for the Housing Corporation and the Regional Housing Pot Grant.

PSA 6

79. The small change in resources is a result of transfer within Planning and a transfer to the Planning Inspectorate.

PSA 7

80. The main drawdown of EYF is for funding mandatory Disabled Facilities Grant and work carried out by Housing Action Trusts.

81. The main transfer out is to the Housing Corporation but within the PSA there is an increase for Gypsy Site grants.

PSA 8

82. The EYF is for the National Register of Social Housing (NROSH) project. Resources from the Departmental Unallocated Provision have been transferred for use by Combined Universities in Cornwall.

PSA 9

83. The amount for this PSA is for the resources transferred by the Home Office for the responsibilities taken over by the Department for Race, Faith and Cohesion. It includes expenditure on the Commission for Racial Equality and the Community Development Foundation.

PSA 10

84. The amount for this PSA is for the resources transferred by the Department of Trade and Industry for the responsibilities taken over by the Department for Equality issues and includes expenditure on the Equal Opportunities Commission.
Supplementary memorandum by the Department for Communities and Local Government (AR 04)

Thank you for your letter of 14 December requesting responses to follow-up points and questions arising from the oral evidence sessions held by the Committee on the DCLG Annual Report 2006 on 27 November and 4 December.

Please find enclosed the Department’s memorandum of responses and three annexes. We have attached at Annex C further information on the Drug Interventions Programme that we unable to provide at the time of the original memorandum on the 2006 Annual Report inquiry, dated 18 September.

Question 1. At Q 26 of the oral evidence session on 27 November, Sir Paul Beresford requested a copy of the Gershon headcount target set in SR2004 referred to by Peter Housden (HC 106-i; Q 26). To the extent that the information was not provided in the later answer by Peter Unwin (Q 28), may we have this?

The Department (including agencies and NDPBs) has a target to achieve a reduction of 400 posts in its overall staffing by March 2008. At least 250 of these must be HQ and Government Office civil service posts. As stated by Peter Unwin we have reduced the workforce in our HQ since June 2004 by 190 posts. We have also reduced civil service posts in the Government Offices by 33, bringing our total reduction to 223.

In addition, Agency and NDPB workforce levels are reducing and following final validation, we hope to be able to report these reductions in March. We expect continuing reduction in posts within our HQ and Government Offices together with our agencies and NDPBs which gives us confidence that we will exceed our 400 target. On current plans we predict a further reduction of 278 by March 2008 bringing our total to about 500 and we expect to increase this prediction shortly. The workforce reduction for our HQ to date year on year is listed in the table below.

<table>
<thead>
<tr>
<th>Year</th>
<th>Department HQ Workforce (FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2004 (Baseline)</td>
<td>2,409</td>
</tr>
<tr>
<td>31 March 2005</td>
<td>2,468</td>
</tr>
<tr>
<td>31 March 2006</td>
<td>2,348</td>
</tr>
<tr>
<td>30 September 2006</td>
<td>2,219</td>
</tr>
<tr>
<td><strong>Workforce Reduction</strong></td>
<td><strong>− 190</strong></td>
</tr>
</tbody>
</table>

Question 2. At Q 36 of the oral evidence session on 27 November, Mr Housden said he would let the Committee have precise numbers on the secondment of staff from DCLG to the Deputy Prime Minister’s Office, identifying the number of press officers within that total.

As stated in our memorandum to the Committee, dated 18 September 2006, 15 staff are on loan from the Department to the DPM’s Office. One of these staff is a press officer, and the remainder undertake a range of roles supporting the Deputy Prime Minister with his Ministerial responsibilities. The DPM’s Office will re-imburse the Department for the salaries of these staff.

Question 3. At Q 91 of the oral evidence session on 27 November, Joe Montgomery offered further detail on the gap between NRF target areas and the England average.

Following the discussion on the gap between NRF target areas and the England average, Joe Montgomery offered further information on the performance to date against crime floor targets.

At the start of the current Home Office PSA1 on crime (baseline 2003–04) there was a 22% gap in crime rates between NRF target areas and the England average. Latest published figures (March 2006) show the gap is now 16%, a reduction of 6%.

This figure of 6% is calculated from the latest published figures showing that, to March 2006, the crime reduction against the baseline (2003–04) was 13% for the NRF areas and 7% for all remaining Crime and Disorder Reduction Partnerships.

These figures show that crime is reducing more quickly in some of the highest crime areas than in the rest of the country, contributing to closing the gap in crime rates between NRF target areas and the rest of the country and representing strong progress in terms of neighbourhood renewal.
Question 4. At Q 98, Dr Phyllis Starkey asked when the interim report on PSA2, due shortly, would be available. When will it be?

Regional Economic Performance: Progress to Date was published jointly by DTI, HMT and Communities and Local Government on the website on 6 December 2006 (http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr06/other_docs/prebud_pbr06_odregionalprogress.cfm).

Since then, new regional GVA data has been released by ONS on 15 December 2006. A chart of growth figures reflecting the latest data is attached at Annex A. This includes the first release of provisional regional GVA data for 2005 as well as revisions to previous year’s data. In particular, it reflects upward revisions to 2004 UK growth made by the ONS in summer 2006, to incorporate survey data which was not previously available.

Question 5. At Q 100, Dr Phyllis Starkey asked for information on the Department’s target on gender equality in public bodies. In addition, may we have an update on the recommendation to fill the post of Director General, Equalities?

The Target on Gender Equality in Public Bodies

The Department’s long-term target for gender equality is 50% of public appointments being made to women. Each year a challenging target is set based on the number of appointments to be made during the year. In 2006 the target was 34% and for 2007 was increased to 38%. This is comparable to other departments. Progress against targets is encouraging, and greater than all but one of those departments which set higher targets (and provided information). Most recent performance is 34%, amongst the highest rate of appointments of women to NDPBs in Whitehall.

We have achieved this by:
- Encouraging NDPBs board members to act as mentors for a mentoring scheme being run by the UK Resource Centre for Women in Science, Engineering and Technology.
- Circulating all vacancies for Ministerial appointments to the Department’s NDPBs to nominating bodies such as TUC and women’s, ethnic minority and disability groups and other diversity contacts.
- Sponsoring the Women’s National Commission and working with them to devise guidance for sponsor teams across government to encourage more women to apply.
- Leading on the introduction of the Gender Equality Duty which will encourage public authorities to identify ways to overcome occupational segregation and discrimination. This should have a long term impact on the number of women who would be able to have the senior management experience to be in a position to meet the essential criteria of skills needed for appointments.

Director General, Equalities

The Prime Minister has approved the appointment of Susan Scholefield. Susan will be joining the Department on 29 January 2007 from the Ministry of Defence where she is currently the command secretary at the Northwood Headquarters.

Question 6. At Q 121 of the oral evidence session on 4 December, the Secretary of State promised Sir Paul Beresford a copy of the new guidance being issued to civil servants on answering parliamentary questions.

The guidance document is attached to this memorandum at Annex B. The Committee will wish to note in particular that the updated guidance makes clear at the top of the second page that "PQ answers must be accurate, truthful, as concise as possible and in accordance with the guidance on disproportionate cost. Each question should be considered on its merits and there is no prohibition on providing information relating to the former ODPM".

Question 7. At Q 168, the Secretary of State offered to send the Committee a note on progress on building £60,000 homes.

The “Design for Manufacture” competition was launched in April 2005. It is providing a showcase of how to build cost-effectively across a range of housing types without sacrificing quality, with about 30% of the housing units within the competition being built to a target cost of £60k (the remainder will be larger and smaller units that are being built at an equivalent cost-efficiency).

In the 20 months since the launch of the competition we have carried out a full competitive process, selected development partners for all 10 sites, held a public exhibition attracting some 5,000 people, carried out initial evaluation to produce a document with the initial lessons learnt circulated to 30,000 people, completed planning procedures and now have work underway on five of the 10 sites. (http://www.designformanufacture.info/images/DM%20pub%20-%20page%20by%20page.pdf)

In total, the competition will create some 1,148 new homes. Each of the developments will produce mixed-tenure communities, including homes for sale, rent, social housing and for first time buyers under a shared equity scheme. The first homes will be completed this Spring, and marketing suites are due to open shortly. Work will also start on the remaining sites shortly.
Question 8. At Q 183, the Secretary of State said she would write to the Committee about underspending on the referendums budget.

The 2002 Spending Review identified £1 million per annum for mayoral referenda from 2003–04. It has not been necessary to draw upon this funding; and Communities and Local Government has no plans to continue this budget in future years. Savings to date have been used to offset pressures on other local government programmes.

Question 9. At Q 184, the Secretary of State said she would let the Committee have more detail on additional funding for the Standards Board.

The Government has approved funding to the Standards Board of £10.45 million for 2006–07 to allow the Board to fulfil its statutory role. In addition, a further £2.84 million has been made available to fund the Standards Board’s relocation from London to Manchester. It is expected that savings arising from the relocation to Manchester and the effect of amendments to its statutory role will begin to be felt in 2008–09, when the Standards Board currently anticipates that its funding requirement will reduce to £9.2 million.

Question 10. At Q 221, the Secretary of State said she would provide a note to the Committee on progress made on guidance on the implementation of legislation for local authorities.

Following publication of the Local Government White Paper, we are aiming to improve the guidance issued to local authorities on legislation. We are working to ensure that the guidance prepared on the Local Government and Public Involvement in Health Bill will be shorter, clearer, more coherent, prepared in consultation with external stakeholders and with a stronger user focus.

Members of the Committee specifically raised the issue of guidance for local authorities in relation to the implementation of the Gambling Act. Both the Gambling Commission and the Department for Culture, Media and Sport (DCMS) are working in partnership with licensing authorities, the Local Government Association and the Local Authorities Coordinators of Regulatory Services (LACORS) to ensure that licensing authorities are ready to take on their new responsibilities under the Gambling Act 2005.

The Gambling Act 2005 is due to come into force on 1 September 2007. Local authorities will take advance applications for gambling premises licences from 30 April 2007. The Gambling Commission issued guidance to Licensing Authorities in April 2006. Since then, DCMS has published training materials for licensing authorities as well as fact sheets for local communities and councillors. They have also held a series of consultative meetings with licensing authorities and industry as part of the process to develop the new application forms and procedures associated with premises licensing. As such, the guidance and training materials have been issued well in advance of local authorities being required to take the first decisions. All the relevant regulations will be laid before Parliament shortly.

DCMS is seeking wherever to build on the experience they have gained from the new alcohol licensing regime, drawing on the best practice that has already been developed and ensuring as much consistency as possible. There are, of course, real differences between alcohol licensing and gambling licensing, not least the scale of the licensing requirement. DCMS anticipate that there will be around 12,000 advance applications for gambling premises licences from existing operators. Of these 250 will be for casinos. This compares with 200,000 applications for premises licenses and certificates under the Licensing Act 2003. The DCMS and the Gambling Commission are committed to providing further training and support to licensing authorities through workshops and additional guidance.

This Department has been involved with DCMS on the review of the guidance on re-licensing and in the forthcoming consultation. This review was an undertaking given by DCMS following the Act coming into force on 24 November 2005. The proposals in the consultation document and revised guidance were developed in partnership with all major stakeholders, including the police, industry and the Local Government Association and LACORS, who were heavily involved in the drafting of the proposals.

Question 11. At Q 37 of the oral evidence session on 27 November, Martin Horwood asked why new service-facing posts based in London had resulted from relocation of 93 posts to government offices. Please clarify why this was necessary?

Our relocation policy includes devolving work where possible to our Government Office Network and existing satellite offices. This will include moving posts to the Government Offices in London and the South East. However, the 93 posts stated in our Annual Report only include those posts that have been moved outside of London and the South East in strict accordance with Lyons relocation guidance and principles produced by the Office of Government Commerce and HM Treasury, including http://www.hm-treasury.gov.uk/media/F91/14/relocation—principles.pdf
Question 12. At Q 42, Mr Greg Hands asked for a “flavour of what staff were saying” on internet forums on internal issues. Please provide more information on that?

We have held a number of intranet forums and webchats on different aspects of how we are changing the way we work. Recent forums have explored this in more detail; for example, working with private office and how staff based outside London can participate and implement change.

Our interactive voting in October showed that staff thought:
- the preferred way to improve skills was: coaching (34%), formal training course (28%), job shadowing (27%), online training (11%);
- the best way for senior staff to become more visible was: attending team meetings (36%), floor meetings (25%), working in open plan (18%), job shadowing (12%), email cascades (9%); and
- the most important thing a good leader should do was: engage and empower every member of the team (85%), be focused on delivery (7%), be well respected by stakeholders (5%), be an expert in the policy area (3%).

We have also established a weekly intranet poll which gives us a way of getting an informal view of staff opinion and raise awareness on internal issues. These have included the provision of diversity data, new meeting guidelines, performance reviews and ways of celebrating success.

The Capability Review findings (page 16) acknowledged the impact these and other innovative and lively methods of communication have had on improving understanding about the new vision for Communities and Local Government.

Question 13. At Q 44, Anne Main asked what was being done about participation in “mandatory” programmes by those who had not yet taken part. Can you provide us with further information on this?

Staff are currently signing up to attend the next round of the Dignity and Respect course from January 2007 and the Coaching Skills Workshops from February 2007.

These courses are open to staff at all levels but we are initially targeting senior staff that were not able to attend the courses in 2006. The Board have made clear that all senior staff are expected to attend and action will be taken where staff have not signed up.

Question 14. When will the next staff survey be held (referred to in QQ 45–46)?

All staff in Communities and Local Government will take part in a survey during 2007. We plan to hold quarterly sample surveys throughout the year. Each survey would use a 30% sample of staff, with each member of staff having the opportunity to contribute at least once during the year.

We plan to hold the first sample survey in February.

Question 15. At Q 74–84, Dr Phyllis Starkey and Martin Horwood pressed Mr Montgomery on the availability of up-to-date data on PSA targets from, among others, the Department of Health. Is the Department satisfied with the timeliness and extent of data provided by other Departments? What difficulties arise in monitoring targets because of the reliance on data from non-departmental sources? What arrangements are in place to ensure the best possible transfer of data between departments with shared targets?

Most of the data used to monitor PSAs come from national statistics and—irrespective of whether these are collected by this or other departments, or the Office of National Statistics (ONS)—these are subject to a code of practice which states that data should be published as soon as possible with statisticians being independently responsible for the timing of their release. That said we recognise that there are time lags in the provision of national statistics.

For PSA1 (Neighbourhood Renewal) we have taken steps to encourage Local Strategic Partnerships (LSPs) to make use of local data as soon as it is available. All data are published electronically on Floor Targets Interactive at www.neighbourhood.gov.uk. On individual floor targets owned by other departments:

- The crime target uses data from the British Crime Survey published annually. We also make use of the recorded crime comparator that Home Office publish more frequently, and encourage LSPs to make use of local recorded crime data that the police collate.
- Worklessness uses the ONS Labour Force Survey, available quarterly and published on our website. Data from this source cannot be used to monitor performance in individual target wards so we require LSPs to use DWP benefit claimant data as a proxy, which is available at ward level and is published quarterly, with more timely data being available from local Jobcentres, to allow local performance monitoring.
- Education Key Stage 3 data are published annually so we encourage LSPs to use data from the individual schools in their area as soon as these are available, and supply them with provisional data as soon as DfES are able to make it available, with caveats about putting too much reliance on it as final data often shows significant changes.
Question 16. At Q 124 of the oral evidence session on 4 December, the Secretary of State discussed the Home Information Packs trial. When will the trial be reported on, and what arrangements have been made for publishing the results?

The Home Information Pack area trials have been running since November 2006 and will continue right up until June 2007. The first report from the independent researchers is expected in February. We will publish the findings as the trials progress.

Question 17. At QQ 143–44, the Secretary of State said the department was reviewing existing building stock and expected to report in March. Will this report be published? Are there any interim results of the review?

We have already published an initial analysis of the energy efficiency of existing dwellings—one of the key aspects of the review—on our website on 7 November 2006 at http://www.communities.gov.uk/index.asp?id=1504372

It has become clear that we need to improve the evidence base in this area. As such, we are taking the review forward with the Office of Climate Change as part of their wider household emissions project.

We now expect to publish the results of the review of the sustainability of the existing building stock on the Department’s website in the summer of 2007.

Question 18. At Q 152, the Secretary of State hoped the review of leaseholder charges would be completed within a couple of months. Will this review be published? What, if any, are the interim results?

As the Secretary of State said, we hoped that the review would be completed over the next couple of months. It is currently under active consideration but, as recognised during the evidence session, it is a particularly complex area. We now hope to be able to publish the results by Easter.

The findings of research commissioned by the former Office of the Deputy Prime Minister into the impact on Right to Buy leaseholders of the cost of repairs under the Decent Homes programme were published on 1 November 2006 and were used to inform the review. These findings are on the Communities website at: http://www.communities.gov.uk/index.asp?id=1504262.

Question 19. At Q 166, the Secretary of State said John Hills would report before Christmas on the social housing sector. Is this still the case? Will the Committee receive a copy of his report in advance of publication?

Ruth Kelly met with John Hills on 14 December. At this meeting, they agreed that given the additional analysis required, it would be appropriate for John Hills to have more time to produce his report. We expect the report to now be published in February and we will ensure that the Committee receives embargoed copies in advance of publication.

Question 20. At QQ 189–91, the Secretary of State said the department’s response to consultation on the goods and services regulations would be published after Christmas and in good time before the laying of the regulations before Parliament. She also said members of the Committee would have an opportunity to comment. When will the response be published? What arrangements are being made to enable the Committee to comment?

We aim to publish our response to the consultation shortly, once discussions with key stakeholders are complete. We will ensure that Committee members have the opportunity to comment on our response once it is published.
Question 21. Performance indicators for PSA8 (Liveability) (see pp 92–99 of DCLG Annual Report) on cleaner places, safer streets and local environmental services rely directly on local authority spending and performance. All three were met in the first year of the three-year spending review period. Did the Department underestimate what local authorities could achieve? Will similar targets be more challenging in future?

The level of improvement required by PSA8 indicators was set using the best available data sources at the time and, where possible, projected and emerging trends.

Using an example to put this into context, in 2002–03, numbers of abandoned vehicles were rising year on year and projected to increase to 542,500 by 2007–08. Therefore the commitment to cut by 25% (2002–03 baseline) the number of abandoned vehicles removed by local authorities meant reversing the upward trend seen between 2001–02 and 2002–03. The sustained reduction in abandoned vehicles is attributable to a range of factors including the rise in scrap metal values, but also concerted national and local action to tackle the problem as set out in the National Nuisance Vehicle Strategy launched in November 2004. We are reviewing the effectiveness of delivery arrangements for existing national targets as part of the 2007 Comprehensive Spending Review and will take on board lessons learnt in setting future targets.

We believe these targets represent a significant and continued challenge with success dependent on a range of delivery partners, with local authorities playing a key role. We are currently achieving targets on cleaner places, safer streets and local environmental services which is encouraging and represents stronger than anticipated upturn in performance at this point in the lifetime of the target. A final assessment will be available at the end of 2008 when the target reports for the last time.

Question 22. On PSA8 (Liveability), the performance indicator Household Satisfaction with local area shows “slippage”. This appears partly to be because of a rise in the number of households reporting vandalism and hooliganism, noise and traffic as problems. What is being done to reverse the trend?

Issues around tackling anti-social behaviour, including vandalism and hooliganism, are being addressed through the cross-government Respect programme. The programme tackles issues that matter to communities—like vandalism, threatening gangs hanging around and rowdy behaviour—and underlying causes by promoting good behaviour—for example through stronger communities and working with young people. The programme tackles bad behaviour and challenges key causes of anti-social behaviour like poor parenting, by engaging schools and social services and mainstreaming those changes across all services at a local level through Local Area Agreements.

The Government is responding to issues around environmental and neighbourhood noise through the National Noise Strategy, which is due to be published by DEFRA by the end of 2007. The strategy will aim to manage and reduce levels of noise.

In addition, the Government is responding to the EU Environmental Noise Directive, which requires the UK to produce strategic noise maps of major roads, railways, airports and agglomerations by June 2007 and every five years thereafter. Based on these maps, the Government will develop action plans by July 2008 and every five years thereafter to manage noise and its effects, including noise reduction where necessary.

The Government’s White Paper “The Future of Transport” sets out key strategies to help local government deliver a range of outcomes in relation to traffic, including reducing congestion and encouraging alternatives to car use. Part of this strategy involves working with local authorities to achieve quality of life improvements through Local Transport Plans which highlight issues such as traffic. To support this action, DfT has already issued guidance on the creation of Home Zones and will soon be publishing the Manual for Streets which will further encourage change in residential areas.

Question 23. The ODPM efficiency target for 2007–08 was £620 million. That target has already been exceeded, nearly two years ahead of schedule, according to the figures reported in your written memorandum (para 30). Do you have a revised estimate of the value of efficiency savings the Department will deliver by 2007–08?

We have recently revised our forecasts on the basis of gaining an increased level of assurance in the data we receive and validation of our reported gains. We currently predict we will achieve around £861 million efficiency gains by 2007–08. This revised forecast has been published in our 2006 Autumn Performance Report. We sent this to the Committee on 22 December 2006.

Question 24. Your written memorandum (para 29 (a)) reports large efficiency savings in RSL: New Supply, arising from the provision of affordable housing at less cost and the provision of “better housing design and space standards leading to more flexible accommodation at no extra cost”. What is “more flexible accommodation”, and how does it result in an efficiency gain for the taxpayer?

More flexible accommodation is that which allows current and future occupiers greater opportunity to change their home to reflect changing household circumstances without the need to undertake structural alteration or extensions to the home. This is usually achieved by a combination of non load-bearing internal partitions (allowing internal layout reconfiguration) and additional space and facilities, such as those contained in the Lifetime Homes criteria. More information can be found at: http://www.lifetimehomes.org.uk/pages/16_lth_standards.html
More flexible accommodation benefits the tax payer by reducing the cost of adapting accommodation to suit changing circumstances and thereby allowing the social housing provider more opportunity to input the savings into new schemes, thereby reducing the extent of social housing grant support.

**Question 25. The Housing Corporation remains “confident” that the quality of work performed by Registered Social Landlords achieving efficiency savings has not deteriorated (your memorandum, para 29). (a) What is the basis for that confidence?**

In respect of the Housing Corporation’s workstream on new supply, as stated in the memorandum, the Corporation ensures that homes are completed to the agreed specification and quality by regular and ongoing sampling through its Compliance Audit processes and Site Quality visits. The compliance audit of the procedural aspects, including checking that relevant documentary evidence is available to support the required standards, is undertaken by independent qualified auditors. The site quality checks on a sample of completed homes by each affordable housing provider is undertaken by the Corporation’s in-house qualified technical staff.

In respect of the Housing Corporation’s other three workstreams on management and maintenance, commodity goods and capital works, the Corporation receives, via Annual Efficiency Statements from Registered Social Landlords (RSLs), self assessment commentary on the maintenance of their improvement in quality of service delivery. Indicators of service quality for individual associations are monitored through the Housing Corporation review of performance indicators and self assessment compliance statement (SACS) which provide evidence, together with results of inspection of service delivery, for the annual Housing Corporation Assessments. Deteriorations in performance are assessed by this process.

For 2006 key indicators of quality of service delivery, similar to those used as quality cross checks for local authorities, show improving performance at a national average level in compliance with decent homes and target times met for repairs. Tenant satisfaction results nationally on average are the same as in 2005, although improvements in this indicator take time to flow through to the national figures since surveys are required on a 3 year cyclical basis.

**(b) What assessment has been made of future maintenance costs as the durability of the new accommodation is tested?**

RSLs are required to undertake whole life cost (WLC) assessments on all of their new build schemes. Work commissioned by the Corporation from the Building Cost Information Service, a subsidiary of the Royal Institution of Chartered Surveyors, shows that the net present value of the maintenance costs is about 90% of the capital cost. Their report is available online at: http://www.housingcorp.gov.uk/upload/pdf/Wholelife.pdf

The Corporation subsequently required RSLs at bid stage to record on the Corporation’s Investment Management System whether the WLC assessment indicates whether the net present value of the maintenance costs is expected to be less than 85% of the capital cost or above 85% of the capital cost. Those schemes assessed at less than 85% will have better whole life costs than the norm. This is taken into account in the Corporation’s “Value for Grant Comparator” which is a tool used to assess the relative investment performance of RSLs.

**Question 26. Why is funding for stretched targets in Local Area Agreements weighted so heavily in favour of performance rewards rather than up-front grants? (see para 10 of your memorandum.)**

Pump Priming Grant (PPG) is paid at the beginning of the Agreement and its purpose is to contribute towards initiatives designed to make improvements. Local areas are expected to contribute their own resources in addition to the pump-priming grant.

On completion of the agreement, a Performance Reward Grant (PRG) is payable to local areas where improvements have been made over and above existing targets previously identified as reward targets. Payment of the target is dependent on outcomes and therefore rewards the stretched improvements that local areas have achieved. Because of this, more money is given in PRG at the end of the delivery period (because areas have earned it) than in PPG at the beginning (which is paid to help them deliver the improvements).

Pump Priming Grant is of course only one of the grants paid at the start of the delivery period of an LAA. Areas also receive the core LAA grant, which they can use to achieve a broad range of outcomes targets and indicators in the LAA. The value of the LAA grant this year is £523 million.
Question 27. Why are sellers in the Home Information Packs dry run able to sell without completing the HIP? Doesn’t that invalidate the usefulness of the dry run as an indicator of what will happen after June next year?

Although the Area Trials are not an exact replica of the post June system, the HIPs are representative of the pack contents expected to be introduced in the amended regulations. The Home Condition Reports (HCRs) and Energy Performance Certificates (EPCs) are being undertaken by appropriately qualified and certificated people. In addition, the HIPs are being made available to prospective buyers of the property.

Even though the Area Trials are voluntary, they will still provide us with valuable information on the benefits that the HIP can bring to the home buying and selling process. In particular it will enable us to:

— Understand the impact of HIPs (with and without HCRs) on the home buying and selling process.
— Identify how we can maximise the take-up of HCRs to accelerate these benefits.
— Determine how to maximise the impact of EPCs on the public’s awareness of energy efficiency matters.

Question 28. What discussions have you had with the Mayor of London and the London Development Agency about funding the remediation of the Olympics site around Stratford? Are you satisfied that the necessary funding is in place and that the cost of remediation work will not rise?

Responsibility for the remediation of the Olympic site lies with the Olympic Delivery Authority (ODA) and the Government accountability for funding and financial management of the ODA and Olympic costs lies with the Department of Culture, Media and Sport. Remediation costs, in common with all Olympic costs above a basic threshold, are subject to detailed scrutiny through the Olympic Project Review Group, which is managed by DCMS but includes this department and representatives from the Treasury, and OGC.

Question 29. What discussions have you had with the LDA about the affordability of housing being built on the Olympics Site. What target is there for affordable housing?

The level of affordability on the Olympic site will conform to the Mayor’s London Plan policies. These set a target of a maximum of 50%, subject to the impact of remediation costs and market conditions.

The scale of legacy housing on the site as set out in the current Lower Lea Opportunity Area Planning framework is 9,600 homes.

Question 30. Are you satisfied that the developers of the Olympic site can deliver the density of housing required and still produce affordable housing suitable for families?

The delivery of high quality affordable family housing, of appropriate densities, is a priority for the Lower Lea Valley Opportunity Area Planning Framework. It states that Development in the Lower Lea Valley should maximise the opportunities for family housing in appropriate locations to a target of at least 44% of all new housing, depending on densities.

Housing quality is a shared objective for both the Mayor and Communities and Local Government, and both the Olympic Design Advisory Panel, led by the Commission for Architecture and the Built Environment (CABE), and the Mayors new Design for London team, will be involved to advise on how to secure the highest quality outcomes for the Olympic legacy and surrounding sites.

Question 31. Almost one in five key worker homes in London, the South East and the Eastern region were empty according to the Minister for Housing and Planning’s statement of 2 November. Why? What is being done to fill them?

The vast majority of homes recorded as being empty in the statement of 2 November had been completed in the previous 6 months. Given that it normally takes between three and six months to market and sell a unit, the only reliable measure of empty units is that of long-term voids (over six months). The statement confirmed that only 61 of the 4,167 homes built through the Key Worker Living Programme, or 1.5%, had been empty for more than six months.

Reasons for these voids vary but include the fact that units are often in developments where private units are also slow to sell/let and competition from developers who are offering large discounts on private units as a short term expedient to shift their stock.

Steps have been taken to improve the take up of units:

— we have developed with the Housing Corporation a flexible mechanism (cascade) which allows for changes to tenure and widening of the eligibility criteria where local evidence demonstrates that this is needed;
— the Housing Corporation works with Registered Social Landlords to improve marketing of properties;
we now allow key workers to access all our new build products as a priority group alongside social tenants rather than fund specific key worker only schemes. Currently of the 4,336 units available for key workers, only eight units (0.18%) have been empty for more than six months.

Question 32. Given that the ODPM claimed the 2002 and 2005 Sustainable Communities Summits as successes, why has DCLG decided not to host the event in future?

The 2002 and 2005 Summits were very successful. They gave the Government an excellent platform to present policy, offered suppliers the opportunity to promote their services and network. In the course of planning the 2007 Summit, however, the Department concluded that we could achieve the objectives set for the Summit, around communicating policy messages, facilitating good practice exchange and capacity building, by working more closely with the private sector, building on the successful engagement developed during the 2002 and 2005 Summits.

Question 33. What stage has been reached in the procurement process to find a suitable private sector partner to host the Sustainable Communities Summit?

Following the decision to seek a commercial partner for sustainable communities events, a small project team was established to manage the process of finding a suitable private sector partner. This team commissioned an OGC Gateway Review which reported in November 2006. Taking into account the recommendations of this review, the Secretary of State agreed on 20 December that the Department should no longer search for a single private sector partner and should instead focus on working with the now healthy private sector market, as demonstrated by events since the 2005 Summit such as RegenX, Think and Global Cities, which were organised by commercial providers around the broad theme of sustainable communities.

Question 34. Given that the Sustainable Communities Summit in 2005 cost DCLG a net £331,252, what incentives are being offered to private sector partners to run its successor?

We consider that having the Department’s input into an event, for example, policy advice on the content and using the Department’s logo for marketing purposes, is an attractive incentive to the private sector. This will still be on offer to commercial providers as part of the Department’s new approach to work with the existing market rather than a single private sector partner.

Question 35. Are the boundaries between Ordnance Survey’s roles as the public sector information holder and a commercial organisation sufficiently clear?

With the ending of the National Interest Mapping Services Agreement (NIMSA) there is no distinction between public service and commercial activity for Ordnance Survey, as its activities are directed towards providing data and services to public and private sector organisations and individuals under licence. The public sector makes extensive use of Ordnance Survey data.

Ordnance Survey is regulated by the Office of Public Sector Information (OPSI). The Office of Fair Trading have recently published a report on the Commercial use of Public Information, which makes a number of recommendations about the business models of public sector information holders. The Government is considering this carefully and will respond in due course.

Question 36. Did ODPM promise funding towards development of a National Land and Property Gazetteer for use by local government, and was any offer of funding later withdrawn?

The National Land and Property Gazetteer (NLPG) is a consolidation of Local Land and Property Gazeteers (LLPGs), used by individual local authorities to facilitate customer services. The NLPG is a public—private partnership, established by the Improvement and Development Agency (IDEA) on behalf of local authorities.

Although provision was made within the Local e-Government Programme in 2003 to make funding available to local authorities for the development of NLPG, ODPM did not actually give these funds as the proposed programme did not get underway.

The funds were to be provided on the condition that:

(a) the majority were used to accelerate the completion of NLPG by bringing on board all those councils not yet committed to signing up by December 2003 and specifically address the reasons given by councils for not signing up to date;

(b) the investment must have been of (direct) benefit to local authorities;
(c) no money was used to support direct improvement to data quality of existing LLPGs or for the ongoing maintenance of NLPG itself;

(d) no more than half of the support funds were to be used to improve local authorities’ understanding of the LLPG/NLPG.

Question 37. Why did the Department decide to end the seven-year National Interest Mapping Services Agreement (NIMSA) with Ordnance Survey? What impact is that likely to have on the uncommercially viable mapping of rural and other areas?

Over the seven year agreement NIMSA has enabled the successful delivery of a nationwide Positional Accuracy Improvement programme to improve the accuracy of national data and ensure effective interoperability between topography, imagery, road centre lines and height data.

The market for mapping data has changed significantly over that period and now requires sophisticated data from a wider range of suppliers. We have concluded it would be more appropriate for the relevant public sector bodies to define, procure and fund the specific services they require. The Department will however, continue to support national interest geographic activities, including maintaining a national metadata service, and support the Geographic Information Panel to develop the UK Geographic Information Strategy.

Ordnance Survey will absorb the costs of providing the “Mapping for Emergencies” service and some national interest coastal mapping of changes to tide-lines and coastal erosion. Revision cycles for much of the large scale mapping of rural and moor-land areas will be lengthened from the current five and 10 years respectively to seven and 14 years. This includes the depiction of changes to field boundaries and the capture of change in forestry cover. However, significant changes in rural and moorland areas (eg groups of houses, roads) will continue to be mapped within six months of completion.

Question 38. What is the Department’s position on the EU INSPIRE proposal on the publicly funded provision of geographical information, and what implications might the proposal have for Ordnance Survey?

Both the Department and Ordnance Survey supported Defra as the lead department on INSPIRE and both endorse the INSPIRE principles of accurate geographic data being available for joined-up environmental policy making in Europe. Negotiations on the Directive concluded on 21 November 2006. The agreement now reached allows Ordnance Survey to continue to charge a commercial rate for geographic data, which will secure continued investment in improving data collection, maintenance and provision.

Question 39. You have set up a £40 million start-up fund to provide 100,000 additional homes in the 29 Growth Point areas? Is that enough? How well informed are communities in those areas about the additional housing that will be built? What consultation did the Department require growth point organisations to undertake in order to qualify for the additional funding?

The New Growth Point initiative aims to support the selected areas to achieve their ambitions for sustainable growth. The £40 million funding identified for 2007–08 is intended to fund preparatory studies and some early projects to free-up sites for new housing and carry out environmental improvements. The level of further resources for the New Growth Points programme will be a matter for consideration in the Comprehensive Spending Review 2007.

Funding for infrastructure provision will also come from the private sector. In particular, where required, a developer may contribute towards infrastructure provision through section 106 of the Town and Country Planning Act 1990.

In considering expressions of interest for New Growth Point status, the Department asked for evidence and analysis supporting the potential for increased growth. All New Growth Point proposals are subject to the statutory planning process, including public consultation on the full range of matters including the general levels and locations for growth in Regional Spatial Strategies and on site specific proposals in Local Development Frameworks. The Government’s partnership for growth with these areas does not in any way over-ride the statutory planning process and all the usual opportunities for public consultation about development proposals remain.

Question 40. The Annual Report notes that the Thurrock Development Corporation was established in October 2003 but that no corporate plan had yet been agreed for it. Has a plan been agreed yet? Why has it/ did it take so long? What impact will the lack of a plan for so long have on the “full review” of the corporation planned to take place next October?

The Thurrock Thames Gateway Development Corporation (TTGDC) Corporate Plan was adopted by the Thurrock Board in July 2006. It sets out the aspirations for land acquisitions in the spending period and wider strategic goals and policy directions. It also outlines a range of funding approaches it will take to draw in significant private investment.
The production of the Corporate Plan did take longer than anticipated but TTGDC felt that a robust plan could not be produced in advance of its other strategic planning documents. We do not consider the delay in the publication to have had an adverse impact on the Development Corporation’s activities.

When TTGDC was created in 2003 it was anticipated that there would be a formal review of their activities after four years. However, as it was 2005 before the UDC became fully operational (with the granting of planning powers) it was felt that a review in October 2007 would be of limited value. We plan to undertake a full review of the Development Corporation’s activities in 2009.

Question 41. Correspondence the Committee has received states that the Local Government Ombudsman cannot make decisions on words spoken between council employees and complainants, but only on written material. This means that complaints made by telephone cannot be considered. Is this correct? Are any plans being made to take into account complaints made by telephone, particularly given the provision of local authority telephone helplines and the Local Government White Paper’s reference to updating the way the Ombudsman deals with complaints?

Under section 26(5) of the Local Government Act 1974, before proceeding to investigate a complaint of maladministration on the part of a local authority the Ombudsman must be satisfied that the complainant has brought the complaint to the authority’s notice and given the authority a reasonable opportunity to investigate and reply to it. The Ombudsman’s policy is that complaints made to an authority’s telephone complaints line satisfy this legislative requirement. As such, it is not correct to say that complaints made by telephone to a local authority cannot be considered.

The Ombudsman does consider spoken exchanges between council employees and complainants in the course of his investigations into complaints. In the majority of cases, these are considered alongside written evidence that the original complaint is based on or supported by. However, there may be occasions where accounts of a conversation conflict and the Ombudsman is unable to make a decision in the absence of other corroborative evidence.

The Local Government White Paper, set out the Government’s intention to further modernise and clarify the legislation to bring the Ombudsman in step with modern local service delivery arrangements. Our proposals to implement this intention will include provision for complaints to the Ombudsman to be made in ways other than the traditional written form, for example, by text or email as well as by phone. The Ombudsman strongly advocates the changes proposed.

Question 42. Precisely how many staff work for the Strategy and Performance Directorate?

Twenty-nine FTE staff currently work in the Strategy and Performance Directorate, working on departmental strategy, project and programme management and risk management, better regulation and servicing the departmental Board and corporate governance structures.

Question 43. Your memorandum (para 61) explains why the Department was briefly overdrawn at the end of the financial year. What were the unforeseen payments, and how much did the overdraft cost?

The memorandum explained that the Department was briefly overdrawn at the end of the financial year, largely as a result of three large payments made in the last two days of the year.

1. £108.84 million for a PFI—special grant on Thursday 30 March;  
2. £67.11 million for a Local Public Service Agreement performance fund on Friday 31 March; and  
3. £9.48 million for the Housing Market Renewal Fund on Friday 31 March.

These led to a net overspend of £33.5 million.

This situation arose as a result of some weaknesses in the Department’s forecasting mechanisms coupled with a drive to minimise the bank balance at the end of the year. We have now introduced improvements in our cash management processes to pick up payments such as these that are unforecast, but have been passed for payment in its accounting system. This will allow sufficient time to fund the Department’s bank account from HM Treasury’s main Supply. The Department was not charged for the overdraft.

Question 44. Your memorandum (para 12) said you would publish the findings of the administrative burdens review and the Departmental Simplification Plan “later this year”. Are they on course, and can the Committee have copies?

The simplification plan was published, online on the 11 December and the administrative burdens review on 15 December. Both are available to download at:

http://www.communities.gov.uk/index.asp?id=1505053
### Nominal GVA per Head Growth

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#### ANNEX A

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Annex B

GUIDANCE ON HANDLING PARLIAMENTARY QUESTIONS

Answering PQs: General Information

Purpose and form of questions

Parliamentary Questions (PQs) allow MPs and Peers to seek information or request action from Ministers. PQs in the House of Commons are addressed to the Secretary of State primarily responsible for the matter raised—PQs which are the responsibility of Communities and Local Government are tabled to the Secretary of State for Communities and Local Government. In the House of Lords, PQs are addressed to Her Majesty’s Government.

There are rules governing the form and content of questions which are enforced by the House authorities. Questions:

- Must seek information or press for action; they should not offer information, seek to advance an argument or request opinions (this rule is not enforced in respect of oral supplementary questions);
- Must relate to matters for which a Minister has responsibility;
- Must have a reasonable factual basis, ie not be speculative; and
- Must not have been answered already in the current session (unless there is reason to believe the situation has changed). Also, if a Minister declines to provide the information or take the action requested, it may not be requested again for three months. When Ministers refuse to provide information on particular subjects for reasons such as commercial confidentiality, this may block questions on that subject for the rest of a session.

Questions may not relate to matters devolved to the Scottish or Welsh executives unless they:

(a) seek information the UK Government is empowered to require of the devolved executive,
(b) relate to matters covered or to be covered by legislation introduced in the UK Parliament,
(c) concern the operation of a concordat between the UK Government and the devolved executive,
(d) concern matters which UK Ministers have taken an official interest in, or
(e) press for action in areas where UK Ministers retain administrative powers. Similar principles apply in respect of Northern Ireland.

Ministerial and parliamentary accountability

The Secretary of State is concerned to ensure that we provide timely and accurate answers to PQs. Ministers take very seriously their obligations to Parliament. The Cabinet Office has issued guidance to officials on drafting answers to PQs. Deputy Directors/Agency Chief Executives are responsible for ensuring that draft answers submitted from their Division/Agency are consistent with this guidance.

Answering PQs

Never forget Ministers’ obligations to Parliament which are set out in the Ministerial Code:

“It is of paramount importance that Ministers give accurate and truthful information to Parliament, correcting any inadvertent error at the earliest opportunity. Ministers who knowingly mislead Parliament will be expected to offer their resignation to the Prime Minister.”

Ministers should be as open as possible with Parliament and the public, refusing to provide information only when disclosure would not be in the public interest.

PQ answers must be accurate, truthful, as concise as possible and in accordance with the guidance on disproportionate cost. Each question should be considered on its merits and there is no prohibition on providing information relating to the former ODPM.

If PQs are not answered on time, this undermines our reputation. PQs must returned by the deadline set by Parliamentary Branch. This is particularly important for “named day” PQs.

Each Director needs to ensure that they are confident about the process for quality assuring PQs which are put up to Ministers, and for ensuring that PQs are rapidly escalated if Ministers have substantial questions about draft PQs (and please bear in mind that the Advisers might be well placed to help at this point).

In preparing draft answers, officials should be aware of the following:

- Freedom of Information Act 2000—the rights of the individual to be provided with information under the FOI Act will also apply to documents in respect of PQs eg background notes and other briefing material. You should draft carefully because what you write could one day be made public. For example background notes should provide factual information about the PQ and the
proposed draft answer. They should not include comments about people or organisations. And remember the Act applies retrospectively to any document already created and in existence on 1 January 2005. Further information on the FOI Act is provided on the Intranet.

Disproportionate Cost—If the cost of preparing the answer, including staff time, is likely to exceed £700 it may be appropriate to reply “The information requested could only be provided at disproportionate cost”. Where information is being refused on the grounds of disproportionate cost, there should be a presumption that any of the requested information which is readily available should be provided—excluding for the former ODPM. Divisions/Agencies should use their best judgement to determine whether the cost of providing an answer is likely to breach the £700 limit, taking into account any file searching, computer runs or publications which would need to be purchased to obtain the information requested. In such cases, officials must provide a full explanation to the Minister justifying why it is proposed to use a “disproportionate cost” response.

References to Previous PQ Answers—Where the answer to a PQ has been given in response to another question, the answer should refer to the earlier reply. For example, “I refer the hon Member to my answer of [date], given to the hon Member for [constituency] (Official Report, column [number])”.

Grouping PQs—PQs on related subjects (including PQs tabled by different MPs) may be answered together if they have been tabled for reply on the same day.

Published Information—Where draft answers refer to published information, they can refer the MP/Peer to the relevant publication and copies should be placed in the House Libraries. Parliamentary require seven copies of any documents which are required to be placed in the Libraries and these must be available when the PQ is answered.

Lengthy Replies and Tables—Although there is no limit to the length of PQ answers, they must be as concise as possible. Where a PQ answer includes tabular information comprising four or more sides of A4 it will not be printed in Hansard. The answer should state that the information has been placed in the Libraries of the House. Tables included in a PQ answer should be no smaller than 10 point.

Abbreviations or Acronyms—These must be spelt out in full the first time they are used in the PQ answer.

Modes of Address—In the House of Commons, Government supporters should be referred to as “my rt hon/hon Friend the Member for [constituency]”. Opposition MPs should be referred to as “the rt hon/hon Member for [constituency]”. In the House of Lords, Government supporters should be addressed as “noble Friends”. Opposition Peers should be addressed “noble Lords/Ladies”. Other modes of address are appropriate for Law Lords, Bishops, Dukes etc and Parliamentary should be consulted if necessary. Ministers refer to each other as “my rt hon Friend the [Secretary of State]”, “my [rt hon], [hon], [noble] Friend the Minister of State” or “my [hon] [noble] Friend the Parliamentary Under Secretary of State”.

Websites—There will be occasions where PQs ask for information contained in documents available on websites. In answering PQs it is acceptable to refer Members to websites but the reference to the website must be accurate. In addition, Departments should ensure a hard copy of the information is provided to the Member and that copies are deposited in the Libraries of the House. Parliamentary Branch require from officials seven copies of such documents which must be available when the PQ is answered.

Background notes—Any background note should:

- provide only factual information about the PQ and the proposed draft answer;
- not include comments about people or organisations, or a commentary on the MPs motivation for tabling the question;
- be drafted on the basis that they could be made public (see above note on the Freedom of Information Act).

PQs relating to agency operational matters

It is standard practice (prescribed by the Cabinet Office) that questions for written answer about Agency operational matters receive a letter from the Chief Executive, the text of which appears in Hansard.

Chief Executive letters do not need to repeat the text of the question, should be kept concise and to the point, and where possible no longer than one page in length. The letters need only be in the same style and of the same length as Ministerial replies. Letters should begin “The [name and title of Minister] has asked me to reply to your recent question(s) about . . . .” and go on to give the information requested.

Agencies should provide a signed, undated, letter to Parliamentary by the deadline set. When the PQ has been approved for answer, Parliamentary will liaise with the relevant Chief Executive’s office or Agency contact to arrange for the letter to be despatched.
In answering the question, Parliamentary will send the MP a copy of the Chief Executive letter and an answer from the Minister saying

“...I have asked the Chief Executive of the [ ] Agency to write to the hon member/my hon friend/etc.”

Hansard

Once a question has been answered, an extract from Hansard will be placed on the PQ jacket and returned to the relevant Deputy Director/Agency Chief Executive who is responsible for checking the reply in Hansard against the typed answer and reporting any substantive errors to Parliamentary.

Hansard adopts its own “house style” when preparing answers for printing, particularly with regard to initial capital letters, but if a printing error makes the answer incorrect or misleading, it is generally possible to ask for the necessary correction to be made. For example, figures can be printed out of line when tables are formatted. Parliamentary should be informed as soon as any errors are identified, normally within two weeks of the reply being given. The correction would be made when the daily Hansards are reprinted as bound volumes.

Correcting answers

It is sometimes necessary to correct the substance of a published PQ answer (for example, if incorrect figures had been quoted). This can be dealt with in two ways:

— the Minister writes to the MP/Peer correcting the information, and a copy of the letter is placed in the House library.
— “pursuant” answer is given, ie the question is re-answered giving the correct reply. Answers pursuant to earlier questions can only be made in limited circumstances to correct information. They cannot be used to give substantial written statements nor to provide new additional information.

Parliamentary Branch should be consulted and can give advice on the most appropriate method of correction. If the answer is to be corrected by letter, a draft would need to be submitted to the relevant Minister.

Pursuant answers can only be given with the express permission of the House of Commons Table Office or Lords Whips’ Office. The question does not need to be retabled and subject to the necessary approvals, pursuant answers can usually be given at short notice. The Minister’s answer would be prefixed by the words “Pursuant to my answer of [date, Hansard reference]”.

Parliamentary Branch

December 2006

Annex C

FURTHER INFORMATION IN RESPECT OF THE DEPARTMENT’S ORIGINAL MEMORANDUM ON THE 2006 ANNUAL REPORT INQUIRY

Q38. Please provide exact data to clarify the statement on p53 that “In areas where the Drug Interventions Programme operates intensively, . . . there has been a 19% average reduction in acquisitive recorded crime (drug-related) in the 12 months to January 2006 compared with the average for the year April 2002 to March 2003”

In the memorandum sent by the Department dated 18 September, the precise data on recorded crime in Drug Intervention Programme areas from the Home Office was not available (question 38). We promised to provide this information to the Committee separately.

At the time of providing the extract for inclusion in the Annual Report, data was only available up to January 2006 and had not been verified. Therefore, a provisional figure of 19% was included. The finalised data for the full financial year shows that between April 2005 and March 2006, there were 2,995,611 recorded acquisitive crime offences compared to 3,743,051 between April 2002 and March 2003. This represents a 20% reduction.