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Government Committee

Communities and Local Government: Departmental Annual Report 2007

Second Report of Session 2007–08

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written evidence*

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Communities and Local Government Committee

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Contacts

All correspondence should be addressed to the Clerk of the Communities and Local Government Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 1353; the Committee's email address is clgcom@parliament.uk

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1 Introduction

1. The single theme that underlies this report and informs everything we want to say about the performance of the Department for Communities and Local Government (CLG) is: Delivery. We have commented previously on the challenges that face CLG because of how it is constructed and its unusual reliance for the achievement of the goals Government has set it on a plethora of other Departments, agencies, non-departmental bodies, local authorities and other stakeholders. Most of the money for which CLG is responsible is spent for it by someone else—by 450-plus local authorities in England, by 47 local fire brigades, by large government agencies such as the soon-to-exist Homes and Communities Agency with its £2.2 billion budget, and by many more bodies besides. All the 10 Public Service Agreement (PSA) targets CLG was required to meet in 2006–07 were set for a different Department and inherited when it was formed in May 2006, and almost all of them relied on the actions of someone else if their goals were to be achieved and on data collected elsewhere if they were to be accurately measured and assessed. To a greater degree than perhaps any other Government Department, CLG depends on others to deliver what it promises. The Secretary of State for Communities and Local Government herself, four months into her new job, displayed a commendably clear-sighted understanding of the nature and uniqueness of her new Department when she told us:

the Department is one that does not have the traditional levers in many cases of regulation and funding and direct delivery ... Our Department is very much about influence, about brokering, about negotiation, and that is a very different skill set in many ways from a traditional government delivery department.¹

The central thread running through all that follows, therefore, is the question of how well CLG enables, enthuses and encourages its many partners to deliver on its promises and how well it is setting clear visions that those other bodies can translate accurately, cost-effectively and efficiently into practical achievement. In short, the central question animating our Report is how CLG delivers.

2 The challenge of delivery

2. CLG was formed in May 2006, inheriting many of the former functions of the Office of the Deputy Prime Minister (ODPM), plus some responsibilities moved from the Home Office and the former Department for Trade and Industry. CLG employed around 2,250 staff and was responsible for more than £33 billion of Government expenditure in 2006–07. Most of that—£23.7 billion—was spent in direct support of local government, principally through revenue support grant and business rates. The Department itself allocated just under £8 billion to its own priorities, including £3.3 billion for housing, £2.4 billion for tackling disadvantage and £1.8 billion for improving regional economic development. Most of that £8 billion is in turn spent through other public bodies, such as Regional Development Agencies and CLG’s own sponsored bodies (the Housing Corporation, for example). It is immediately apparent that the Department conducts most of its work through long, devolved delivery chains.

The Capability Review

3. CLG’s competence in co-ordinating those delivery chains faced its most sustained questions of the year in the Capability Review published in December 2006.² The review, conducted by the Prime Minister’s Delivery Unit with assistance from the Audit Commission and the National Audit Office (NAO), aimed to measure capacity to deliver and to identify necessary improvements. Significant weaknesses were identified in setting out implementation plans and establishing a strategic lead across Whitehall and among strategic partners charged with practical delivery on the ground. These conclusions were in line with concerns we had raised in our reports on the Department’s Annual Report in both 2005 and 2006. As we noted last year, these would be significant problems for any Government Department, but are particularly so for CLG because its work is so dependent on others—for example, local authorities, registered social landlords (RSLs) and bodies such as the Planning Inspectorate, the Housing Corporation and English Partnerships.

4. We noted that the Department needed to demonstrate significant improvement in setting clear strategic goals and persuading its many partners to act on them.³ In response, the Department said that “refreshed and significantly smaller” corporate PSA goals would be set under the Comprehensive Spending Review (CSR) in late 2007, as has occurred.⁴ It also said that new partnership agreements would be forged with other Departments, and the Annual Report published shortly after that response makes the same point.⁵ Those partnership agreements are the central links of CLG’s delivery chains. **We recommended last year that details of the new partnership agreements CLG is forging with the**

2 Cabinet Office, *Capability Review of Communities and Local Government*, December 2006, pp 9–11. See http://www.civilservice.gov.uk/reform/capability_reviews/reports.aspx

3 Communities and Local Government Committee, Third Report of Session 2006–07, *DCLG Annual Report 2006*, HC 106, para 26

4 Communities and Local Government, *Government Response to the Communities and Local Government Committee’s Report on the Department of Communities and Local Government’s Annual Report 2006*, May 2007, Cm 7125, p. 4

5 Communities and Local Government, *Community, opportunity, prosperity: Annual Report 2007*, May 2007, Cm 7094, p. 27

stakeholders responsible for delivery of its policy goals should be set out in the Annual Report so that we might judge their scope and effectiveness. This has not been done. We repeat the recommendation for future Annual Reports.

5. The NAO has outlined the key challenges facing CLG as: developing a clear view of what works across the full range of its responsibilities; more strategic management of staff; improved analytical capacity within the Department; and plugging skills gaps in project and programme management.⁶ Once again, this conclusion mirrors the concerns we have highlighted for more than two years. The CLG Annual Report records steps taken on those points, including the reorganisation of the Department's senior management team into new directorates-general, the recruitment of more analysts (particularly economists, as the Permanent Secretary told us last year) and the creation of "expert panels with representation from academia, relevant think tanks and delivery partners to review and challenge the data and trends across our policy areas."⁷

6. Concern persists, however, about CLG's capacity to deliver. The NAO told us:

the Department is not strong at setting out clear implementation plans and does not have a reputation amongst its partners for having enough strategic influence to solve problems within Whitehall that are creating obstacles to local success.⁸

In November 2007, the Public Accounts Committee (PAC), highlighted a specific example, the Thames Gateway development project, where CLG is perceived to be failing to set a clear lead and to manage a project properly. The PAC noted that the Department's "management of the programme has been weak" and that it "has not translated the vision for the programme into comprehensive and measurable objectives".⁹

7. The Annual Report notes that the Department takes a "strategic lead across Government" on better homes and neighbourhoods, local government, local services and environment, regeneration and investment in towns and cities, and safe, tolerant and inclusive communities.¹⁰ The range and number of governmental and non-governmental organisations involved in those fields requires an immense amount of the influence, brokering and negotiation identified by the Secretary of State as her Department's key levers. The Annual Report further notes the Department's desire to ensure that every staff member has the skills to increase their contribution.¹¹ In spite of the transformation programme put in place after CLG was formed in May 2006, questions remain about the range of skills possessed by the front-line staff who manage the arms-length delivery chains on which the Department depends.¹² **The Department needs urgently to tackle persistent concerns about its ability to deliver across the range of policies for which it is responsible and its ability to influence its strategic partners.**

6 Ev 76

7 Cm 7094 (2006-07), p. 27. See also, HC 106 (2006-07), Ev 2-3

8 Ev 76

9 Public Accounts Committee, Sixty-Second Report of Session 2006-07, *The Thames Gateway: Laying the Foundations*, HC 693, paras 1 and 3

10 Cm 7094 (2006-07), p. 9

11 Cm 7094 (2006-07), p. 27

12 Ev 76 to 78

Public Service Agreements

8. CLG was responsible in 2006-07 for 10 PSAs, introduced by the Government with the 2004 CSR. In its Annual Report, the Department assessed itself as being “on course” to meet eight of those targets, while recording “slippage” on two—Decent Homes (PSA 7) and Race Equality and Community Cohesion (PSA 10). During our inquiry, it further accepted that it should not have reported itself as being “on course” to meet its Gender Equality (PSA 9) target.

9. The nature of the PSA targets CLG will be required to co-ordinate next year have changed as a result of the 2007 CSR. New and significantly smaller targets have been identified across Government. The 2007 Pre-Budget Report and Comprehensive Spending Review allocates responsibility to CLG for two of those:

CLG will lead delivery of the cross-governmental Public Service Agreement (PSA) to build more cohesive, empowered and active communities and improve long-term housing supply and affordability.¹³

CLG will lead work across government to increase participation in a range of services; change attitudes and perceptions; and improve local public services and quality of life.¹⁴

The Secretary of State told us that the Department would additionally contribute to 20 more PSAs across government: that says to me again that CLG is about negotiating, brokering, bringing other people to the table.¹⁵

As already noted, the Department’s skills in those respects will need to be of the highest quality. **The Department must continue to expand its analytical capability and to ensure that its staff possess the full range of skills its arms-length delivery chains require. Negotiation, brokering and persuasion are not the traditional levers of a Whitehall delivery department, and nor are they easy skills to find or to measure. The Secretary of State recognises that those skills are essential to the success of her Department and its ability to meet its public service agreements. The Department’s stakeholders remain to be convinced that they are sufficiently embedded in its staff and culture. We share their doubts.**

Decent Homes—PSA 7

10. The Decent Homes programme is arguably one of CLG’s success stories. The Department has co-ordinated the investment of some £20 billion in improving sub-standard housing, and the Annual Report records that since 1997

13 HM Treasury, *2007 Pre-Budget Report and Comprehensive Spending Review*, October 2007, p 218

14 HM Treasury, October 2007, p 220

15 Q 119, Ev 16

“560,000 new kitchens, 400,000 new bathrooms and 770,000 new central heating systems have been installed into council homes. 510,000 council homes have been re-wired to ensure that they meet fire and safety requirements, and work is being carried out to improve energy efficiency.”¹⁶

Most of this improvement is concentrated on the most deprived areas: the proportion of non-decent homes there fell from 52 per cent to 49 per cent between 2003-04 and 2004-05.¹⁷ This translates, of course, into better living conditions for tens of thousands of people and is to be praised accordingly.

11. None the less, the Department recorded “slippage” against its Decent Homes target and has accepted that it will fail to deliver what it originally promised. Having set as its baseline the improvement by 2010 of all 1.65 million social sector homes classed non-decent in 2001—1.17 million run by local authorities, the remainder by RSLs—the Department conceded last year that it would not achieve more than 95 per cent of that target by that date. Two broad reasons are advanced for this. First, many landlords carry out “elemental” programmes of works, meaning, for example, that the windows of all relevant properties, then the kitchens, then the central heating systems are upgraded in sequence; and this means that those homes will not reach Decent Homes standard until all works are complete.¹⁸ In addition, arms-length management organisations (ALMOs) have spent less than expected: “fewer ALMOs began spending in this year than we had programmed for.”¹⁹ This has happened, in part, because funding for the sixth round of the ALMO programme was released more slowly than CLG anticipated, partly in turn because the Department was waiting for ALMOs to be ready to receive it. The point, of course, is that ultimate delivery of the programme relies on the ALMOs, RSLs and landlords who use the funding to make the improvements on the ground, and CLG’s task is to ensure that they are able to do what is planned at the time intended.

12. Richard McCarthy, Director-General for Programme, Policy and Innovation, argued that achieving 95 per cent by 2010 was “a tall order in itself” and would represent “an outstanding record of delivery by local government in particular”.²⁰ With the caveat that the remaining 5 per cent represents perhaps 80,000 homes not fully brought up to the Decent Homes standard, we broadly concur with that view. **We commend the work CLG has done with its partners on the Decent Homes programme, which is indeed an example of outstanding local government delivery. We express deep disappointment, however, that the Department proved unable to co-ordinate the work required down its delivery chains sufficiently to achieve its initial target of bringing all home up to decent standard by 2010, and we seek a clear indication of what will be done to improve those homes which will not be upgraded by then.**

16 Cm 7094 (2006-07), p. 81

17 Ev 31

18 CM 7094 (2006-07), p. 82

19 Ev 35

20 Q 46, Ev 6

Fire and Rescue Services—PSA 3

13. Fire and Rescue is also an area of achievement for CLG. The Annual Report records that during 2006-07 “there were just 227 accidental fire-related deaths compared with an average of 349 per annum over the five years to 1998-99.”²¹ CLG attributes this to a shift of resources from dealing with fire and its consequences towards prevention. For example, a Fire Kills national media campaign and a Home Fire Risk Check initiative have each encouraged more use of smoke alarms and awareness of how to act when fire breaks out. The NAO, however, enters a note of caution, on this achievement, noting that “the number of fire related deaths has been dropping fairly consistently over the past 30 years and it is not clear that recent reforms have accelerated this decrease.”²²

14. In spite of meeting its principal target, CLG recorded “slippage” against a sub-target requiring it to ensure that no local fire and rescue authority had an annual fatality rate from accidental fires in homes of more than 1.25 times the national average. Only four of the 47 English fire services fail to meet this target—Merseyside, Greater Manchester, South Yorkshire and Lancashire—a figure that has fallen from 11 in 2005. Research to establish why those authorities perform poorly identified a strong correlation between deprived communities and fire risk.²³ Fire services in those areas are consulting others on how reductions were achieved.

15. A target measuring departure from the average is of course not wholly satisfactory: if death rates rose in the other 43 fire authority areas, the average would rise, bringing the four worst authorities closer to it.²⁴ It does provide a measure of achievement, but the different challenges faced by fire authorities in different areas are not factored in. Mr Chris Wormald, Director-General for Governance and Communication, told us that the target had “served its purpose” and was being replaced with one based on a broader range of fire and rescue service measurements and on more choices determined more locally by the Fire Service about service provision and prevention.²⁵

16. The NAO told us that while overall death rates were falling, the time taken by fire services to respond to emergency calls is rising. While 46 per cent of fires were responded to within five minutes in 2001, the figure fell to 37 per cent in 2006, and in 2005 it was taking an average 7.11 minutes for the first fire engine to arrive on the scene after an emergency call.²⁶ Mr Wormald accepted those figures, but argued that “around 80 per cent of fire deaths have already happened at the point at which the fire brigade is called. The actual effect of response times on the death rate is really comparatively small”.²⁷

21 Cm 7094 (2006-07), p. 49

22 Ev 101

23 Ev 33

24 Q 9, Ev 2

25 QQ 9 to 28, Ev 2 to 4

26 Ev 102

27 Q 18, Ev 3

17. Among factors that explain slower response, rising traffic volumes may be significant—“For England, response times to primary fires have increased by 16 per cent and traffic has increased by 15 per cent since 1995. It is frequently reported by local fire and rescue services that traffic has an impact on the time taken to respond to an incident.”²⁸ The Department will conduct research into the impact of traffic on response times, and that is welcome. Mr Wormald appeared to suggest, however, that slower responses to emergencies were not a matter of grave concern: “I am not denying that the number has gone up, it clearly has. What I am saying is that it does not equate to a worse service.”²⁹ We disagree. **Slower response to fires is a worse service. Even if 80 per cent of fire deaths occur before an emergency call is made, speed of response still matters in the remaining 20 per cent of cases, to those who may be injured by fire and to the owners of property on fire. We recommend that research into the impact of traffic on response times be extended to consider means of achieving quicker response.**

Race Equality and Community Cohesion—PSA 10

18. CLG inherited responsibility for delivering the Government’s race equality strategy from the Home Office in May 2006, having previously been responsible for equality and cohesion. Performance in its first year in charge of the overarching strategy was not, on the face of it, encouraging. The headline target was to “reduce race inequalities and build community cohesion”, and three sub-targets were set, focusing on perceptions among black and minority ethnic (BME) communities of unfair treatment by public services, of discrimination in the labour market, and of rising community cohesion in areas where the “risk of disturbance is high”.³⁰ On all three, the Department records “slippage”, making this the only one of its 10 PSAs for 2006-07 on which it missed all its targets. As noted above, the PSAs are being replaced with two developed in the current CSR process, but CLG will continue to lead governmental work on changing attitudes and perceptions.

19. Once again, the Department’s capacity to set clear programmes and drive implementation of policy by a range of stakeholders lies at the heart of its difficulties. The Annual Report notes that last year’s two PSA targets were

challenging and ambitious, and the success of our work depends on our ability to work with a wide range of external stakeholders and other Government departments. Our challenge is to articulate our objectives so that they can be captured easily by partners at a national and local level and reflect the key policy questions we have about how a modern multicultural society can best function.³¹

Once again, the Secretary of State’s recognition that influence, brokering and negotiation are crucial to her Department’s ability to deliver remains to be translated into front-line skills in those areas.

28 Ev 58

29 Q 19, Ev 3

30 Cm 709 (2006-07), p. 97

31 Cm 7094 (2006-07), p. 89

20. On the first sub-target, which sought a reduction in the number of people from BME communities who perceived unfair treatment from eight key public sector organisations, CLG argued that the headline “slippage” disguised progress within the target:

For example, although little progress appears to have been made in improving the perceptions of discrimination for the aggregate, the proportion of Black and minority ethnic people who think that they would be treated worse than people of other races has fallen significantly since 2001 for four of the eight PSA organisations.³²

On the second target, related to perceptions of discrimination at work, the number of people from BME communities who said they were unfairly discriminated against when seeking employment fell from 24 per cent to 22 per cent, but the target slipped because the number saying they were unfairly discriminated against when seeking promotion rose from 46 per cent to 50 per cent.³³

21. The three sub-targets CLG inherited, relying as they do on perceptions, are difficult to measure accurately. The new PSA is intended to supply clearer data reflecting what CLG is doing to improve community cohesion, but the three sub-targets on cohesion are, once again, based entirely on subjective measurements—the perceptions of those who believe people from different backgrounds get on well, on those who have meaningful interactions with people from different backgrounds, and on those who feel that they belong to their neighbourhood. **We welcome the introduction of a new, sharper PSA for community cohesion as part of the 2007 CSR process. However, we are concerned that performance in this area is being measured entirely against perceptions of cohesion, and not against more objective criteria of disadvantage such as rates of employment, educational attainment or housing standards. In addition, the new performance indicators focus on the national picture, and we recommend that CLG look beyond the precise terms of its high-level PSA target to seek to influence change in local areas where cohesion is in question or where new threats to cohesion arise.**

Gender Equality—PSA 9

22. CLG’s Annual Report for 2007 may well turn out to be the only one in the Department’s history to comment directly on gender equality, a policy area for which it was given responsibility by the former Prime Minister in May 2006 on the appointment of the rt hon. Ruth Kelly MP as Secretary of State, but which, following the appointment of the rt hon. Hazel Blears MP as Secretary of State, the new Prime Minister transferred to the new Government Equalities Office in July 2007. The Department managed during its year or so in charge of the policy to implement the Equality Act 2006 and the public sector gender equality duty. Otherwise, having only just had time to appoint a Director-General to lead its equalities work, CLG recorded a mixed performance across the 15 indicators within the PSA, hitting the target on five, failing to assess five and missing the remaining five. The Annual Report incorrectly records overall progress as “on course”, but CLG

32 Cm 7094 (2006-07), p. 97

33 Ev 123

subsequently told us that that officials had reassessed the data and “the PSA is not now on course to be met.”³⁴ The NAO’s review of the data systems underlying PSA 9 in fact found the target “unfit for the purpose of reporting improvements in gender equality”, saying that the indicators used did not collectively give a clear picture of performance.³⁵ **The fact that CLG wrongly reported itself as being on course to meet its Equality PSA target is not only unacceptable but a further indication of confusion about precisely what the Government wants to do in this area, what mechanisms it means to employ, and how urgently it needs to act.**

23. We were further concerned by difficulties in creating the new Commission for Equality and Human Rights and by delays in introducing a single Equalities Bill to harmonise existing equalities legislation. As our report on Equality made clear, we fear that these difficulties and delays, allied to the fact that responsibility for equality policy appears to shift with every governmental reorganisation, may imply that equality policy has been lower on the Government’s agenda than its statements on the subject would seek to persuade us.³⁶ **Responsibility for gender equality rested with the Department for Communities and Local Government for little over a year before passing to the Government’s new Equalities Office. During the three-year period of the PSA targets set in 2004, responsibility also rested at times with a Women’s Unit within the Cabinet Office and with the Department for Work and Pensions. We welcome both the new Office and the creation of a new PSA as part of the CSR 2007 process. We recommend strongly that responsibility for achieving the targets set under that PSA remain with a single body throughout the period of their existence to enable the maintenance of a continued, coherent focus on their achievement.**

Home Information Packs

24. The introduction across the housing market of Home Information Packs (HIPs) was another major challenge for CLG in 2006-07, and one on which it again failed to deliver. The 2006 Annual Report identified HIPs as a “key priority” for the coming year. Within weeks of its publication, the then Secretary of State, Ruth Kelly MP, announced that the packs would not include a mandatory Home Condition Report, intended to save housebuyers the cost and time spent purchasing expensive surveys of their own. HIPs should have then been rolled out in June 2007; in fact, they were introduced two months late in August, following considerable uncertainty, and then only for homes with four or more bedrooms. Three-bedroomed homes were added in September. Only now, in December 2007, six months behind schedule, are the weakened HIPs being introduced for all homes marketed for sale.

25. Anyone reading only the Annual Report to find out what had happened to this “key priority” might be forgiven for thinking all was well. Among its 120 pages, the Report makes only one uninformative reference to HIPs:

34 Cm 7094 (2006-07), p. 94, and Ev 36

35 Ev 124

36 Communities and Local Government Committee, Sixth Report of Session 2006-07, *Equality*, HC 468, paras 39 to 41

Regulations implementing Energy Performance Certificates (EPCs) were laid in March and the first EPCs will come into force in relation to the marketed sale of existing dwellings alongside Home Information Packs (HIPs) as from June 2007.³⁷

In 2005, we criticised the Department for overstating its achievements in its Annual Report.³⁸ Simply omitting to mention failures such as the troubled implementation of HIPs is no less unacceptable.

26. Nor were officials or Ministers vastly more forthcoming in oral evidence. Mr Housden advanced three reasons why Ministers had delayed introducing HIPs. The first two related to home inspectors: there were not enough of them and nor was there an adequate regional spread. There were, indeed, too few qualified inspectors in June 2007 but this was because potential candidates were understandably reluctant to invest personal savings in training and in certification fees for jobs the Government would not guarantee would exist. Mr Housden himself said as much:

What actually happened, we are pretty sure, is that ... people deferred because they were not sure that actually the policy was going to be introduced. Because of the noise in the media and opposition people did not undertake their five practice assessments quickly enough or if they did do they held off paying the fee.³⁹

The earnings potential of those jobs dropped dramatically the day CLG cancelled mandatory HCRs: to this day, newspaper advertisements for the training programme promise inspectors “£200 to £300” for conducting each of up to six Home Condition Reports a week, without mentioning that since these are now voluntary most home owners will not commission them.⁴⁰ The delay in introducing HIPs was a further discouragement. The inspectors required for the job emerged fully only once it became clear that HIPs would be introduced, even if partially. **For the Permanent Secretary to suggest HIPs could not be introduced because there were not enough inspectors is casuistry. There were not enough inspectors because CLG first watered down and then repeatedly delayed the introduction of HIPs.**

27. Mr Housden thirdly placed the blame for the delay squarely on CLG’s Ministers, saying:

the third [reason] was about the operation of home information packs and general conditions. I think it is the third one that has held ministers back ... conditions in the housing and mortgage market generally in the last little while need to be examined.⁴¹

Questioned on which particular market conditions had caused the delay, the Minister for Housing was repeatedly unclear, leading eventually to the following exchange:

37 Cm 7094 (2006-07), p. 80

38 ODPM: Housing, Planning, Local Government and the Regions Committee, First Report of Session 2005-06, *ODPM Annual Report and Accounts 2005*, HC 559, para 14

39 Q 59, Ev 8

40 The Guardian, Work supplement, 24 November 2007, p. 10

41 QQ 67 and 68, Ev 9

Mr Hands: But it is a specific phrase about the general conditions of the market. What is it in those general conditions? Is it the price? Is it the supply? Is it the number of transactions? What is it that you are looking at?

Yvette Cooper: The fact that we had a very quiet August, for example, meant that we needed to take time to ensure that the implications and the impact and the rollout throughout August and September were operating as we expected. Obviously, the quietness of the market is something that you have to take into account. We also simply need to make sure that we have taken full advice from all appropriate areas to make sure that we are taking the right decision at the right time. I do not think there is anything particularly mysterious about this. It is simply to say that had the housing market been operating last year continually in the way that it was, had we not had the greater uncertainty, you can come to decisions much more quickly.⁴²

28. A further major reason for the delay was the decision of the Royal Institution of Chartered Surveyors (RICS)—backed by other organisations working within the housing market and supported by a highly critical section of the media—to seek judicial review of the decision to introduce HIPs at all. Mr Housden, accepted that there had been a failure of process here: he was, he said, reflecting on “whether we could have done more to take, particularly, industry stakeholders with us”.⁴³ A stakeholder group has somewhat belatedly been set up involving CLG Ministers and players within the market, including RICS itself, and the existence of that group has assisted in the eventual rollout of HIPs.⁴⁴ **CLG’s failure to engage effectively early enough with stakeholders is both one of the principal reasons why HIPs were delayed and a further example of the Department’s inability to build the relationships it needs if it is to succeed in taking partners with it across the whole range of policy.**

29. It is too early to say precisely what impact HIPs will have on the housing market or on easing individual sales, and the Department has begun conducting research in both areas. Early indications are that, as originally envisaged, the costs of local authority searches are falling and the time taken for searches is speeding up, both of which make life easier for anyone seeking to buy a house or flat. EPCs, which are mandatory rather than voluntary, should, by recommending environmental improvements, help reduce carbon emissions from the UK’s housing stock. Over time, CLG will gain data telling whether overall transaction times have speeded up.

30. Whether HIPs might discourage vendors, and therefore reduce the availability of properties for sale and in turn depress house prices, is rather more difficult to judge. Ministers, said Mr Housden, were monitoring the general conditions of the housing market to enable them to measure the impact HIPs would have. He said the introduction of HIPs for larger houses in August had been accompanied by a short-term spike in property marketed for sale immediately before the introduction date, followed by a short-

42 Q 171, Ev 25

43 Q 58, Ev 8

44 Ev 62

term decline before the figures headed back towards equilibrium by the time he spoke to us in November.⁴⁵ Over time, CLG will gain data showing whether overall transaction times have speeded up or not.

31. But the cost of a HIP, which on the most recent data averages £300 to £350, is just one of the myriad factors any householder considers when deciding to offer a home for sale.⁴⁶ It is also a comparatively minor one: a credit squeeze like that affecting Northern Rock, the state of interest rates, the condition of the wider economy, including growth and employment rates, and the level of pay rises and bonuses cannot be disentangled from HIPs and potentially have a much greater effect on the market. Unless it were unexpectedly, and disproportionately, large, the impact of HIPs simply would not be apparent against the bigger picture of the market shifts driven by those other factors. It is unclear to us precisely what within the market the Government was monitoring and how Ministers could have concluded on market conditions alone that HIPs were, or were not, likely to have such a negative market impact that they had to be delayed, then phased in.

32. The long and tortuous process of introducing Home Information Packs signals another failure of delivery on CLG's part, and the reasons for that failure lie in poor preparation and a retreat by the Department's ministerial team. The Permanent Secretary made it clear that decisions on when and whether to roll out the programme were ultimately taken by Ministers with the general conditions of the housing market as the final arbiter. By 22 November, three weeks after we took evidence from the Minister, no obvious changes had occurred in either numbers of assessors or the housing market, but Ministers considered conditions sufficiently robust to announce the full roll-out of HIPS from 14 December. **We can only conclude that decisions to delay the introduction of Home Information Packs and then to phase them in for homes of different sizes across a period of months were taken on political rather than economic grounds, owing more to a failure of nerve in the face of vocal opposition from the press and others than to the general conditions prevailing in the housing market itself.**

Firelink and FiReControl

33. CLG is responsible for the Government's fire and resilience policy. Two major technology projects are currently under way: Firelink, which will replace telecommunications for the Fire Service throughout Great Britain with a digital network, and FiReControl, which centralises Fire Service control rooms in England. Both projects will miss their originally planned completion dates, and FiReControl is likely to overrun its initial IT budget by more than 50 per cent.

34. Firelink is designed to connect the Fire Service with the other primary emergency services and bodies such as the Ministry of Defence and the Coastguard. The project, which will see new radio systems fitted to 3,000 Fire and Rescue service vehicles, is due for completion in June 2009 and will cost £350 million in England, paid via CLG, with a further £50 million allocated for Wales and Scotland, through devolved budgets. The

45 Q 69, Ev 9

46 HC Deb, 22 November 2007, col. 141WS

original completion date was December 2007.⁴⁷ FiReControl will create nine amalgamated Regional Control Centres to replace 46 existing control rooms in England, on the model already used to merge three control rooms into one in London in 1990. IT costs were originally budgeted at £120 million, with a planned completion date for the IT part of the project of 2009. The latter has slipped to 2011, with the cost now estimated at £190 million.⁴⁸

35. In spite of these difficulties, the Department in its written evidence to us cites the FiReControl project as a specific example of how its delivery focus has sharpened over the period since the Capability Review identified its weakness in that area.

The Board has provided robust challenge to our key delivery projects e.g. FiReControl which was a high risk project and, following Board intervention, has now awarded contract and is moving to its delivery phase.⁴⁹

Mr Wormald told us good progress was now being made towards the completion of both projects, although he accepted that

it did not come in at the speed we originally envisaged. It has been a complicated scheme to implement both with technical innovations and the large number of stakeholders and players.⁵⁰

Among those stakeholders, the Chief Fire Officers' Association now supports the scheme, but Mr Wormald accepted that implementation would have been easier if such bodies had been on board from day one.⁵¹ Even now, not all fire authority boards are fully convinced: "I would not say that every single one is signed up enthusiastically", Mr Wormald told us.⁵² Mr Housden acknowledged that our own report on the Fire Service had said 18 months ago that greater stakeholder engagement in Firelink would be necessary to make the project work, commenting that we had identified an issue that was "difficult and which may have been obscuring the level of effective support that the programme now has."⁵³

36. The running theme of our report is that CLG needs to become better at co-ordinating complicated schemes involving a large number of stakeholders, to use the negotiating, brokering and persuasive skills to which the Secretary of State referred, and to the absence of which we, the Capability Review, the NAO and the PAC have drawn attention. The way the Department is structured, the range of its targets and the arms-length nature of its delivery mechanisms make that method of working the very essence of its performance. **The fact that FiReControl is progressing towards completion is, of course, to be welcomed. However, the fact that the Department cites a project two years behind schedule and 50 per cent over its initial IT budget as an example of how it is improving**

47 HC Deb, 3 September 2007, col. 1646W

48 HC Deb, 3 September 2007. col. 1646W

49 Ev 56

50 Q 31, Ev 5

51 Q 39, Ev 5

52 Q 41, Ev 6

53 Communities and Local Government Committee, Fourth report of 2005-06, *The Fire and Rescue Service*, July 2006, HC 872-I; and Q 43, Ev 6

its delivery mechanisms highlights the persistent challenge that CLG continues to face. It needs urgently to establish what the NAO calls “a reputation amongst its partners for having enough strategic influence to solve problems within Whitehall that are creating obstacles to local success.”⁵⁴

3 The annual report 2007

37. The CLG Annual Report 2007 covers the financial year to April 2007, sets out the Department's range of functions, delivery systems and targets, and comments on achievement against those targets, departmental organisation and financial performance. It was published on 17 May 2007, meeting the Treasury's deadline. Last year, we criticised the Department for publishing two months late and were personally assured by the Permanent Secretary that this would not occur again.⁵⁵ We further criticised the Department for, in spite of the delay, producing a "sub-standard" document that contained numerous errors of fact, typography and proof-reading.⁵⁶ The Department has taken those criticisms to heart, and this year's report represents a substantial improvement. It is well laid out and well organised, with a chapter devoted to each of the Department's strategic objectives. It is straightforward to read, and effort has clearly been made to eradicate errors identified last year. As we had requested in both 2005 and 2006, the Department has provided assessments of progress against both its headline PSA targets and their sub-targets, making it considerably easier to understand how it is performing against each component of those targets. **We commend Mr Housden for ensuring that this year's Annual Report was produced on time and those in his team who have produced a report to a far higher standard than has been the case in previous years.**

38. Within individual chapters, the Department's performance against its 10 PSA targets is set out in both tabular and narrative form, which makes it substantially easier than previously to track departmental progress. However, **the Report would benefit further from a consolidated table pulling together the information set out individually in separate chapters on each Public Service Agreement target.** This would enable the reader to see at a glance the Department's performance across the range of its activities. In addition, the Report does not note how many sub-targets need to be achieved to enable the headline target to be judged as "on course". This information may be found in the separately published Technical Note but **we recommend that relevant information from the Technical Note on PSA target achievement be included in future Annual Reports to enable easier checking of progress.**

39. In common with the rest of Government, the Department is required to make substantial efficiency savings following the Gershon review of the civil service. It estimates that it has saved £756 million, putting it ahead of the target of £620 million by March 2008; of that, £145.6 million (19 per cent) has been "finalised", £598.7 million (79 per cent) is classed as "interim" (meaning that the figure may change), and the remaining £11.7 million (2 per cent) is classed "preliminary" (meaning that it is likely to change).⁵⁷ Of the eight work streams against which the Department reports those efficiency savings three, all relating to RSLs, had reported efficiency savings delivered by the end of 2006 that already exceeded their targets for 2007-08. A further two were forecast to meet their targeted

55 HC 106 (2006-07), para. 14

56 HC 106 (2006-07), para. 18

57 Ev 39

savings comfortably by 2007-08, but two—RSL spend on commodities and Homelessness—were forecast to miss their targets by a significant margin.⁵⁸

40. CLG must also shed 400 posts by next March: 223 have already gone through natural wastage and voluntary retirement and early severance, and the Department expects to lose 764 posts in all. In addition, 147 posts have been relocated out of London and the South-East, and the Department expects to meet its target of 240 relocations by 2010.⁵⁹ The costs of this process are considerable—£13.3 million for the early retirement scheme in the Government Offices with a further £8.4 million in non-cash provision for early retirements, which reflects future costs of early retirements in 2006-07. The Department says this explains why its Administration expenditure rose by 15 per cent in 2006-07, from £130 million to £150 million. This is also placing pressure on the Department target of making £25 million savings on Administration by the Gershon deadline. Savings in this area reported to the end of 2006 were just £6.8 million, less than a third of those needed in total.

Resource Accounts

41. The Department's Resource Accounts were laid before Parliament on 12 July, thus meeting the Whitehall-wide deadline to lay accounts before the summer recess. CLG's accounts received a clean audit certificate from the Comptroller and Auditor General. As the Department was created on 5 May 2006, the comparative figures for the previous financial year have been restated, as required by accounting standards. Despite this, some figures cannot be compared directly owing to changes in the new Department's responsibilities. The format of the Resource Accounts has also changed, and now includes a separate remuneration report before the main accounts which discloses the salary and pension costs of the Ministers and senior civil servants in the Department, information also given in Chapter 10 of the Annual Report. Additional information includes details of the organisational and operational structure of the Department and the risk management and internal control policies in place. The Resource Accounts also include similar information to the Annual Report, such as an analysis of the Department's strategic objectives and the PSA targets against which progress is measured.

Progress since last year

42. During our last Annual Report inquiry we identified a number of Parliamentary Questions on which the Department had provided limited answers on the grounds that it had been created in May 2006 and had no information on its predecessor Department, the ODPM. We are glad to note that new guidance to civil servants on answering such questions, issued by the then Secretary of State, as a result of our inquiry, appears to have solved that problem: full answers have since been given to questions relating to the period before May 2006.⁶⁰

58 Cm 7094 (2006-07), p. 104

59 Cm 7094 (2006-07), p. 106

60 HC 106 (2006-07), para. 13

43. We also rejected the memorandum provided by the Department in advance of the Winter Estimates Day debate on the floor of the House, arguing that it was confused and unclear.⁶¹ We are glad to note that the Department responded with a new and improved memorandum and that officials have worked hard to meet the requirements of the Committee and the Scrutiny Unit to provide substantially clearer information this year. None the less, room for improvement remains. For example, a number of items listed under “Changes sought which do not increase public expenditure taken across government” have no monetary value attributed to them, making it unclear how they interact with figures given in the summary of net charges given in an associated table. We intend to draw further detailed points to the Department’s attention in correspondence. **Our adverse comments on the Department’s provision last year of full and clear information to Parliament and the public have led to significant improvement in its provision of information, particularly in the answering of Parliamentary Questions, the clarity and detail of the Annual Report, and the much more informative estimates memoranda provided to Members of Parliament. We urge the Department to continue to seek and implement such welcome improvements.**

44. We also commented in each of the past two years on a small but persistent and significant incidence of bullying, harassment and discrimination within the former ODPM and its successor, CLG. In response, the Department has taken substantial steps to identify and resolve the problem, including the provision of “dignity and respect” and “coaching” courses for its senior managers and the introduction of quarterly staff surveys to track progress in reducing the number of staff who feel bullied, harassed or discriminated against. This work clearly demonstrates a will and considerable effort on the part of senior management to tackle the problem. The quarterly surveys have also demonstrated that staff morale in CLG is significantly higher than it was in ODPM: some 70 per cent of CLG staff surveyed in the second quarter of 2007 agreed that “morale is good within my team”, compared with just over 40 per cent of ODPM staff surveyed in 2005.⁶²

45. What the Department has not achieved, however, is a specific reduction in the number of staff feeling bullied, harassed or discriminated against. The 2005 ODPM survey reported that 10 per cent of staff felt they had been bullied, 8 per cent had experienced discrimination and 6 per cent had reported harassment.⁶³ In a letter to our Chair outlining the results of the second quarterly survey of CLG staff in October this year (which cost £37,000 plus VAT) the Permanent Secretary, Mr Housden, noted that

we asked five specific questions on bullying and harassment along the lines of the ODPM 2005 survey. Ipsos MORI who conduct the survey on our behalf say their judgment is that employees’ attitudes on these questions remain broadly in line with those of two years ago.⁶⁴

61 HC 106 (2006-07), para. 9

62 Ev 78

63 HC 106 (2006-07), para. 27

64 HC Deb, 29 November 2007, col. 681W; and Ev 66

46. When questioned, Mr Housden accepted that the figures had not improved, but qualified that by pointing out that they are neither high nor substantially out of line with benchmark figures across other Government Departments.⁶⁵ The Department intends to continue monitoring the situation through its quarterly surveys, and this should also allow officials to see whether reports of bullying, harassment or discrimination are localised within particular teams or sections. Steps, such as the introduction of open-plan offices, have been taken within the headquarters building, Eland House in central London, to make senior managers, including the Permanent Secretary and the Directors-General, more visible and approachable, and various fora have been created to allow staff to make their views known (an intranet forum, for example, and a dedicated helpline for staff with complaints). **We remain concerned about the perceived existence of bullying, harassment and discrimination. Two years of work has brought no appreciable improvement, in spite of the time and money spent on courses and the clear desire of senior managers in the Department to solve a chronic problem. Nor can the Department or the Permanent Secretary be complacent on the grounds that other Departments perform just as badly. We recommend that CLG review the effectiveness and value for money of its actions over the past two years with a view to refocusing its efforts.**

65 Q 92, Ev 12 and 13

Conclusions and recommendations

1. We recommended last year that details of the new partnership agreements CLG is forging with the stakeholders responsible for delivery of its policy goals should be set out in the Annual Report so that we might judge their scope and effectiveness. This has not been done. We repeat the recommendation for future Annual Reports. (Paragraph 4)
2. The Department needs urgently to tackle persistent concerns about its ability to deliver across the range of policies for which it is responsible and its ability to influence its strategic partners. (Paragraph 7)
3. The Department must continue to expand its analytical capability and to ensure that its staff possess the full range of skills its arms-length delivery chains require. Negotiation, brokering and persuasion are not the traditional levers of a Whitehall delivery department, and nor are they easy skills to find or to measure. The Secretary of State recognises that those skills are essential to the success of her Department and its ability to meet its public service agreements. The Department's stakeholders remain to be convinced that they are sufficiently embedded in its staff and culture. We share their doubts. (Paragraph 9)
4. We commend the work CLG has done with its partners on the Decent Homes programme, which is indeed an example of outstanding local government delivery. We express deep disappointment, however, that the Department proved unable to co-ordinate the work required down its delivery chains sufficiently to achieve its initial target of bringing all home up to decent standard by 2010, and we seek a clear indication of what will be done to improve those homes which will not be upgraded by then. (Paragraph 12)
5. Slower response to fires is a worse service. Even if 80 per cent of fire deaths occur before an emergency call is made, speed of response still matters in the remaining 20 per cent of cases, to those who may be injured by fire and to the owners of property on fire. We recommend that research into the impact of traffic on response times be extended to consider means of achieving quicker response. (Paragraph 17)
6. We welcome the introduction of a new, sharper PSA for community cohesion as part of the 2007 CSR process. However, we are concerned that performance in this area is being measured entirely against perceptions of cohesion, and not against more objective criteria of disadvantage such as rates of employment, educational attainment or housing standards. In addition, the new performance indicators focus on the national picture, and we recommend that CLG look beyond the precise terms of its high-level PSA target to seek to influence change in local areas where cohesion is in question or where new threats to cohesion arise. (Paragraph 21)
7. The fact that CLG wrongly reported itself as being on course to meet its Equality PSA target is not only unacceptable but a further indication of confusion about precisely what the Government wants to do in this area, what mechanisms it means to employ, and how urgently it needs to act. (Paragraph 22)

8. Responsibility for gender equality rested with the Department for Communities and Local Government for little over a year before passing to the Government's new Equalities Office. During the three-year period of the PSA targets set in 2004, responsibility also rested at times with a Women's Unit within the Cabinet Office and with the Department for Work and Pensions. We welcome both the new Office and the creation of a new PSA as part of the CSR 2007 process. We recommend strongly that responsibility for achieving the targets set under that PSA remain with a single body throughout the period of their existence to enable the maintenance of a continued, coherent focus on their achievement. (Paragraph 23)
9. In 2005, we criticised the Department for overstating its achievements in its Annual Report. Simply omitting to mention failures such as the troubled implementation of HIPs is no less unacceptable. (Paragraph 25)
10. For the Permanent Secretary to suggest HIPs could not be introduced because there were not enough inspectors is casuistry. There were not enough inspectors because CLG first watered down and then repeatedly delayed the introduction of HIPs. (Paragraph 26)
11. CLG's failure to engage effectively early enough with stakeholders is both one of the principal reasons why HIPs were delayed and a further example of the Department's inability to build the relationships it needs if it is to succeed in taking partners with it across the whole range of policy. (Paragraph 28)
12. The long and tortuous process of introducing Home Information Packs signals another failure of delivery on CLG's part, and the reasons for that failure lie in poor preparation and a retreat by the Department's ministerial team. (Paragraph 32)
13. We can only conclude that decisions to delay the introduction of Home Information Packs and then to phase them in for homes of different sizes across a period of months were taken on political rather than economic grounds, owing more to a failure of nerve in the face of vocal opposition from the press and others than to the general conditions prevailing in the housing market itself. (Paragraph 32)
14. The fact that FiReControl is progressing towards completion is, of course, to be welcomed. However, the fact that the Department cites a project two years behind schedule and 50 per cent over its initial IT budget as an example of how it is improving its delivery mechanisms highlights the persistent challenge that CLG continues to face. It needs urgently to establish what the NAO calls "a reputation amongst its partners for having enough strategic influence to solve problems within Whitehall that are creating obstacles to local success." (Paragraph 36)
15. We commend Mr Housden for ensuring that this year's Annual Report was produced on time and those in his team who have produced a report to a far higher standard than has been the case in previous years. (Paragraph 37)
16. The Report would benefit further from a consolidated table pulling together the information set out individually in separate chapters on each Public Service Agreement target. (Paragraph 38)

17. We recommend that relevant information from the Technical Note on PSA target achievement be included in future Annual Reports to enable easier checking of progress. (Paragraph 38)
18. Our adverse comments on the Department's provision last year of full and clear information to Parliament and the public have led to significant improvement in its provision of information, particularly in the answering of Parliamentary Questions, the clarity and detail of the Annual Report, and the much more informative estimates memoranda provided to Members of Parliament. We urge the Department to continue to seek and implement such welcome improvements. (Paragraph 43)
19. We remain concerned about the perceived existence of bullying, harassment and discrimination. Two years of work has brought no appreciable improvement, in spite of the time and money spent on courses and the clear desire of senior managers in the Department to solve a chronic problem. Nor can the Department or the Permanent Secretary be complacent on the grounds that other Departments perform just as badly. We recommend that CLG review the effectiveness and value for money of its actions over the past two years with a view to refocusing its efforts (Paragraph 46)

Formal Minutes

Tuesday 10 December 2002

Members present:

Dr Phyllis Starkey, in the Chair

John Cummings
Jim Dobbins

Mr Bill Olnier
Dr John Pugh

Communities and Local Government Departmental Annual Report 2007

Draft Report (*Communities and Local Government Departmental Annual Report 2007*), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 46 read and agreed to.

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

Ordered, That the Chairman 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.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Tuesday 11 December at 10.30 a.m.]

Witnesses

Monday 22 October 2007

Page

Peter Housden, Permanent Secretary, **Chris Wormald**, Director-General, Government and Communications, **Hunada Nouss**, Director-General, Finance and Corporate Service Delivery, **Richard McCarthy**, Director-General, Housing and Planning, and **Christina Bienkowska**, Director, Strategy and Performance, Department for Communities and Local Government.

Ev 1

Monday 29 October 2007

Rt Hon. Hazel Blears MP, Secretary of State, **Rt Hon. Yvette Cooper MP**, Minister for Housing, and **John Healey MP**, Minister for Local Government, Department for Communities and Local Government.

Ev 16

List of written evidence

Department for Communities and Local Government

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Annexes A & A3	Ev 43
Annex B	Ev 54
Letter from the Permanent Secretary to Sir John Bourn	Ev 56
Supplementary memorandum on Fire and Rescue	Ev 57
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Letter from the Permanent Secretary and Staff Survey Results Q1	Ev 64
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Briefing by the National Audit Office	Ev 71

Reports from the Committee during the current and previous Sessions

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2007–08

First Report	Coastal Towns: the Government's Second Response	HC 70
Second Report	DCLG Annual Report 2007	HC 170

Session 2006–07

First Report	The Work of the Committee 2005-06	HC 198
Second Report	Coastal Towns	HC 351 (<i>Cm 7126</i>)
Third Report	DCLG Annual Report 2006	HC 106 (<i>Cm 7125</i>)
Fourth Report	Is there a Future for Regional Government?	HC 352-I (<i>Cm 7119</i>)
Fifth Report	Refuse Collection	HC 536-I
Sixth Report	Equality	HC 468 (<i>Cm 7246</i>)
Seventh Report	Local Government Finance—Supplementary Business Rate	HC 719
Eighth Report	Local Government Finance—Council Tax Benefit	HC 718
First Special Report	Local Government Finance—Council Tax Benefit: Government's Response to the Committee's Eighth Report of Session 2006-07	HC 1037
Second Special Report	Refuse Collection: Government's Response to the Committee's Fifth Report of Session 2006-07	HC 1095

Oral evidence

Taken before the Communities and Local Government Committee

on Monday 22 October 2007

Members present:

Dr Phyllis Starkey, in the Chair

Sir Paul Beresford
Mr Clive Betts
John Cummings

Martin Horwood
Anne Main
Mr Bill Olnor

Witnesses: **Mr Peter Housden**, Permanent Secretary, **Mr Chris Wormald**, Director General, Local Government and Regeneration, **Ms Hunada Nouss**, Director General, Finance and Corporate Service Delivery, **Ms Christina Bienkowska**, Director, Strategy and Performance, and **Mr Richard McCarthy**, Director General, Housing and Planning, Department for Communities and Local Government, gave evidence.

Q1 Chair: Can I welcome you to the start of this session. I am assuming, Mr Housden, that if it is one of your colleagues who should answer the question you will indicate which of your colleagues it should be rather than us having to guess. Can I start off by saying that it was a pleasure that this year we got the Annual Report on time and we were pleased to see that many of the criticisms that we made of it in the past have actually been addressed. I want to start by looking at the two PSAs relating to community cohesion and gender equality, PSA 10 to start with. The new Secretary of State has made community cohesion one of her top priorities but there is quite considerable slippage against every target within PSA 10. Do you think the Department can actually reverse that trend and, if so, how?

Mr Housden: You are quite right to say that the data that we reported on cohesion does show slippage. The third measure on cohesion in high risk areas, the figures that are coming through quarterly for 2007, show some improvement but in terms of discrimination in the labour market there is no improvement to report. On the experience of Black and minority ethnic people in public service organisations again we have to show slippage there but it is worth dwelling a moment on the target because the target is expressed, as you can see, in terms of people having perceptions that in one or more services they are experiencing discrimination. Actually those perceptions have improved—people feel they are being more fairly treated—in seven out of the eight areas so there is a slightly more mixed picture than the simple figures indicated. Going forward there is one of the few cross-government PSAs in the new spending review on cohesion with all the appropriate measures. As I think the Committee will be aware, under both Ruth Kelly and Hazel Blears, the Department has taken a big step to get cohesion on the agenda in localities. You might want to talk about the Commission for Integration and Cohesion and the work that has followed that: the announcements that Hazel Blears made on 5 October, in essence getting local authorities to prioritise this work as part of their

local leadership. I think for me there are two or three things which are particularly important about cohesion. The first thing is about bringing communities together—finding things in a very diverse make-up which many of our towns and cities and indeed rural areas have now—to find activities that bring communities together rather than to separate them, to emphasise the importance of common citizenship, the importance of English as the language that brings people together, a more prudent policy on translation. All of these types of issues that the Commission has now brought into proper public debate and we are confident that we can develop a programme with local partners that can make a more effective resolution of this at local level.

Q2 Chair: Can I just pick up two of the points you made? One is in relation to the targets themselves, they are all about perceptions of whether people are being discriminated against. Why has that target been chosen rather than the hard target of equal access to employment across ethnic groups, for example, or equal outcomes in education which are much more objective and not subjective?

Mr Housden: In relation to the spending review 2004?

Q3 Chair: In relation to measuring racial equality and cohesion and targets of delivery.

Mr Housden: This is the point I was making about the spending review and the 2007 targets, we will have in view both at national level and in terms of the local area indicator set a good number of hard measures and not just perceptions. You are right that this target is restricted in that sense.

Q4 Chair: The second issue is that you mentioned the ten areas most at risk of disturbances, how exactly have you identified which those ten areas are?

22 October 2007 Mr Peter Housden, Mr Chris Wormald, Ms Hunada Nouss, Ms Christina Bienkowska and Mr Richard McCarthy

Mr Housden: On the basis of past experience in relation particularly to disturbances, anti-social behaviour which may have a racial or inter-community aspect.

Q5 Chair: You are not including within any of those areas areas where there may be tensions but they have not yet led to any riot or disturbance or whatever.

Mr Housden: That is an important point. Narrowly in relation to this target the answer is no, but we do of course, through government offices, keep a very close watch on any indications of community tensions whether it is the first such instance reported or whether there has been a history of it, but in terms of this particular target, framed in fairness now several years ago, it is (a) based on perceptions and (b) in those cases is looking at areas that have a history or have had a history of difficulty.

Q6 Mr Olnor: It seems to me that there has been an awful amount of gun crime and knife crime in communities and I wondered whether, with that happening, it has made you pay a little more attention to it so that we can get some true pictures and attack this problem that is affecting many of our real communities.

Mr Housden: Yes, absolutely. We have been very keen to support the Prime Minister's initiatives on "guns and gangs" as the press has called it. The Home Office is in the lead there but we have a colleague on secondment working in that team. You will know that there are four pilot areas that they are working on to understand more closely what can be effective in terms of this but yes, we do think that is important. I know that local authorities similarly the length and breadth of the country will regard that as a key part of this working with the police.

Q7 Chair: Can I again pick up on something that you said in that parts of the sub-targets in PSA 10 have been met but some parts have slipped. That I think is the same reason why the Department has failed to meet PSA 7 on decent homes, that some of the sub-targets have slipped. Does this indicate that the targets are too rigidly drawn if you can actually be meeting quite a few of the sub-targets but just one lets you down and it appears then that you are failing to deliver across the whole piece?

Mr Housden: I have two things to say on that. The rules of combination in terms of what you have to do to meet the target do vary. As our discussions go on this afternoon we will come to other areas where there are quite complicated variations required before you can actually hit a target. I think from our point of view the important thing is to keep the big purpose of targets in view which for me is to do two things. Firstly it is to galvanise action and to focus attention on the issues and secondly to provide accountability for them so that the community at large, Parliament particularly, can see across a range of indicators whether progress is being made. To some extent the question of whether the definition of how that combination of things adds up to a target

being met is a second stage question. If you looked at the range of these targets one through to ten I think you would be able to see some important progress in all of that and the facts are clear for you and others to scrutinise where we have got to on this both as a department, as a government and more broadly.

Q8 Chair: I think that brings me to the point on PSA 9. I know that has now gone over to another department but the point there was that the Department originally said they were on course and then following the NAO looking at it they decided that the Department was not on course. So there obviously is not clarity, even for the Department itself, let alone for anybody else.

Mr Housden: Indeed. We have to accept responsibility for this one. In the Autumn Performance Report which comes in November to this Committee and to Parliament we will certainly be showing this one as slippage. We are not on track to meet those targets.

Q9 Martin Horwood: I want to talk to you now about PSA 3. Before I do, I think it is important to acknowledge that overall on the main target you seem to be ahead of the curve. However, sub-target 1 shows slippage which is the average annual fatality rate from accidental fires in the home being more than 1.25 times the national average. You say with a five year period to 2006 four out of 47 were above this; for 2005-06 it is actually ten out of 47. First of all, do you think this is a sensible target? It does seem rather weird that it should be the variation from the average which presumably means that if all of them rose to the highest level of fatalities you would meet the target despite the fact that a lot more people would be dead, which seems a very strange target to me. Taking it at face value as well what are you doing to support the fire and rescue authorities that are going so far above the average?

Mr Housden: My colleague Chris Wormald who leads on this may want to comment. I think again in terms of when this element of the target was being framed a few years ago there were a larger number—eleven—who were more than one and a quarter times the average. Seeking to bring that down at that stage was a reasonable way to shape it. As that number diminishes—it is four now—as the overall numbers of deaths in this category happily declines it becomes a less and less sensitive measure. Chris, would you like to say something about what we have been doing with these four authorities to move that position forward?

Mr Wormald: Yes, but also on your "is this a sensible target" question I think our view would be that it is a target that has largely served its purpose and the new Departmental Service Obligation (DSO) that we will have on fire resilience will look at a much broader range of measures across the performance of fire and rescue authorities. On what we do with individual authorities that are not meeting targets, there is no magic to this, it is all about good practice and capacity building in those

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authorities, it is about learning from their peers who have met the target and looking at the underlying factors in that area that are causing the increased deaths which are mainly, it has to be said, on the prevention side of the fire agenda rather than the response of the fire service. In future this work will be led by Sir Ken Knight who is our new Chief Fire Adviser and in terms of going forward his unit will be absolutely key in bringing any under-performing fire authority up to standard.

Q10 Martin Horwood: Can I ask you about the target then? Would you prefer to move to one that actually measures the absolute fatality rate and sets a target on that basis?

Mr Wormald: The new DSO we are drawing up is going to look at a much broader range of the things that fire services do rather than simply deaths in domestic fires. I think that was a perfectly sensible target to have set at the point that it was set in that it focussed minds particularly on the prevention agenda of fire.

Q11 Martin Horwood: Sorry to interrupt but my problem with it was not that it was about the fatality rate from accidental fires, it was that it was a percentage variation target rather than an absolute measure. Would you support having a target related to the actual fatality rate?

Mr Wormald: I think the percentage variation again at the time that it was set was a useful way of looking at that target.

Q12 Chair: Can you tell us why it was sensible?

Mr Wormald: Because it focussed attention of those authorities that appeared to be away from the average level.

Q13 Martin Horwood: Are you now in favour of a target that measures the absolute fatality rate? Yes or no?

Mr Wormald: Sorry?

Q14 Martin Horwood: Would you like to move now to a target that measures the absolute fatality rate?

Mr Wormald: We are moving away from a target that focuses purely on the absolute fatality rate.

Q15 Martin Horwood: So we are going to have a more complicated target that is even more difficult to read.

Mr Wormald: I do not think this one is difficult to read; in some ways this one is very straightforward.

Q16 Martin Horwood: I am sorry for being thick here, but if fatalities are what you are trying to reduce surely setting a target relating to the actual fatality rate as opposed to the variation from the norm must be the right way to go.

Mr Wormald: That is what the first part of the target is.

Q17 Chair: What are the other things that are going to be in the target then? That might help.

Mr Wormald: The other things will be the other range of what the fire and resilience service does, things like automobile accident response times *et cetera*.

Q18 Martin Horwood: The National Audit Office tells us that the percentage of fires responded to within five minutes in 2005 was 37 per cent and that that compares with 46 per cent in 2001. Why is that number going down?

Mr Wormald: What we did in reforming the Fire and Rescue Service is to move away from national standards of fire cover that focussed almost exclusively on response times in particular areas much more towards locally set priorities for fire and rescue services which were not so much focussed on response time. One of the results of that was that fire and rescue services moved quite a lot of resource from response into prevention and that saves a lot of lives. One of the salutary facts in all this is that our research shows that somewhere around 80 per cent of fire deaths have already happened at the point at which the fire brigade is called. The actual effect of response times on the death rate is really comparatively small.

Q19 John Cummings: You have got me absolutely confused. Can Mr Wormald just answer this question, have we got a worse service now than we used to have in terms of responses?

Mr Wormald: I am not denying that the number has gone up, it clearly has. What I am saying is that that does not equate to a worse service.

Q20 John Cummings: What does?

Mr Wormald: What would equate to a worse service?

Q21 John Cummings: Yes.

Mr Wormald: Fire deaths going up.

Q22 John Cummings: Just deaths?

Mr Wormald: I think that is a very good measure of the services' delivery and I think what fire services have rightly done is shifted resource out of response into prevention and that has led to a large number of people not dying.

Q23 Martin Horwood: Do you actually have any data to back up that assertion? It is not an illogical assertion to say that because you have shifted resource into prevention that response times have got worse but it is not necessarily true.

Mr Wormald: I was going to say that is not the only factor that affects response times. Of course traffic affects response times quite heavily as well and that is factored in that. I can send you the research that we have on the relationship between prevention and response.

Martin Horwood: It would be useful to have that.

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Q24 Sir Paul Beresford: What about the stations? Many of the fire stations have had to make financial reductions and in many cases they have actually reduced the numbers of stations or the manning of the stations, has that made any difference?

Mr Wormald: I cannot answer you definitively on whether that has affected response times. I do not think it is correct that there have been actual cuts in the amount of money put into fire and resilience services. There have been a lot of local decisions about how that resource has been deployed, some of which have led to reductions in numbers of stations but those are local operational decisions of the type you would expect chief fire officers to make.

Mr Housden: I think the 2004 Act did two really powerful things to change the effectiveness of fire and rescue services. Firstly as Chris has mentioned there was the shift to prevention; we are not just being about response but preventative work in the community and secondly your point, Sir Paul, actually giving flexibility at local level. Bear in mind that the 1947 Act set down all these national standards that must be followed in every fire and rescue authority and those actually made them less efficient and less effective. Allowing local fire and rescue services and authorities to make their decisions about what mattered for them, what was the best pattern of stations and so forth must have contributed to these broadly positive trends.

Q25 Martin Horwood: Again this sounds like an assertion, but do you actually have data which shows that where a different strategy has been adopted locally that has led to a reduction in response times or an increase in response times?

Mr Housden: I could not comment on the specifics of response times.

Q26 Martin Horwood: Would you also have any data on Sir Paul's point about reconfiguration of local stations or about reconfiguration of response centres, FiReControl centres? Do you have any data that links those in specific areas to changes in response times?

Mr Wormald: I do not think we have any specifically but, as I say, those are in the ambit of the local decision making in this. What we have here is a series of reforms that we made at national level to give considerably greater flexibility to local decision making at the same time as a really quite sharp decline in the number of fire deaths. That suggests to us nationally that we are getting the balance in the right place. I can certainly go away and look out what research is available on those specific points, but in terms of the national framework that we have drawn up and the effect of it, we have reasonable confidence that the changes we have made and the flexibilities that we introduced have allowed a better local level of response.

Q27 Anne Main: Can I just take you back, Mr Wormald, to one of the reasons you gave for the possible deterioration in response times which was traffic. I find that quite interesting that if we are blue

lighting it we are not getting through traffic. Do you have some statistics to show where the deterioration in response time is overlaid where the most congested areas are?

Mr Wormald: I do not have any data to hand.

Anne Main: It is just so easy for us to assume you are right on traffic but I would actually like to know. There are major implications of course for that. People living in heavily congested areas do not wish to think, I hope, that they are going to get a worse fire service. I would really like to see some data to back up part of your assertion that the deterioration in times is traffic.

Chair: I think, Mr Wormald, we are asking for the data on that and also to back up the assertions that you made to Mr Horwood as well.

Q28 Sir Paul Beresford: There is a complaint by local government, by police and fire that government imposed bureaucracy—targets and so on and so forth—is costing money, therefore that would be reflected in the service. What are you doing to reduce the bureaucracy?

Mr Wormald: I would say that the reforms that Peter Housden mentioned earlier are actually a big deregulation of fire and rescue response time and have introduced a considerable amount of new local flexibility and we have really seen the benefit of that. In that case I would say a number of the changes in the wider local government in terms of deregulation we actually did in the Fire and Rescue Service first.

Q29 Sir Paul Beresford: Could you drop a note to the Committee?

Mr Wormald: Yes.

Q30 Chair: Just for clarity's sake on this response time thing, are you saying that there is not going to be a target about response times but on a wider set of outcomes or that you are actually intending to allow response times to get even longer?

Mr Wormald: I do not think it is a question of us allowing response times to get longer. The targets that will be in the DSO will be about outcomes so they will be about fires and fatalities and numbers of accidents. I think we would expect chief fire officers and fire and rescue authorities to continue to be concerned about response times but in terms of what you do about it, that seems to me to fall in exactly the category that Sir Paul mentioned, of the kinds of decisions that are actually better taken locally than as part of some form of national framework.

Q31 Martin Horwood: Can I ask some questions about Firelink and FiReControl which are obviously major projects with big implications probably for response times and for the safety of the public generally. Firelink is now going to be running probably at least six months late but broadly to budget according to a response to a Parliamentary Question. FiReControl is going to be two years late and 50 per cent over budget, from £120 million original planned cost up to £190 million. What is going wrong?

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Mr Wormald: The project is now, I think we would say, making good progress. It is true it did not come in at the speed we originally envisaged. It has been a complicated scheme to implement both with technical innovations and the large number of stakeholders and players and I think it has just been more complicated than we originally envisaged.

Q32 Martin Horwood: You would always expect it to have been complicated but good progress is not two years late.

Mr Wormald: I meant that good progress is now being made towards its introduction.

Q33 Martin Horwood: Can you put your hand on your heart and say that there will not be further extensions of the time scale or further overspend expected?

Mr Wormald: As with any major project, and particularly major projects involving both human resources and ICT, I cannot promise.

Q34 Martin Horwood: I will take that as a “no”. I just want to ask one more question about FiReControl. It is quite a controversial process; it is the regionalisation of FiReControl centres. In Gloucestershire during the flooding which affected my constituency along with others the local tri-service model that we had in Gloucestershire that had previously been highly praised by ministers and others which is being abandoned as part of the FiReControl process was proved to be very effective and was widely praised by all the three services involved in it. Do you think it is time to maybe sit back and think about whether FiReControl is really going to deliver value for money and an effective service overall?

Mr Wormald: In response to some of the publicity around that the Chief Fire Officers’ Association came out unequivocally in favour of FiReControl. In terms of the tri-centre there will still be fire and resilience service staff at that centre; it will only be the mechanics of the actual control which I believe in the tri-centre was still separate from the other two emergency services that would be in the regional centre.

Q35 Martin Horwood: In the light of overall targets that are showing worsening response times, is it really wise to introduce more links in the chain?

Mr Wormald: It does not introduce more links; it replaces one link with another link. I think it ought to be clear that the way we are doing FiReControl, the main argument for going down that route was national resilience. The big advantages you get from the regional centres are that each centre can cover for all the other centres so if one centre goes out of action one of the others can pick it up. It is also an essential prerequisite to have Firelink in place which builds inter-operability between fire services so that people can cross borders easily and inter-operability with the other emergency services. That is the biggest argument for the reform programme we have made

which is not to refute anything you said about the tri-centre which did indeed do excellent work. What we now need to do is build on that.

Q36 Martin Horwood: It did excellent work on the old model.

Mr Wormald: Yes, but that is not necessarily a reason not to create a new model.

Q37 Martin Horwood: Even though in the project there have been overspends and delays.

Mr Wormald: I am not going to try to pretend that there have not been some problems with the history of this. I will point you back to the views of the Chief Fire Officers’ Association who are now convinced that this is the right way forward.

Q38 Anne Main: The budget is obviously not the budget that was originally anticipated, neither is the timeframe. What is the new budget and what is the new timeframe?

Mr Wormald: Can I write to you with the exact details?

Anne Main: Thank you.

Q39 Mr Betts: It has not been a very happy experience, has it? It is probably not surprising that you are quoting that the Chief Fire Officers’ Association has finally signed up to it. Would it not have been an awful lot better if you had got support from the chief fire officers who are actually going to operate this system right at the beginning rather than waiting for several years? Is that not one of the reasons why we have had so many delays?

Mr Wormald: As I say, I am not going to dispute that this is a controversial project and has not gone exactly as planned. Clearly it would have been better if everything had gone right from day one. What I am saying to you is that the project is now making good progress.

Q40 Mr Betts: Do we have clear lines of accountability, who is actually going to be responsible for the centres when they are established?

Mr Wormald: Yes, through the regional management boards.

Q41 Mr Betts: So they are not going to be clear lines of accountability; they are going to be operation by consensus are they?

Mr Wormald: In that we believe that the fire and rescue authorities involved are perfectly able to work together for the common good. I do not see that as a blurred accountability as long as all authorities work professionally together and everything we have seen so far suggests that they will.

Q42 Mr Betts: Are all these boards now signed up enthusiastically?

Mr Wormald: I would not say that every single one is signed up enthusiastically.

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Q43 Mr Betts: Some are still very sceptical.

Mr Wormald: I do not think we have many people who are now worried about the principle. There are a series of discussions going on—rightly, actually—about the details of how projects will work in practice. I think it is good that it is getting the level of scrutiny that it is.

Mr Housden: The report that this Select Committee undertook on all of this pointed to the two issues in the early stages of the project which were difficult and which may have been obscuring the level of effective support that the programme now has. You pointed, amongst other things, to stakeholder engagement and particularly the hard numbers in terms of a business case and getting those out to be understood. Many of the people who accepted the resilience argument did not like the numbers or were not sure about exactly where they would come. Actually I think the 46 fire and rescue authorities are getting a very good deal from central government in terms of who is paying for what in all of this. Chris's point is that we are now making good progress in setting up the requisite companies so they have the right government structures and they can manage these things in an effective way.

Q44 Mr Betts: Finally, the extra cost that has come in, that is being borne by central government, is it?

Mr Housden: Yes. Principally about technology procurement it just proved to be more expensive to deliver the resilience we needed than we had originally estimated.

Q45 Mr Betts: Turning to another select committee report you rightly gave us credit for, finding holes in the previous department's case on FiReControl centres, I think in another report on Decent Homes we raised a sceptical eyebrow at the ability to achieve the decent homes target totally by 2010. We were right to do so, were we not?

Mr Housden: Yes, and as we report under PSA 7 and as Ruth Kelly said to Parliament in June last year, we will be at 95 per cent by 2010.

Q46 Mr Betts: Then apparently it has gone on to say that it is all down to ALMOs delaying their inspections because they did not have time to get through them, and it is due to the fact that improvement works are done separately rather than part of the package. Is the Department not responsible for any of the slippage then?

Mr Housden: Both of the factors that you exemplify, Mr Betts, are certainly a part of these arrangements. Richard McCarthy leads on this programme and he might want to say something particularly about this.

Mr McCarthy: I think we have spent £20 billion to date (£16 billion of public money and £4 billion of private money) and we expect to complete this programme by spending over £40 billion on our social housing stock. That is a huge programme. Achieving 95 per cent spend by 2010 is a tall order in itself. Managing that process both from central government and in local government and indeed in housing associations has been a major task. The

target will not be hit, we recognise that. To achieve 95 per cent, may I suggest, will be an outstanding record of delivery by local government in particular. There are always tensions in a programme like this. There are tensions around managing what residents want to do, how you make that work; there are tensions around managing the different solutions, achieving the necessary levels of quality standards before work proceeds; how you work with the local authority where there perhaps has been a ballot and tenants have rejected the achieving of decent homes through a stock transfer. We are not casting blame. This is a huge collective effort by central and local government and I think one of which we should all be very proud.

Q47 Mr Betts: I would agree with all that and I think it is a magnificent programme. I have thousands of my constituents who are absolutely delighted with what has happened, but one of the most important things that we have been able to do so far is to say to them: "This is when your home is going to be done" and then unfortunately we have some slippage—which is government slippage—trying to scale back some of the ALMO spending and indeed some of the round six ALMOs do not even have a date when they can actually start. This is leading to enormous frustration if you speak to some of them and their tenants.

Mr McCarthy: I understand that point entirely and we do recognise the time it has taken to inform round six ALMOs. I know you were particularly concerned last year as a Committee that we were maybe in a position where you felt we would have to force local authorities to re-profile their programmes. I have to say that to some extent we have been proved right, that there has been natural slippage in those programmes. We have not forced anybody back. In rounds two to five of our ALMOs slippage has occurred. Some of that is about delays in getting inspections; some of it is about people not achieving the necessary two star standard. That slippage has occurred as we predicted it would, not because we held people back but because it is a complex process. That now puts us into a much clearer position where I hope we can now move forward in our discussions with the round six ALMOs and with rounds two to five to confirm their commitments over the next period. We hope to confirm by the end of the calendar year certainly the position on the next stage of funding for rounds two to five. I very much hope it will not be that much longer before we can confirm round six.

Q48 Mr Betts: Do you have a timeframe?

Mr McCarthy: That is a ministerial decision and that is something we have to engage in and we are engaging with our ministers at present.

Q49 Mr Betts: There is no round two to five ALMO who wanted to keep to their original allocation they were given who is not able to do that if they so wish.

Mr McCarthy: I am not aware that we have held anybody back against the programmes we agreed.

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Q50 Mr Betts: There was no encouragement though, was there? “Can you help us a bit?” I think is the way you phrased it.

Mr McCarthy: Let us be clear, people asked us for more money than we were able to give them.

Q51 Mr Betts: In total?

Mr McCarthy: Yes, in total. Then we committed to people in two-year blocks. I am not aware that we have forced anybody to change the commitment we gave them. Yes, there was a conversation; there was some discussion with local government about whether it was necessary, would it be possible to re-profile. Most of that was about us saying, “We think your plans are too ambitious and we think there may well be some slippage”. What has occurred, I have to say, is that by and large that slippage has been realised not through our efforts but because it is complex and it is difficult.

Q52 Mr Betts: You also agreed that it has created a little bit of leeway to start funding the programmes for new house building, did you not?

Mr McCarthy: We have not used the ALMO funding; we have not used decent homes funding to fund new programmes. All we have done is take some of the slippage from some years and move that back to fund decent homes expenditure in later years.

Q53 Chair: There seems to be an internal inconsistency there. Were you not saying that you were not able to fully fund some of what the ALMOs were asking for which is why you either asked them to slow down or were extremely grateful that they did slow down? Now you are saying that actually you had other money that you were slipping into something else.

Mr McCarthy: No. Let us break all those issues down. Perhaps unwisely I went back to talk you through the bidding process. There is a bidding process with ALMOs and we scrutinise bids, we challenge them, we negotiate and we agree allocations on a two year timeframe. We have not changed those allocations that we have given to places but a number of locations have struggled to keep up with the profile of expenditure that they told us. We expected that to happen and we challenged a number of places and they were more confident than we were that they would achieve the profile of spend. We have found that in some cases that expenditure is not kept up. We have done everything we can to protect that money for the Decent Homes programme so rather than us looking at the Decent Homes programme and trying to take money from it to fund other things, what we have done is if there has been an under-spend in years we have tried to hold that under-spend by spending it on something else one year so we could have it back the following year.

Q54 Mr Betts: Another way of looking at it is if the authorities had not slipped themselves then you would have had to take some action because there

would not have been enough money then to deliver the programmes that you had agreed with authorities. In other words there never was enough money in the programme, given the number of authorities which opted for ALMOs, to fund decent homes by 2010.

Mr McCarthy: It is a challenging programme.

Q55 Mr Betts: That is right, is it not? More authorities opted for ALMOs than you had originally forecast.

Mr McCarthy: You are trying to ask me about something which did not occur. It is a demanding programme. It started with a £19 billion backlog if you remember for 1997. We are going to spend over £40 billion in total, over £30 billion of that will be public expenditure by the time it is completed. That is a challenging programme. In some places the Decent Homes programme has led to a transformation or will lead to a transformation of localities. It is not surprising that there are fiscal pressures at a time when they are fiscally tight on all programmes. Equally, knowing and having some experience within the team about previous expenditure profiles, we expected that there would be some slippage which would enable us to confirm the round six ALMOs. That slippage has occurred; we are not forcing anybody to cut their programmes at this point in time. We do not expect to have to do that and I hope we will be able to confirm round six allocations shortly. We have said to you as we have said to Parliament that regrettably we will not hit the 2010 target and expenditure will flow beyond that.

Q56 Mr Betts: One final question then about the future. Has the Department now started thinking about the post-Decent Homes programme? You can see the finishing line even if it is a year or two beyond that which was originally forecast, because having got the housing to a decent homes state they are not going to stay there unless more work is done. I just wonder whether we are now seriously thinking about the things that ALMOs in particular will need in terms of the housing revenue account and borrowing powers. Otherwise we are going to simply stultify the situation and we will end up with a backlog of disrepair if we do not watch out.

Mr McCarthy: I think that is a very good question. I have to say that in the early stages you may know that in stock transfers we require people to do a detailed thirty year business plan, so the stock transfers have built into them programmes of continuous renewal. The local authority finances—which we have debated in here before and no doubt will debate again—are challenging from that respect. We are very much at the starting blocks of what we do post-decent homes but I recognise the question and its importance.

Q57 Anne Main: Moving onto home information packs, you will have to forgive the public's perception that this has not been the finest hour for

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the Department. Indeed, the level of confusion over it does lead people to ask what has been learned by the Department about the way this was introduced. **Mr Housden:** I think the long term benefits of the home information packs will not be visible at this stage.

Q58 Anne Main: I do not think that that is what I have asked. I am asking about the process of introducing them, leaving aside the benefits or not.

Mr Housden: I think in process terms there are two things that have been important for us in reflecting on this recent past, firstly whether we could have done more to take particularly industry stakeholders with us. You will recall that one of the reasons for the delay beyond June in the implementation was a judicial review in the name of the Royal Institute of Chartered Surveyors but backed by a number of other important players in the industry. Our conversations with them suggest that what was behind that was not simply the question about energy performance certificates and their longevity, but a profound discomfort with the policy and its effectiveness. We have reflected upon that and Yvette Cooper is now working with a stakeholder panel including all of those interested and also consumer groups like *Which?* to actually examine the evidence of HIPs as they are coming through but within the context of a wider reform of housing buying/selling. Secondly there is a technical matter but important for us was about whether we were close enough to the number of trained and available domestic energy assessors coming through the system. These things interact and I think the difficult publicity and stakeholder hostility made a good number of energy assessors in training hold back from their final accreditation and thereby their readiness to do energy assessments. When we looked at the position for June this year we could not be sure that either the total number was sufficient to deliver or that the regional split was adequate. Those two things took us to that delay. Happily we are now in a position where we have a very healthy supply of energy assessors nationally and regionally.

Q59 Anne Main: So we can hopefully look forward to energy assessors being available when they are needed but do you not think it was rather last minute when there was this sudden realisation that we did not have enough energy assessors? Given the fact that it was so suddenly announced that it was not going ahead as scheduled, did you not have any awareness that the number of energy assessors, much earlier on than you expected, would not be there? I am really talking about timescale, it was cancelled at such short notice and you did not seem to see it coming.

Chair: We are going to have to break now for ten minutes for the division.

The Committee suspended from 5.20pm to 5.30pm for a division in the House

Mr Housden: The Department does take responsibility for this and the problem that you described about suddenness and notice is exactly

right. Ministers were in a position where, the first of June having been set as the operative date, what we needed to have done but did not do effectively was to be closer to the process of people going through to qualification. To simplify this quickly for the purposes of this conversation, people went through training first of all, then they had to do five practice assessments that were marked to make sure they could do it in the real world, and then they had to become accredited, they had to pay a fee to one of the accrediting bodies. What actually happened, we are pretty sure, is that at both those stages people deferred because they were not sure that actually the policy was going to be introduced. Because of the noise in the media and opposition people did not undertake their five practice assessments quickly enough or if they did they held off paying the fee.

Q60 Anne Main: There were a load of nervous assessors then.

Mr Housden: Yes, there were.

Q61 Anne Main: Is that the reality, that they were actually all up to that point and then they would not hand over their shilling to get their certificate so therefore you did not have them. You did not know this until the last minute.

Mr Housden: I know that is the case because we should have been closer to it, we should have had more plugs into the system. Once that had happened in conjunction with the judicial review and ministers could not proceed safely on the first of June, we put in place a much more thorough process to be in touch with this quite distributed network including, for example, doing quite big telephone surveys of individual assessors. That is how I know what I have told you is true because that is what they told us, that they had held off. As we went forward to the first of August we could be absolutely sure that both overall and regionally there were enough assessors and that they were ready and willing to work.

Q62 Anne Main: Given you got to the 59th minute of the 11th hour, could you not have asked them a bit earlier? We were having Statements from the Minister that it was all going ahead, but actually opposition or any other critics in the media were saying "They're not going to be ready; they won't have enough assessors; they won't be in the right place and they won't be trained up", that was all held to be wrong. Really the communication that you are referring to seems to be as if you were not really wanting to make that communication and you were buying into the vision that it was all going fine and nobody was checking. That is what it sounds like.

Mr Housden: We had information from accrediting bodies and from home information pack providers that it would be fine.

Q63 Anne Main: Who was informing the Minister then, because it sounds as if the Minister was hugely uninformed? It was not her fault by the sound of it because nobody was giving her the real facts?

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Mr Housden: I accept responsibility for this. We were not in a position to give ministers timely and accurate information. That is the point I began at. We were getting information about the global numbers and the regional split and information from home information pack providers about their levels of readiness which were very positive. Experience shows that we should have checked those in the way that we subsequently have.

Mr McCarthy: It is worth remembering that the energy assessors actually took a new qualification following the decision to separate out the previous requirement for a home condition report. Approval of that qualification was only achieved in February so there was a very tight timescale—this is not excusing what happened but it explains what did occur—to which there was a huge response in people signing up to do the exams. It was a question of a breakdown between exams being taken and people being accredited which is where the errors were made.

Q64 Anne Main: So we have this problem in the system with the exams and the nervous energy assessors and all the rest of it, but how does that explain the sudden sort of reining back from introducing it across the board if it has so much going for it to suddenly only introducing it for four bedroomed properties which again became a media nightmare for you. Was that handled well, do you think?

Mr Housden: In my judgement it was a prudent decision to take to be sure that, given that uncertainty we have just been exploring, we would not be in a position of ministers proceeding, for example, to roll out to all types of properties and then finding that we had major operational problems. As you know we have four bedroomed and three bedroomed; we are seeing now that the system works, the energy performance certificates and home information packs are being produced at the level of cost we thought pretty quickly. The system is operating; ministers are now considering the next phase of the roll-out.

Q65 Anne Main: Do you think that ministers will have the information they need to consider correctly this time round?

Mr Housden: I do. We have much better systems on assessor availability. We have also got operational experience from the four and three bedroomed work. We also did energy performance certificates and social housing. There is quite a body of evidence now around how the system works.

Q66 Chair: That is not what I am getting back from energy assessors in my constituency who say they are sitting around twiddling their thumbs because there is not enough work to do and they would like the two bedroomed houses to be authorised. Can you give us the information that you have on the balance now between energy assessors and work and why you have not yet advised ministers to roll out to all houses?

Mr Housden: It is certainly true that we have had those representations too and it is clear that the number of energy assessors is adequate—probably more than adequate actually—to do all properties as they come on the market.

Q67 Anne Main: Why then are you not advising ministers to roll it out completely?

Mr Housden: They set three tests, if you remember. The first was about the total number of assessors, the second was about regional split and the third was about the operation of home information packs and general conditions. I think it is the third one that has held ministers back.

Q68 Anne Main: In what way?

Mr Housden: I think that the impact on the housing market is something ministers need to look at carefully so the conditions in the housing and mortgage market generally in the last little while need to be examined. We have looked particularly at the impact of home information packs on the number of properties being listed. We have the data from four bedroomed properties and now from the three and it is pretty well what you would expect.

Q69 Chair: Mr Housden, one of the arguments that the Government is making is that listing properties is not the same as really wanting to sell a property and, as I understand it, the argument goes that it does not really matter if the numbers for sale go down slightly because people were just frivolously putting their houses on the market on the vague off chance that somebody might turn up and pay an enormous sum of money for it. What data do you have to demonstrate that it is not just the frivolous “let’s see what we can get for it” routine but is actually discouraging people who genuinely want to sell their house?

Mr Housden: I think the issue really is about the length of the time series because we do not have the data that would even answer your first question. What we have seen is that in advance of the introduction of the requirement for HIPs for four bedroomed houses (bear in mind we gave three weeks’ notice of this) there was a surge in listings as people sought to anticipate that. What we have been watching is how quickly that actually comes back because obviously there is a spike then there is a decline because there are fewer people coming through. What we have seen with four bedrooms is that it is starting to grow back in terms of share of listings by bedroom size. It is too early to tell whether that is happening in relation to three bedroomed properties; we are a week or two away from having that data.

Q70 Chair: How long will it take?

Mr Housden: The data comes fortnightly so I think it is a few weeks yet before ministers will have a clearer picture about that.

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Q71 Chair: Do you know how many energy assessors are sitting around not earning what they expected to earn because there are not enough houses coming through?

Mr Housden: No, we have not monitored their employment specifics in that way.

Q72 Anne Main: One of the things you are now looking at is the effect on the market. Given we are maybe entering a flat period of housing it could be that this could be indefinitely postponed theoretically if you are not comfortable with the fact that it may have a negative effect on the market. I thought the purpose behind HIPs was actually that it was good for house purchasing and house sales. Is there now a shift in the way you are thinking, you are watching to see if it is bad and then you will change your policy? Or are you just going for it?

Mr Housden: I think we are in the same position where we have been throughout the summer of a phased roll-out and ministers considering when is the right moment to go. My point about the data was that it was only on 10 September that we rolled out to three bedrooms so we have only a small time series at the moment in terms of the way the number of listings have reacted to that. That is the sort of thing that people are looking at.

Q73 Anne Main: If the market reacts badly, logically you will not roll it out to those other types of houses. That is the logical conclusion from what you are saying.

Mr Housden: That is your interpretation. I think ministers will want to weigh a range of factors in the balance on that sort of thing. They have not done so as yet.

Q74 Mr Betts: Can I take up one of the issues which has been put on the back burner: the home condition report, the fact that they can be included on a voluntary basis in the packs now. I understand it is a fairly small percentage of people who are choosing to do so, but a few people are. Are you actually monitoring that situation and looking particularly at packs which do contain a condition report to see whether there is any difference in the way that those properties proceed through to sale as opposed to ones without the condition report?

Mr Housden: I would need to check the specifics as to whether we are following that in the way that you describe, but it certainly is an on-going programme of research and evaluation about the full range of home information packs that builds on the area trials work going forward. Part of the discussion with the stakeholder group that Yvette Cooper is working with us to feed that information in. As you know, a number of consumer groups were very interested in the impact of home condition reports.

Q75 Mr Betts: I want to ask you about that specifically. If the possibility is still open that eventually we will come back to mandatory home condition reports—some of us who believe in the process of HIPs believe that they will actually

become most effective when we do—then surely we all ought to be monitoring what is happening in those cases where condition reports are included now to see if we do get fewer drop outs because people have more information at the point when they make the offer.

Mr Housden: Precisely.

Chair: I think it is highly likely we will return to this topic with the Minister next week. Mr Horwood, do you want to get going on flooding?

Q76 Martin Horwood: We realise that Defra is the lead agency in many respects in response to the flooding in June and July. Can you outline briefly what you saw as your Department's role in any policy responses to the flooding?

Mr Housden: The response to the actual floods themselves, the Fire and Rescue Service played, as you acknowledged in your earlier questions, a really powerful role in all the areas that were affected. The New Dimension equipment that we have talked with you about in previous meetings really came well to the fore in all of that. We were able to deploy those high volume pumps in a very effective way across regions to make a really strong impact. I think that vindicated both the Government's investment and the operating system that is underpinning them. Beyond that our role as a department was particularly to take the lead through John Healey on recovery. I think that was a very specific thing because the recovery has been led, in my view, very effectively by the local authorities in the areas concerned. I visited areas and heard on the ground about the way in which authorities have combined together in two-tier areas and so on and so forth. It has fundamentally been a local effort. I think our job is to do two things really. The first thing was to be sure that government departments who had a key role to play in terms of recovery were focussed and coordinated. Obviously communities were very worried about schools that were ruined or what was going to be the replacement arrangement for this and that. We made sure, I hope effectively, that there was a concerted operation from government, and secondly particularly around financial assistance so the Bellwin Scheme that we have responsibility for, as you know, was extended to a hundred per cent coverage and 82 authorities benefited from that. We put in place on top of that a financial assistance scheme that we designed with the Local Government Association. It was very straightforward, with entitlements being calculated on the number of properties where water had entered the house and there were no restrictions placed on how a local authority used that money. It was entirely up to local discretion. It has principally been on coordination of government efforts and funding work that we have contributed to.

Q77 Martin Horwood: First of all, can I agree with you about the response of the fire and rescue services and also actually of local authorities. Certainly so far as Gloucester is concerned I think the response was magnificent. Also it would be churlish not to

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acknowledge thanks for the large amounts of money that were provided by central government. I am interested that you started by basing it on the Bellwin Scheme. As you said, the Bellwin Scheme had to be changed immediately from being 85 per cent cover to a hundred per cent. It then had to be supplemented by central government funds and we even find you are applying to the much maligned European Union for European Union solidarity funding so in practice was the Bellwin Scheme not found wanting when it really came to the test?

Mr Housden: Ministers took the view that they wanted to do more and differently. The Bellwin Scheme has stood the test of time but the judgment was that in these circumstances we needed to provide something more flexible and rapid. In the great scheme of things £20 million (£17 million of which has been claimed so far) is not a huge sum of money but I think it made a difference.

Q78 Chair: When you say “in the circumstances”, what is specific about this lot of flooding which made it different from previous flooding which meant that you needed more money?

Mr Housden: I do not think I could point to objective differences; I think ministers’ perceptions of the situation were such that they wanted to respond quickly to community concerns. There were plenty of people on the end of microphones and more broadly at local level who were looking for additional financial support and flexibility. It was interesting to see the way in which, for example, regional development agencies were able to help small businesses particularly. The talk on the ground was that this was an effective response coordinated at a local level.

Q79 Martin Horwood: It is a rare opportunity for me certainly to say that it is relatively good judgment on behalf of ministers in realising the scheme was inadequate but they did realise the scheme was inadequate and the scheme was designed for an emergency and this was an emergency in which it was found wanting. Are you going to now review whether or not the scheme will be adequate for emergencies in general? There was nothing absolutely exceptional about this; it was an emergency situation and that is what the scheme is designed to cope with.

Mr Housden: We keep all those types of schemes of financial support for local authorities under review and will continue so to do.

Q80 Martin Horwood: No specific review then resulting from the flooding?

Mr Housden: No.

Q81 Martin Horwood: I want to ask you now about another area which is your responsibility. One of the problems in the immediate aftermath of the floods locally was the very complex web of responsibilities for the maintenance not so much of the main rivers which are clearly with the Environment Agency but things like culverts and drains and surface water

drainage where there seems to be a very complicated pattern between water companies, local authorities, the Environment Agency and actually individual householders who seem to be the ultimate people legally responsible in many cases. Are you talking to Defra or is anybody thinking about trying to resolve this complex web of responsibilities and making it clearer for people to work out what is going on?

Mr Housden: There is a lessons learned exercise that is being chaired by Sir Michael Pitt and I am sure those factors will be within their consideration.

Q82 Chair: Can you confirm for us afterwards that they are?

Mr Housden: Yes, I was just going on to say that I am very happy to pass these concerns on directly and then to come back to you.

Q83 Martin Horwood: Are you making a submission to the Pitt Review as a department?

Mr Housden: Yes, I am sure we will be.

Q84 Mr Betts: One of the things certainly from own local authorities when we had really bad flooding in Sheffield, is that the city council officials have come back and said that the real problem for them was the confusion about who was responsible—the Environment Agency, the local authorities, the city council—and in one particular case no-one seemed to have overall responsibility to make sure that things were not falling between the different organisations.

Mr Housden: Under those very pressurised circumstances where you are trying to respond you need absolute clarity.

Q85 Martin Horwood: Would you support giving someone like the Environment Agency sole responsibility for flood prevention, a really clear responsibility so that it is clear where the buck stops?

Mr Housden: I think there will be a whole range of matters of that order to be considered. I have not got a specific view on that particular issue.

Q86 Martin Horwood: One last question on housing, clearly one of the implications that has been raised, certainly in Gloucestershire, was about not just flood plains but flood risk areas. We had areas that were very badly flash-flooded because of their proximity to the Cotswold Hills. Some areas in my constituency where there are outstanding applications for hundreds of houses to be built, we still seem to offer up the prospect that these houses are going to be either very difficult to insure or perhaps even uninsurable, whether if they are sold the first time round, subsequently very difficult to sell if they turn out to be in a flood risk area. Is there any comprehensive review that the Department is doing to look at housing in flood risk areas and whether or not house building plans need to be amended in the light of these floods?

Mr McCarthy: That review took place and that is why you have the new planning policy statement on flooding and the flooding direction. The Association

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of British Insurers has actually expressed their satisfaction with those flooding arrangements. We are looking at whether we have to change any of the detail or the guidance in the light of the combined lessons learned exercise. As far as I am aware the Association of British Insurers and indeed the Environment Agency are pleased with our new planning policy statement which has a proper sequential test, it looks at flooding in terms of the release of land and ensures that the Environment Agency is treated as a statutory consultee when applications are made. We are required to send to the government office from local government any applications which the Environment Agency opposes and the local authority does take that into account. There is quite a lot of protection built into the system. That is the second time in about ten years that the flooding policies through planning have been reviewed. We are looking at any detailed consequences that might flow from that lessons learned exercise. I really do think that it is important to recognise the extent to which those key protagonists and stakeholders have expressed satisfaction with our new planning policy.

Q87 Martin Horwood: What do you mean exactly by “detailed consequences”?

Mr McCarthy: There is a range of types of building that we ask the planning policy statement to reflect. In terms of housing we think we have got that right. It may be that other facilities should not be considered for more risk areas of the flood plain.

Q88 Chair: Such as electricity generators.

Mr McCarthy: That is correct and that matter is being considered as part of the lessons learned.

Q89 Martin Horwood: In terms of the numbers and the locations that were being handed down to regional spatial strategies, clearly the bar has shifted in terms of environmental consequences because we were told first of all a ‘once in 80 year flood’ which left us 79 years of flood free dwelling and then four weeks later a ‘once in 300 year flood’. Clearly these statistics are becoming if not useless certainly in need of drastic revision. This is presumably going to accelerate. The Environment Agency have told this Committee that those figures will have to change in the light of climate change and that floods of this nature are going to get more extreme, are you handing down revised guidance to government offices or to RDAs to say that regional spatial strategies will have to be amended in the light of this?

Mr McCarthy: Not at this stage because we have not received any revised guidance from the Environment Agency. We may well find that through the lessons learned that we have to review the cycle of potential risks of flooding areas. That will feed straight into our sequential test. They may ask us to consider certain areas but if you look at places like the Thames Gateway we have already been working closely with the Environment Agency and have a strategic review with them for the next 100 years in which this sort of data and experience will be taken

into account. I think the other thing that is very, very important to recognise is that a significant proportion of our housing in this country is already built on the flood plain. Indeed, a lot of our buildings where we sit today and around us sit on a flood plain. We have built much of this country around our rivers. The issue of protection is a crucial one for existing homes and businesses and properties. We must make sure that our planning policy system, through the guidance and advice that we issue, reflects our knowledge and understanding of the risks concerned. We think that PPS 20 is standing up to test but flooding is an important issue and with climate change we will have to keep a close watch.

Q90 Martin Horwood: I realise the principle of the PPS is correct but in terms of the extent of the flooding, I had constituents who were told they had a thousand to one chance of flooding and because of the local geography they now realise they are in a flood risk area. That implies that the locations that have been identified in things like regional spatial strategies and the numbers that are imposed in some areas which are at higher risk of flooding than we realised before will have to be revised. It does not sound as if you are actually contemplating revision of those locations.

Mr McCarthy: All I would say, as I said before, is that we are taking part actively in the lessons learned exercise and I can assure you that planning officials are involved in that. Secondly, we do have regular engagement and we do take advice from both Defra and the Environment Agency on these issues. When we receive that advice we will see whether it requires any change in areas or in planning policy.

Q91 Chair: Just to clarify, to date you have not received advice from the Environment Agency but you may do in the future.

Mr McCarthy: Yes. Can I also assure members in relation to that, when receiving proposals for eco towns and receiving proposals for new growth points—as we did before with previous growth points—we shall consult with Defra and the Environment Agency before selecting those areas.

Q92 Anne Main: Moving on to staff morale, we have had concerns in the past on numerous occasions that staff are not always happy in their roles, often feel they cannot complain and have been subject to bullying. Given that a latest report suggests that not a lot has altered, can you say what the Department is now going to do to get rid of this culture?

Mr Housden: You will have seen the staff survey results which we are now doing quarterly. The most recent ones have some positive indications in terms of people’s general perceptions about the Department, which is great. You are right to say that the numbers on bullying, harassment and discrimination are essentially where they were before. Let me say just three or four things. All the objective measures we have in terms of grievance, discipline, complaints are extremely low so there is no noise like that. The general atmosphere in the

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buildings that we have here which are the ones that have been surveyed is good, positive and productive. It would be lovely to host a select committee visit for you to come and meet our people and see how we are actually working together. What these responses signal, I think, is a group of people who are dissatisfied for one reason or another with their working conditions. Our numbers on this (which I think we made plain in our report) are actually no different than the run of government departments and, I suspect, public sector organisations generally. It is not that we have got a pronounced problem but there is an issue. What is it about? I think there are two things here. One is that there is no doubt that the bar has been raised so we have raised expectations about performance and about flexibility and some people find that uncomfortable. I do not make an apology to my colleagues at work about that or to this Select Committee.

Q93 Anne Main: I am sure you will go on to explain some more and I am sorry to interrupt you, but this does sound to me rather complacent. We have had some quite serious criticisms and now you are painting it as if the staff themselves were grumblers and the bar has been raised. We understood there was quite a chronic and entrenched culture of unhappiness that some people thought they could not voice through official channels. Now you have that voice I was really hoping to hear that there would be some even greater thrust towards trying to solve it.

Mr Housden: The last thing I want to sound is complacent because I am not; I was just coming onto some of the issues. These are subjective measures, asking people how they feel, and some of it I think is down to the fact that standards are being raised and that is not comfortable for everybody. There is no doubt also that there are some examples of management practice, passive and active, that are not where they should be. We know the examples where people have communicated poorly, issues have not been nipped in the bud; all those sorts of things can contribute to this. We are doing several things about this. First of all in our performance management system (which of course determines whether you can get bonuses or not in the organisation) we have set a prime objective about the quality of management of people so you cannot get the top box mark, the top bonuses unless you can demonstrate effective practice around this. We, as a board—a number of board colleagues are with me today—have given a lot of profile to this and talked about it. We accepted our leadership responsibility. We have done 360 degree feedback; we have asked people what they think about the leadership we are giving, we have talked about the results on all of that. We have had independent people come in and do some focus groups with staff to really get to the bottom of what these issues were about. We will carry on with that research. Lastly, we are really invigorating the network we have of colleagues within the Department at a variety of different grades to whom people can go if they feel they have

a problem at work. They are not part of the line management structure. I have met with them recently and talked with them about how we can support their work effectively. We have an employee helpline so if people want to talk on the phone to express concerns we can actually do that. There is a multi-faceted set of responses

Q94 Chair: How many people use the employee helpline?

Mr Housden: Hardly any so we are going to publicise it more effectively.

Q95 Anne Main: Do you feel that the courses you have provided have been the right courses? Are you going to continue with providing them? Or are you going to do something different?

Mr Housden: You are referring I think to what we call dignity and respect and pretty well all of our people at grade seven and above—so all our middle and senior managers—have now been through those. The staff survey results suggest that they have had some impact. We have quite a good number—63 per cent in the latest survey—who regard themselves as treated with dignity and respect and I would like to see that go to a hundred. Yes, I do think they have had some impact. I do not think we would repeat that course because it is essentially the same group of people but we will continue to press and give profile to these sorts of issues. I am really concerned that we get some measurable improvements in this that we will continue to share with you.

Q96 Chair: Can I just clarify the nature of the data you get from these surveys? Does it enable you to tell whether there is a significant proportion of people across the whole of your organisation who are dissatisfied or whether the dissatisfaction is concentrated in one or two bits of your organisation?

Mr Housden: That is a very good question. We will know as we get more data. We are two quarters in and when we get a year we will be able to see if the issues are localised. We will be able to relate it back not to areas of the Department but actually to individual managers and leaders and that is a very important issue.

Q97 Martin Horwood: I have a question which may be a connected issue. I would love to claim credit for it but it was highlighted in the Pendennis column of the *Observer* last Sunday. It was the apparent budget last year for redundancy packages of £26 million. There is a slightly different figure given in a written answer on 8 October to our colleague Mr Hoban which was £21.6 million. I struggle to find any reference to this in the Annual Report, so the first question is why was such an exceptional amount not highlighted? The second question is what on earth was it spent on? It seems an enormous amount of money.

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Mr Housden: It does feature in the accounts clearly. What we are talking about here is ways in which we can reduce our head count because we are on a head count target in the spending review 2004. In the spending review just announced we are committed to a five per cent reduction in expenditure year on year in each part of the spending review. Essentially this is one of the ways in which we are managing that reduction through voluntary early retirement and severance schemes.

Q98 Martin Horwood: So this is all voluntary redundancy payments is it?

Mr Housden: Yes.

Q99 Martin Horwood: How many staff are we talking about here that it should reach £26 million?

Ms Nouss: I think the number is closer to the £21 million; I am not sure where the £26 million comes from.

Q100 Martin Horwood: Would you be able to write to us to confirm exactly what the amount is?

Ms Nouss: Yes. We are looking at big changes in the government office network as well as the central department.

Q101 Martin Horwood: Can I just stop you a moment? In the parliamentary answer the question was about the last 12 months. We are not talking about future change; we are talking about the year completed.

Ms Nouss: These numbers do cover both the government office network and the central department. We reckon it is about 100 people within the central department and slightly less within the government office network.

Q102 Martin Horwood: A couple of hundred people incurring a cost of £21 million? What kind of range of individual payments are you talking about? What is the highest individual payment?

Ms Nouss: It ranges. It could be around £100,000.

Q103 Martin Horwood: What is the highest?

Ms Nouss: I would not be able to tell you the highest. In some cases it will cover pension provision for individuals who are over 53 but not yet reached 60. It is the terms of the compulsory redundancy scheme that we use.

Q104 Chair: Would they be getting £100,000 in a lump sum?

Ms Nouss: No, they do not. The individuals who are over 53 will be making pension provision but they will be getting some lump sum as well.

Mr Housden: When somebody leaves on those terms they get their pension entitlement. It may have been enhanced by the employer so they get those sums and we can show you what those are at average levels. As the employer we have to make a compensatory payment into the pension scheme so the global sum comes to these sorts of figures.

Q105 Martin Horwood: So this is what it has cost you as a Department?

Mr Housden: Yes. It is right to say that it is not just the Department centrally. The government offices, you will recall, in this spending review are committed to a 30 per cent reduction in staff so this is a key tool in achieving this.

Martin Horwood: It seems like a phenomenally high average amount. I can understand if you cannot tell us now and I can also understand that you certainly should not identify the individuals concerned, but could you send us details of the top five individual budgeted amounts and an explanation of what those were?

Q106 Chair: It would also be helpful to put this in context of the efficiency savings and staff savings as to whether this is a blip, so to speak, or whether there is going to be more and where it sits in the profile of planned voluntary redundancies.

Mr Housden: Yes, we can do that.

Q107 Martin Horwood: How does this compare with other government departments? Are you making exceptionally long serving and senior people redundant or is this comparable to other government departments of similar size?

Mr Housden: I have not seen comparable statistics around but these payments are the standard terms to which Civil Service employees are contractually entitled.

Martin Horwood: So there are no payments in here that are outside the standard scheme for redundancy?

Q108 Chair: Are any of these to do with people who might otherwise be expected to move out of London and have chosen not to and have taken redundancy instead?

Mr Housden: I do not think there are relocation aspects to this. To be clear from Mr Horwood's previous question, there is to my knowledge one settlement where we have made a discretionary payment and we will put that in our response.

Martin Horwood: Can you tell us now what type of discretionary payment?

Chair: Can we just be slightly careful given that this is a personnel matter. Could we have it in writing but personally I would prefer it if it were marked confidential so that it is for committee members alone.

Q109 Martin Horwood: What kind of discretionary payments might you be called upon to make in this kind of situation?

Mr Housden: This was to do with a circumstance of pension entitlement for somebody who had been in and out of the Civil Service pension scheme. I will set it out for you properly.

Q110 Martin Horwood: Are there other kinds of discretionary payments?

Mr Housden: Not to my knowledge but again we will check that and come back to you.

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and Mr Richard McCarthy

Q111 Anne Main: Can I have clarification and assurance that these are absolute staff cuts, that they are not made redundant here and shifted off to somewhere else?

Mr Housden: These are the people leaving our employment.

Q112 Chair: Not being replaced or not at the same level.

Mr Housden: That is correct.

Q113 Martin Horwood: It is an absolute reduction.

Mr Housden: Yes.

Q114 Mr Betts: Have we got a certainty that these people will not reappear to do similar jobs or equivalent jobs in the future on a temporary basis or as a consultant? Have we got assurances that that is not going to happen and is that monitored?

Mr Housden: Yes. They leave our employment and are not re-engaged in any way.

Q115 Mr Betts: It is quite possible that you could suddenly decide you needed this work doing again and employ consultants who might employ these people to do it.

Mr Housden: That is possible. I am not aware of a circumstance but that is possible.

Q116 Mr Betts: Is there a monitoring system to put in place to make sure that once you have made people redundant because of your efficiency savings that there is not then a need to go back and employ people or somebody by another route to do the same job possibly more expensively in the future?

Ms Nouss: There are processes within our system for hiring interims or consultants which are designed to ensure that people who have been in the employ of the organisation do not come back as consultants or as interims in that way. The policy says you cannot come back. There are processes in place to try to ensure that that does not happen and I am not aware of any that have but clearly there may be exceptions.

Q117 Anne Main: I am not so concerned about the actual person coming back to the job, it is the job itself that I am concerned about. Is it a genuine getting rid of a post that is not needed and that does not need to be filled by some other person in some other way?

Mr Housden: Yes.

Q118 Anne Main: I think that is what Mr Betts was coming to. I do not care who is doing it, it is the actual post. You are saying that is not going to happen.

Mr Housden: No, these are real reductions in the establishment.

Chair: We look forward to getting more detailed information. I think we have covered most of the questions that we wanted to cover. Thank you very much and we look forward to seeing the ministers next week.

Monday 29 October 2007

Members present:

Dr Phyllis Starkey, in the Chair

Mr Clive Betts
Sir Paul Beresford
Mr Greg Hands

Martin Horwood
Anne Main
Mr Bill Oler

Witnesses: **Rt Hon Hazel Blears MP**, Secretary of State for Communities and Local Government, **Rt Hon Yvette Cooper MP**, Minister for Housing, and **John Healey MP**, Minister for Local Government, Department for Communities and Local Government, gave evidence.

Q119 Chair: Ministers, can I welcome you? Can I start by asking some questions about departmental delivery? The Committee itself expressed some concern last time about the difficulty for the Department in delivering where it is not actually the Department that does the delivery and the Department's role is strategic overview. You will be aware of the fact that the NAO and the Cabinet Office capability review have likewise raised concerns about the DCLG having sufficient strategic influence to deliver where it requires departments across Whitehall to co-operate. I just wanted to ask you if you could briefly outline what has happened since you took over to try and improve the Department's performance on this front and whether you have any specific examples which would demonstrate somewhat better performance on strategic influence.

Hazel Blears: Good afternoon, everybody. I am absolutely delighted to be able to address this particular issue since I became Secretary of State just about four months ago now. I am also delighted to be joined by my two Ministers, John Healey on my right and Yvette Cooper on my left. When I first came to the Department I took a close look at the capability review that had been done, and indeed the Department's response to that capability review. I was particularly struck by four areas that were highlighted as areas of weakness that needed to be addressed in the Department, but overarching this it seems to me that the Department is one that does not have the traditional levers in many cases of regulation and funding and direct delivery as you get in health or in education. Our Department is very much about influence, about brokering, about negotiation, and that is a very different skill set in many ways from a traditional government delivery department. Clearly we have housing as our big delivery challenge, and that is very much direct delivery, but the first area that was highlighted in the capability review was whether or not we had the skills and capacity to lead and enthuse partners across government to achieve the strategic things that you have just outlined. Since the report and the capability assessment were done I think there are a number of specific examples which indicate that our capacity has improved really quite markedly. There was a lot of scepticism in the local government world as to whether or not we would be able to deliver on our promise in the White Paper to get the indicators set down from 1,200 to round about 200. I think very

few people believed it could be done and we could not do that on our own; we had to go out to other government departments—the Department for Children, Schools and Families (DCSF), the Home Office, the Department for Transport—the whole range of government departments and seek to negotiate with them what were their top priorities, because in the past virtually everything had been a priority and it was very difficult for local government to see the wood for the trees and get through that. I am delighted that in the local government performance framework we have now got down to 198 indicators. We also have no mandatory targets other than the education ones which are set out in statute. Again, my sense was, certainly in the local government world, that they did not believe that government as a whole was capable of achieving an indicator set without mandatory targets. A couple of other examples I will highlight are around the local area agreements. Again, that is partnership working beyond central government, drawing in not just health and the police service but also going wider into foundation trusts, looking at Jobcentre Plus, that whole range of public service partners. When we get the statutory duty to co-operate, together with the duty to involve, you can start to see an architecture that says that DCLG at the heart of that, working with partners, is able to enthuse and lead the strategic work across government. The final example I would give is our contribution to the PSAs. We used to—and I am looking at the annual report—have ten PSAs which were our very own, for good or ill. We have now got two cross-cutting PSAs, again, right across government, but our Department contributes to 20 of the remaining PSAs and that says to me again that DCLG is about negotiating, brokering, bringing other people to the table, and I think our skills have increased in that regard. I still think we have more to do, at officer level but also at ministerial level. I think our skills are very much now about trying to talk to colleagues, get agreement, negotiate, push that little bit harder and bring people to the table, so it is a new skill set.

Q120 Mr Oler: Minister, I am grateful for your listing the achievements of the Department and it has moved forward somewhat since the last annual report, but there is a bigger agenda now, a big agenda that was highlighted very early on, and that is the provision of council housing, houses for rent, social housing. It is a major and growing problem. I

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just wondered, Minister, what your Department had done to cut through the red tape to enable local authorities and housing associations and the other providers to be able to do it fairly quickly, because at the moment we are running backwards up and down the escalator and I am sure many members in many constituencies have got this pressure on council housing, housing to rent and social housing to buy.

Hazel Blears: Mr Olnier, you are absolutely right. This is a top priority for the Prime Minister, for government. That is why Yvette now attends Cabinet and reports to Parliament on housing issues. That is an indication of just how important this whole area is. I read the transcript of your inquiry into the Housing Green Paper just recently, and I know that you particularly raised issues about how we could cut through, as you have put it, some of the constraints to make sure that we can make really swift progress. I think at one point you said, “I want to know how in Nuneaton we can make this happen”, and you were absolutely right, so this is a top priority for us, not least because people need to have homes, both in the social rented sector and indeed in the private sector as well. I do not know if Yvette wants to add anything further to what she was able to say at your specific inquiry.

Yvette Cooper: I only want to add that when we discussed this previously I did say that we were looking at whether we needed legislation in some of these areas as well to simplify the process and make it easier for councils. We do now think that we need a few legislative changes as well to make it simpler, exactly as you say, for councils to be able to, for example, bid for housing corporation grants in order to be able to build homes.

Q121 Mr Olnier: Is that primary or secondary legislation?

Yvette Cooper: Primary legislation. We are looking at that as part of the Housing and Regeneration Bill.

Q122 Mr Olnier: And we can expect to see a statement?

Yvette Cooper: That is our hope.

Q123 Sir Paul Beresford: Secretary of State, some of us also have contact with local government, some of it quite close.

Hazel Blears: Indeed.

Q124 Sir Paul Beresford: The comments made on the targets of 1,200 down to 200 are positive for your Department, but it is extremely negative to the other departments. What they are saying is that, yes, the targets have gone down, but it is like having one of these computer screens where you have got things still there so you can press the button and click on them and the rest of it is greyed out but it is still there, and they still require the Department of Health, the Department for Education and Skills and so on to reply and provide the information just as they did before. The comment made by a very senior chief executive to me today was that it is all spin from your end, the Government's end, and all handcuffs at

theirs, so could you go and look again, just quietly? Could someone just quietly go down to local government and find out their experience, because I think you will find it is disappointing?

Hazel Blears: I think, Sir Paul, I can reassure you in two regards. One is that we are very closely in touch with local government and it is not a matter of going to find out. Constantly all of us are in dialogue, not just with the LGA but also with a whole range of different local authorities, different shapes and sizes, rural, urban, different backgrounds, because I am very concerned to find out what it is like on the ground for people. That is how I do my business. What I can say to you is that the local government performance framework is new. The very small indicator set is new. The new generation of local area agreements that are about to be negotiated will be of a different quality from the ones that have gone on previously. There, people were trying to juggle literally hundreds of different indicators. We have also said that the performance frameworks for the police and for the health service and for other public services should be aligned wherever possible so that there is only one conversation that goes on between local government and central government, and that is in the framework of the local area agreement. We have also got a significant commitment to cut down the data requirements for local government. We want to do this acronym, because we are always doing acronyms, are we not? It is called COUNT, which is, Collect Once Use Numerous Times, so you collect your data once and then you use it for a whole range of different services. There is an absolute focus, and there needs to be, I entirely accept this, on simplifying this system. I have said that what I do not want to see is, if you like, stealth targets coming in by the back door, whether that is through soft measures or particularly prescriptive guidance, because I want this system to work. There is an awful lot depending on it, because central government is saying, “We will take the plunge and get down from 1,200 to 198. From that you choose 35 improvement targets that are relevant to your local community, so you are doing the things local people want, and in return for that we will try and ensure there is a simplified system”. I am absolutely determined to make sure that happens. Perhaps if I come back after the new generation of local area agreements have been negotiated we might be able to see where we are.

Q125 Sir Paul Beresford: Local government tells me it just is not working, and I think they are probably saying nice things to you. Perhaps what I should do is offer, as I did to one of your predecessors, to quietly take you on your own, without officials, to one of the top performing local authorities—it has not got quite the same political complexion—and they will explain to you why things are so difficult down there and what the handcuffs are on local authorities and what you could do to improve it. I realise politically it is a disadvantage from my point of view, but I also want local government to work, so the offer is on the table.

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Hazel Blears: I am grateful for the offer. I think we share the commitment to making this system work. What we want to do with these new local area agreements is to do as you said and say to people, “Where are the blockages? Where are the difficulties? Where can we use our brokering skills with our colleagues across Government to try and remove those blockages?”, perhaps to take off the handcuffs and give people the freedom to do the things that local people say are priorities. That is the whole purpose of this new system. We need to make that work.

Q126 Sir Paul Beresford: I understand your intention to effectively in the legislation take over local area agreements; at least, that is the way local authorities see it. You have to meet your own targets, targets set by the Government, and local authorities are being told that they are free to have the finances, free to move ahead, but they tell me that they have real holds on them from central government: the reports, the questions, the questionnaires, youngsters coming down to try and tell them what to do and how to do it, when they have been there for many years, they know their area, and yet you are second-guessing them at every turn, and the cost in time and effort as well as in finance in answering these questions, meeting these reports, having these meetings and so on is really dragging local government down at a time when you want them, and I want them, to get on with the job.

Hazel Blears: I would say two things in response to that. First of all, it is absolutely right that where we are spending significant amounts of public money we are able to evaluate and see exactly the results that we are getting and that is why this is a negotiation between central government and local government. I do not accept that we should simply have a free-for-all. I think there is a balance to be struck here. I do not accept that we just say, “Here is the money. You spend it as you like”, and the only check and balance is at the ballot box every four years. I do not accept that. I think it is perfectly proper for government to say, “We are spending this amount of money to try and raise children out of poverty, we are trying to get more youth services, we are trying to provide good public transport and therefore it is a negotiation”. We have made it very clear to the Government Offices which will be doing this on behalf of the whole of Government that it is a genuine negotiation, not dictated from the centre but a hard-fought, brokered deal to say, “Right: where are you weak in your area? We want to see some improvement targets in the areas in which you are weak. In areas where you are strong you might decide that you want to concentrate on something else”. That is the essence of a deal between the centre and the locality, and I think that local authorities are absolutely up for that challenge. When I talk to them they are looking forward to getting really stuck in to this negotiation and getting the freedom and space to be able to do the things they want to do for their local people, but I absolutely will say, Sir Paul, that there is a role for the centre in saying that if we are

spending a lot of money there ought to be accountability and probity, and I am sure that you would agree with me on all of that.

Q127 Sir Paul Beresford: Yes, I do, but I think the reality is very different from that you have portrayed, so do look at it very carefully.

Hazel Blears: Indeed.

John Healey: Sir Paul, as Hazel has said, we are moving into a new era here now and it is right that central government takes an interest in what local government is doing and delivering, not least because we have certain national priorities that we want to see local government help us to deliver, but the negotiation of local area agreements that Hazel has talked about includes a maximum of only 35 targets, so it will not cover the whole range of 198. It includes no mandatory central government targets that will be set for all local government, and the opportunity is there for local authorities to lead the setting of the priorities that are important to their area, not just for the local authority but for the other agencies that they work with in the interests of their area. Another indication of the way that we are trying to move into a different era now is, as part of the spending review, a shift of at least £5 billion a year into a new area-based grant system or into the revenue support grant, in other words, taking off the earmark nature of the arrangements before. What this means for the area-based grant is that rather than it coming to local authorities from different departments it will come through DCLG, rather than having to account for lots of small bits of funding they may get from all sorts of sources; it will be a simpler system that they account for to us. What it will also do in some ways is to put Hazel’s Department, our Department, in almost a banker and buffer role because it will be more difficult for other departments to put in the sorts of soft controls that tend to creep into the system when local authorities are having to deal with a large number of central departments, often over quite small programmes and pots of funding. As Hazel has tried to outline, we are looking to move into a new era. There are certainly some tensions within central government, there are some tensions between central and local government, but part of our job as the Communities and Local Government Department is, like you, to try and champion the interests and ability of local government to do the sorts of things we want to see them do.

Sir Paul Beresford: I think I had better extend the invitation to you as well to come and see it.

Q128 Mr Betts: Looking to the next three years and the Comprehensive Spending Review, the Chairman of the Local Government Association described it as the “worst settlement for local government in a decade”. In terms of a real terms increase in finance that is right, is it not?

Hazel Blears: No. I did actually take this up with Simon Milton. I rang him a little while before and I said, “This will be the settlement”, and he said, “This will be the worst settlement in a decade for local government”, and I said to him, “That is in the

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context of a whole series of pretty generous settlements over the last ten years and I think an increase of 39 per cent in real terms for local government”, and although I would say it is a tight but fair settlement I suppose it is the least generous Labour settlement that we have had. I was looking at some of the figures recently, and I think we had a 39 per cent real terms increase for local government. In the period 1993 to 1997, it was -7 per cent in real terms, so the contrast, I think, is quite marked. I do not for a moment pretend that everything is rosy; it is quite tough, but it is a 1 per cent real terms increase and the LGA obviously will always press for more resources, but I do feel that they can meet their commitments within that settlement.

The Committee suspended from 5.00 pm to 5.10 pm for a division in the House

Q129 Mr Betts: On the Comprehensive Spending Review one issue I want to pursue is in terms of how realistic was, say, local government to have got 1 per cent extra above inflation, because that does not really take account of the efficiency savings which local government really has to make to deliver on the financial settlement? Could you explain first of all where the 3 per cent figure comes from, why it has been decided that all of it this time should be cashable—I do not think that has been the case before—and, finally, how it is decided which bits of local government finance should be subject to efficiency savings and which bits should not, because it is not obvious how the efficiency savings apply to some things and not to others?

Hazel Blears: The figure of 3 per cent is across all public services, including the police, and that is a figure that has been—

Q130 Mr Betts: It is a finger in the air?

Hazel Blears: No, I think there is a realistic assessment that that can be met. For some people it will be challenging and there is an acknowledgement about that. If we look at local government’s performance over the last three years, in fact they have come in significantly above their target, so they have been able to make more savings than they initially were charged with having to do. One of the things that we have done in the last few months is that we have talked to local government about how we can make this next tranche of savings, which is challenging, but also give them some credit for the over-achievement that they have done in the last three years. The initial view was that we should start from zero and ask them to make the savings again. Now we are going to give them credit for the fact that they have over-achieved their target and they will be able to carry some of that over. We have also said that there will not be specific figures for each local authority. This will be across the sector. We are also putting £380 million in to help them make the savings because we know sometimes you have to spend some money up front in order to achieve. We also recognise that for some local authorities they are tied into longer term contracts, so it is quite difficult to get yourself out of those straightaway and achieve the efficiencies. That is why we have tried to

say it is an overarching target for the whole of the sector, you can have credit for the extra achievement that you have made, and we do think that that is achievable, because local government has shown it can do that. I think that there is a lot more scope, particularly around shared services between local authorities, and we have now got a national improvement efficiency strategy, we have got regional groups helping with this, but most important of all we have got local government themselves taking this on and saying that they want to make this happen.

Q131 Mr Betts: But it is also difficult to understand sometimes why efficiency savings are applied to some aspects of finance and not to others. As I understand it, in social services funding, if the funding comes from a mainstream grant then efficiency savings are supposed to be found, but if you get a Supporting People programme, which could be providing very similar services or part of a package of services, then efficiency savings do not have to be found. It is not quite logical, is it?

Hazel Blears: I think in the past savings have had to be found from Supporting People funds, and there was a big efficiency programme looking at Supporting People, seeing where the commissioning could be done in a more effective way. If you look at Supporting People, the vast majority of it is actually commissioned from third sector organisations rather than local authorities doing it through direct provision, and they have had just the same pressures on them to reduce expenditure through efficiency savings.

Q132 Mr Betts: But that is true of mainstream services provision now. Even when it is from a direct grant much of it is provided by third sector and voluntary organisations, and indeed private companies, so why the difference between the different programmes in terms of some being subject to efficiency savings and others not? It does not seem to be terribly rational.

Hazel Blears: As I have explained, we have changed the basis on which we do efficiency savings and we are not saying you have to target it on this particular service. We are saying that overall in an overarching fashion we expect over the next three years for you to achieve three per cent efficiency savings. Now, how that is going to be done is increasingly a matter for local government themselves with assistance from the centre, and that is why we have put more money in, to enable them to do it, because you make an important point, that in some areas you are able to make more savings than you are in other areas, and giving local government the flexibility to do that is quite important.

Q133 Mr Betts: Can I just pursue the issue about where the real pressure points are, where additional finance will almost certainly have to be found if they have got efficiency savings? Certainly, talking to local authorities—and it is not just my own authority of Sheffield where there is maybe a certain political take and the politicians have talked to me;

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I was talking to officers from Kent the other day who are officers and not politicians—certain issues seem to come across time and time again where local government is just saying, “We have not got the resources to deliver”. One is highway maintenance.

Hazel Blears: Yes.

Q134 Mr Betts: The second is waste disposal, where there are real pressures from the landfill tax which are going to be in the system and extra finance is going to have to be found, but the third, and probably the one that comes out over and over again, is provision of adult social services, people living longer, extra demands, because we asked for more services to be provided in people’s homes, quite rightly, but also for people with learning disabilities living longer and wanting not merely social care and day centres but education as well. It just seems there is not the money in the system to really cope with those enormous pressures and people will say, “Look how much the health service has had to cope with similar issues”, and as soon as people stay in the community and it is the local authority’s responsibility not nearly as much funding has been put in.

Hazel Blears: I think that you are absolutely right, this is an area of great pressure. If we look at the increase from the Department of Health in terms of their Direct Grant contribution to this, their increase in real terms is 2.3 per cent, so they have had a significantly larger increase than local authorities formula grant in terms of being able to make a contribution to the social care package. That will be an extra £200 million, is my understanding, from the Department of Health’s contribution into this. The very reason why we have said that we want to have a Green Paper about the future of social care between ourselves and DH is that we recognise that the demography has changed dramatically. People are living longer, they need more support, and it is not just elderly people; it is other vulnerable people as well, so you are absolutely right to highlight this, but we do genuinely think that within that one per cent real terms increase, together with the Department of Health contribution and through the machinery of the local area agreement, more pooled budgets, more working together, using that money in a smarter way and really squeezing as much value as you can out of it, we can meet the pressures that are there. I would not deny that there are pressures on social care; that is absolutely common sense, but I do think within the system there is enough to meet the pressures. We have done a lot of work with the Department of Health to identify all the pressures coming downstream to see how we can give local government the resources to meet them, so it will be a challenge but we do think that we can.

Q135 Martin Horwood: You have said that there is the possibility of a credit for cashable efficiency savings made over target in the past, which sounded like an incentive to carry on achieving good savings but then you rather undermined it by saying they were not going to be specific to the areas that had

actually made the savings. Surely that means that you might be rewarding the wrong people and that provides no incentive at all, does it not?

Hazel Blears: We want to get the balance right between having incentives but also having flexibility within the local government sector. Also, part of this policy is to try and ensure that local government as a whole takes increasing responsibility for performance, for efficiency, where people are lagging behind and perhaps not achieving as well as the rest of local government. It is for local government very often to step in and say, “Look: if you are lagging behind and you are not achieving then in some ways you are letting down the rest of the sector”, and therefore for them to have a push, that it is not always central diktat: it is the point Sir Paul was making, getting this balance right between us simply at the centre saying, “You must do this, this and this” and actually treating local government as grown-ups and giving them authority—

Q136 Martin Horwood: But is the credit going to be specific to local authorities or not, or are they not even going to relate to particular local authorities?

John Healey: I think you may have misunderstood what Hazel said, Mr Horwood. She said there would be no specific council target for this period for efficiency, but as a way of recognising where councils have, if you like, over-achieved their efficiency ambitions in this previous spending review period, that will count and they will carry that over, they will be credited in the monitoring of that through the targets, and also they will be credited for that through the Audit Commission—

Q137 Martin Horwood: So it will be specific to a local authority?

John Healey: If they have over-achieved they will be able to count it but there will be no central government target specific to each council.

Q138 Mr Hands: Can I ask you about what I think are the mixed messages being sent out here? I am immensely proud of the fact that I am the only MP in Britain whose residents are paying lower council tax this year than last year, yet at the same time the Government is continually attacking that council for supposed cuts in services which could be defined as efficiency savings. I am wondering, given the fact that it seems to be the Government’s favourite council to attack and at the same time you are demanding more and more efficiency savings, whether you are sending out a very mixed message to local government: the better they do on efficiency savings the more likely they are to be attacked by the Government. I refer in particular to your statement to the last local government Question Time about Hammersmith and Fulham cutting support on elderly services, which was actually directly a result of a Government grant cut and I think a Supporting People grant. It seems to me you are sending out a very mixed message on this.

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Hazel Blears: Mr Hands, I do not accept that contention at all. I do not think that in order to make efficiencies it is necessary to make cuts, particularly to services which support some of the most vulnerable people in our communities.

Q139 Mr Hands: That is a result of the Government grant cut, actually, nothing to do with local government efficiency, but in general in your contention that efficiency savings are a good thing and also keeping a lid on council tax rises is a good thing you seem to have a very different set of rules for some authorities than for others.

Hazel Blears: No, I think there is a whole range of local authorities which, despite a tough but fair settlement, have actually been able to maintain services for some of their most vulnerable residents. They are able to provide very high standards, they are able to provide excellent services. What we are trying to do in our Department is ensure that all local authorities aspire to those high standards and that we have in place mechanisms to help them get there. I do not accept for one moment that saying to local authorities, "You have to be efficient, you have to work with your partners, you have to have good working relationships between the local primary care trust, your local hospital and your social services department", and that driving for efficiency have to be at the expense of some of the most vulnerable people in the community. That is about making choices.

Q140 Mr Hands: At the same time my council, not dissimilar from its neighbouring council, Wandsworth and nearby Westminster, has just been upgraded from being a three-star to a four-star local authority, yet you still insist on --- if I were to run a search on which councils have been most attacked by government ministers in the last year I could almost guarantee that Hammersmith and Fulham would be number one and that Wandsworth would be number two, despite the fact they are both four-star rated authorities and both keeping a lid on council tax. Surely you have to wake up and see that this is something that you should be applauding, their ability to produce better services at a lower cost, and should be something that is exactly in accordance with what the Government says it wants?

Hazel Blears: Mr Hands, I can assure you that it is nothing personal to yourself in terms of highlighting the issues that—

Q141 Mr Hands: I am not saying that. What I am saying is that you are picking on councils which you should be applauding.

Hazel Blears: But I think it is important that we get the balance right between keeping reasonable levels of council tax, because that is in the interests of the taxpayer, providing good and excellent services, and at the same time making sure that we make the efficiencies local government needs to make. I do not think that that is beyond an awful lot of councils to achieve, and what is very encouraging is that we have now got over 70 per cent of councils which are

either three or four stars—you could not have said that ten years ago without the kind of financial support that this Government has put into local authorities—39 per cent real terms increase in the last ten years, together with a performance framework which has actually driven that kind of improvement. I think the introduction of the common performance assessment is something that has concentrated local authorities' minds quite dramatically and I am delighted that local authorities are now really improving their ability to serve their local communities. It is because of that improvement that we are able to do the relaxation around the targets to free up local government to have more control in their areas, and that is the deal.

Q142 Mr Hands: So are you willing to congratulate Hammersmith and Fulham Council and Wandsworth Council, for example, on being rated as four-star authorities and keeping a lid on council tax?

Hazel Blears: I am always pleased—

Q143 Mr Hands: Yes or no?

Hazel Blears: I am always pleased—

Q144 Mr Hands: So you are not willing to congratulate them?

Hazel Blears: Mr Hands, I am always pleased to congratulate local authorities when they do well. I believe that you get more out of people when you praise them and you motivate them and you occasionally inspire them, and where local authorities are doing well I am on record in many circumstances as saying, "Well done. Keep it up. Keep making your efficiencies", but at the same time let us make sure that we look after the most vulnerable people in our country, who very often do not have a loud enough voice to shout up and speak for themselves.

Q145 Martin Horwood: We have obviously still got a lot of work going on at regional level and a lot of policies being developed, regional spatial strategies being taken forward. How are we going to cope with the democratic deficit which in our view already exists but which is going to exist in an even greater form once the regional assemblies are abolished?

Hazel Blears: Obviously, the programme of work that we have got now in order to implement the sub-national review is considerable, and one of our driving forces behind that is to try and make sure that in drawing up the single regional strategy, which will bring together the regional spatial strategy and the regional economic strategy, we get a larger voice and influence for local government as a democratically elected body in this process. Clearly it is going to be a matter for the RDAs to draw up the strategy. Then we have to make sure that local authorities in that region have a big say about scrutinising and being involved in that strategy, and then we have to manage the migration from the regional assemblies at the moment into the new architecture that we want to deliver. That migration will, I have no doubt, be different in different places.

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Again, there will not be a one-size-fits-all necessary solution. We want to have discussion with those local authorities and the regional development agencies over the next 18 months or so about how we get to a place whereby the regional assemblies will need to carry on doing some of the planning until we have got the new architecture in place, but we absolutely want to give a bigger democratic voice to the local authorities in that region.

Q146 Martin Horwood: So you are going to abolish the assemblies before what you call your new architecture is in place?

Hazel Blears: No. What we have said is that we want to absolutely have a managed transition to that new architecture and that is why we are in detailed discussions with those parties now, because we will need their capacity to carry on with the planning responsibilities that they have got before we are able to be in a position where the regional assemblies no longer are functioning in the way they did before.

Q147 Martin Horwood: Are you going to take this opportunity to decentralise any power back down to elected local authorities, given that, whatever your new architecture and however the RDAs run this, they are losing a very important voice at regional level?

Hazel Blears: This is an important point and I will bring in John in a moment because he is going to be dealing with the implementation. One of the priorities that I set for my Department is about devolution. It is not just to local authorities; it is also to communities, but this part at regional level in terms of negotiating the multi-area agreements that we want to do, again, to give people in their region, particularly in city regions which already have good working relationships, the power to make a significant difference, particularly on economic development in their regions, is going to be key. For example, in Greater Manchester, people have had that kind of joint working for the last ten years or so. We now need to see, in negotiating those agreements, are there more powers, are there more things that they want to see happen, and then for there to be a negotiation about those powers in the best interests of that region.

Q148 Martin Horwood: But that again sounds as though you may be potentially bypassing local authorities if you want to devolve power to communities as well as local authorities. I am not quite sure how they are supposed to do that.

Hazel Blears: You have misunderstood me, Mr Horwood. What I was saying was that devolution as a principle in our Department for all of us is really important. That devolution is to make sure that at the right level people are making the right decisions because that includes local authorities but it also then goes beyond local authorities to communities.

Q149 Martin Horwood: So where, for instance, in a regional spatial strategy at the moment there is an extraordinary level of detail about housing planning, there are very specific numbers laid down,

maps almost down to field level, certainly around my constituency, specifying where that housing is going to go—and I have to say I support a certain degree of new housing in my constituency before you accuse me of NIMBYism—is that level of detail something that could now be decentralised back to elected local authorities and taken out of the regional tier altogether?

John Healey: First of all, regional assemblies, by pretty widespread view, have not directly dealt with the democratic deficit of regional level activity. The arrangements that we are proposing and set out in the sub-national review take a couple of important steps to try and reinforce the scrutiny and accountability, the challenge at regional level: first, bring local authority leaders together at the heart in the region through what one might call a local authority leaders board, not just to scrutinise and challenge and keep a check on the RDA in their executive role of producing the single strategy, but also to sign it off, and, secondly, in Parliament, which you can see is the other pool of elected representation in this country, if you like, by setting up a system of regional select committees to oversee—

Q150 Martin Horwood: Forgive me, but instead of this great machinery of scrutiny and checks and balances would it not be simpler to decentralise the power again on something like the example I gave?

John Healey: You will be aware that the move to have directly elected regional assemblies came to a full stop in the north east, at least for the next decade.

Q151 Martin Horwood: No, I was thinking devolve the power, not add—

John Healey: Therefore, it is important, particularly if we want to see more activity decentralised from the centre, that we increase the scrutiny and accountability as well.

Q152 Martin Horwood: I am sorry; you are not understanding me now. I am not talking about decentralising from the centre. I am talking about decentralising from the region back down to the local elected authorities and allowing them to take back some of the detail that is now in the regional spatial strategies, for instance.

John Healey: Quite, and you will see in the sub-national review, Mr Horwood, and when we publish consultation for how we manage this transition that there is an important principle that some of the things that RDAs do at the regional level at the moment should be devolved to local authorities or groups of local authorities collaborating. They will become more strategic, less project-based. The second thing is that in building up the regional spatial strategy, which was the other example you put to us, you will see again in the sub-national review—and it is paragraph 6.101—that we anticipate, quite rightly because of the point you make, that when you look at the process for developing a single unified regional strategy that deals with development, particularly sustainable

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development, that has to be built up from the local authority level individually using the planning expertise and the interests of local communities there, and often local authorities acting in sub-regional groups as they do at the moment. It is not something that will be prepared by the RDA, foisted on the region and then subject to the sort of scrutiny and consultation that people might imagine.

Q153 Martin Horwood: I apologise for using a constituency example, but everybody locally has accepted 8,500 new houses for the Cheltenham area. At the moment it looks like it is going to be 12,500. Potentially that is going to be increasing to 14,500. If our local authorities of all party colours thought that was a simply unsustainable level, or if it was going to cause too much environmental damage, if it was going to put too much demand on infrastructure, could they refuse it under this new decentralised architecture?

Yvette Cooper: You have to have a planning process in which disagreements are resolved, and if you have got an individual council that thinks no, it does not want to have a level of housing growth, then either other local council areas around them are going to have to take more homes or some process is going to have to be gone through in which there is a rigorous public testing process which says, well, actually, yes, you can support more homes in that area, and so I do not think housing is an area where an individual council can simply operate alone where there are disagreements about the level of housing growth that is needed. You are always going to need, whether it is sub-regional or regional, planning arrangements to look at those kinds of issues. Where there are different levels of detail currently in the regional planning process it is often because there are disagreements, so in areas where there is broad agreement and everybody says, "Yes, this particular area can support a particular level of housing growth", there is often not very much detail because there is a lot of consensus. In the areas where there is disagreement and people are having disputes about quite what level of housing growth an area can support, they tend to be the areas in the regional planning process where a lot of detailed evidence is gathered and tested as part of that process.

Martin Horwood: But you understand that local authorities—

Chair: Martin, can I just stop you? This is an issue we did explore incredibly fully with Ms Cooper on the Green Paper.

Q154 Martin Horwood: Okay. The broader issue, to take it off that specific point, though it is a related one, was a recommendation we made in our report on housing supply last year, which pointed out that there were many factors other than supply which affected the affordability of housing and we said the Government needed to examine a range of strategies which might influence demand, such as interest rates, the availability of credit and taxation. With the Northern Rock situation and with a housing market that now seems to be stabilising or potentially even falling, that seems to be even more

relevant and even more focused, and Professor Wilcox for CPRE has reinforced that kind of view. Have you asked other government departments to look at other strategies to tackle affordability, and, if so, what are they?

Yvette Cooper: Sure, and there is a wide range of issues which always affect the position of the housing market at any one time, and obviously the Bank of England has a responsibility in terms of setting interest rates and also considering the long term stability in the housing market as part of the wider economy, which obviously has an impact on affordability over the longer term as well. What we specifically look at around housing supply is long term housing supply needs and how that impacts on affordability, and that clearly is a very important factor, and you will have seen the recent report from the NHPAU, the National Housing and Planning Advice Unit, which is looking at long term supply issues, but it is also the case that issues around shared equity mortgages, for example, and those sorts of things can also have a significant impact on affordability. So too can having measures to bring empty homes back into use, so we do look at a wide range of things but none of that gets away from the long term need for more homes as well.

Q155 Martin Horwood: But it qualifies it, because something like the availability of credit historically has probably inflated house prices and the fact that credit is now perhaps less available is clearly a factor in bringing down the rate of increase. Have you talked to any other government departments about trying to tackle irresponsible lending in the mortgage market?

Yvette Cooper: Certainly, and there are issues, obviously, and we appreciate that as part of all of the work that has gone on around Northern Rock and so on there has been a whole series of work with the Treasury, with the FSA and so on, looking at issues around credit and looking at it across the market.

Q156 Martin Horwood: Have you had any conversations with them?

Yvette Cooper: We certainly have been involved in looking at what the implications are for the wider housing market.

Q157 Martin Horwood: This was last June. This was us recommending that you explore other strategies. Have you actually had any conversations with other government departments about other strategies to reduce affordability?

Yvette Cooper: We have a whole range of work that has been under way with the Treasury as a long term programme which has included the shared equity task force that reported as part of the Pre-Budget Report last year. We have further work that has been under way with the Treasury as part of that work around—

Q158 Martin Horwood: Anything at all on the mortgage lending market?

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Yvette Cooper: That includes mortgage lending, and, for example, we currently have the Brian Pomeroy review which was set up as part of the housing Green Paper work, which is looking exactly at access to different kinds of equity loans as part of the mortgage lending process. It is important that there are proper checks on that, that people do not find themselves taking out loans that they cannot afford and cannot sustain, and that is why we also have independent financial advisers as part of that process for any kind of shared equity mortgage.

Q159 Martin Horwood: That still does not sound like anything at all to tackle irresponsible lending policies. Was anything brought forward pre-Northern Rock?

Yvette Cooper: As you know, the FSA obviously has a responsibility to make sure that mortgage companies and others are operating responsibly.

Martin Horwood: That sounds like a no.

Q160 Chair: Just before we move on to home information packs can I go into reverse? Mr Healey, when you were answering Martin, I think, there was a question which I do not want you to answer now (I would like it in writing afterwards if possible) about specific examples of powers or areas which might be devolved from the regional level to local authorities. Perhaps you could undertake to drop us a note: that would be helpful.

John Healey: I certainly can.

Q161 Anne Main: Minister, we had a very interesting conversation last week with the Permanent Secretary. I believe £40 million has been spent trialling home information packs, and apparently the data was going to be shared as to the impact of them. Where is that data and when will it be shared with us?

Yvette Cooper: We are still waiting to find out the results of the trials. The process of the trials obviously began in November of last year and the requirement we set was that they needed to follow the entire chain all the way through in order to find out what the impact was. What the trial specifically looked at was home condition reports, which are not a compulsory part of the pack at this stage, and they have been looking therefore at the impact of the home condition report as to whether or not it speeds up sales and all of that process. In order to do that you do have to follow the transaction all the way through and you also have to get information from buyers. What is taking time as part of the trials is getting the information from buyers. They have information from sellers; they do not have information from buyers.

Q162 Anne Main: We have not got a predicted date when we will get that information?

Yvette Cooper: It is an independent evaluation. It is being done by Ipsos MORI and so once we have that full completed report we will send a copy to the Committee. We will publish the report.

Q163 Anne Main: In which case, given that it is the home condition pack information that you are seeking, last week the Permanent Secretary—and I quote his words—said there were three tests. The first was about the total number of the assessors, the second was about the regional split, and the third, that I felt most interesting, was about the operation of the home information packs and general conditions: “I think that it is the third one that has held ministers back”. When I pressed him on this particular suggestion I said, logically, then, if you are assessing the impact of the home information packs on the housing market, if you believe that it is an adverse effect, you would be thinking that possibly you would not continue rolling out the home information packs. He felt that that was something you were assessing. Are you assessing the impact on the housing market? Given the market’s volatility how will you make that assessment, and if it is having a negative or zero impact on the housing market does that mean you are considering not continuing with HIPs?

Yvette Cooper: Our policy continues to be what it has always been and we do think that the energy performance certificates in particular have huge benefits right across the housing market. That includes the one-bedroom and two-bedroom properties. We also think that there are advantages in terms of the searches that we have already seen because we have already seen as a result of the HIPs programme cuts in the cost of searches right across the country, including in my local authority, very substantial cuts in the cost of searches as a result of the HIPs programme. There are issues, however, about the timing of the rollout that we do have to take very seriously. The Permanent Secretary, I think, talked to you about the three conditions that Ruth Kelly set out in the announcement back in May that we would use in terms of determining the timing of the rollout. The first of those was around the overall number of assessors. That condition is now met. We have enough assessors across the country to deliver all energy performance certificates.

Q164 Anne Main: In the right places?

Yvette Cooper: The second test was around regions.

Q165 Anne Main: Excuse me—can I just ask whether the assessment was in the right places?

Yvette Cooper: Yes. The second test was around the regional spread to make sure that there were enough energy assessors in place in each region. London has been the one region that has lagged in terms of having enough energy assessors in place to meet all of the requirements. We do now believe that there are enough assessors, only just over the last few weeks, in terms of the demand in London for the whole market if you look right across the market. The third condition was around looking at the experience of the implementation and the rollout so far, and that is the one we are continuing to monitor at the moment because it is right that we make sure the timing of the rollout properly reflects the lessons from the rollout so far, and the added factor that we

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are just looking at very carefully and taking additional advice on at the moment is issues around timing, given the additional uncertainty in the housing market that there has been over the last few months. The housing market is in a different position compared to the housing market back in the spring in terms of—

Q166 Anne Main: I am sorry, Minister, I find that somewhat—

Yvette Cooper: --- in terms of the greater uncertainty around what has happened with Northern Rock and the quietness of the market overall.

Q167 Anne Main: Given your confidence, which you have just restated again, about the total benefit of having home information packs, speeding up the market, all the other things that are constantly said even now, what is it about the housing market then that is going to change your mind? A dip in prices?

Yvette Cooper: No. I think it is right that we continue with what has in fact been a very smooth rollout since the beginning of August to the four-bedroom and three-bedroom properties, that in order to make sure that continues we do monitor it properly and we do make sure that we look at the wider overall position of the housing market before taking decisions on the timing of rollouts. I think that is a responsible thing for us to do.

Q168 Anne Main: I am sorry; I really do not understand what you mean by “look at the wider overall position of the housing market”. Do you mean if the market starts falling, for whatever other pressures, you will not be rolling out HIPs? That is what Mr Housden seemed to suggest to us last time.

Yvette Cooper: No. What it means is that we are just monitoring very carefully the impact of the rollout so far and the way it has taken place around four-bedroom properties, around three-bedroom properties and the impact in different regions. As I have said, the impact so far is that we are obviously seeing very beneficial energy information in place. We are also seeing drops in costs, particularly around searches, and information being provided much more quickly than we had previously done. We are also seeing transitional short-term impacts on the listings and the timings of listings. Again, that is to be expected but it is important that we monitor that through before we take a final decision.

Mr Hands: The question was about—

Chair: Greg, would you please not interrupt?

Q169 Mr Hands: Okay, but the question that I think Ms Main has been asking is about the general conditions of the housing market. Peter Housden told us last week, and I quote from what he said last week, “and the third was about the operation of home information packs and general conditions. I think it is the third one”—ie, general conditions—“that has held ministers back” from rolling out the scheme. What is it in the general conditions? Is it the price or is it supply or is it something else in the operation of the market that was holding it back?

Yvette Cooper: If you will see, what he was referring to was the third condition as set out by Ruth Kelly—

Q170 Mr Hands: The general conditions.

Yvette Cooper:—earlier this year when she made her statement to Parliament. At that point we did say that we would look at the overall implementation experience so far. We are looking at that in the context of the wider housing market and the circumstances in the housing market. Of course it is right that we should simply take time to look at that carefully before coming to a final decision.

Q171 Mr Hands: But it is a specific phrase about the general conditions of the market. What is it in those general conditions? Is it the price? Is it the supply? Is it the number of transactions? What is it that you are looking at?

Yvette Cooper: The fact that we had a very quiet August, for example, meant that we needed to take time to ensure that the implications and the impact and the rollout throughout August and September were operating as we expected. Obviously, the quietness of the market is something that you have to take into account. We also simply need to make sure that we have taken full advice from all appropriate areas to make sure that we are taking the right decision at the right time. I do not think there is anything particularly mysterious about this. It is simply to say that had the housing market been operating last year continually in the way that it was, had we not had the greater uncertainty, you can come to decisions much more quickly. Where you have greater uncertainty in the market—

Q172 Mr Hands: That is very important here though.

Yvette Cooper: It is important that you take time to make sure that all the implications are worked through.

Q173 Anne Main: Can I just say that I had not really finished my question. Given that you are looking at the impact on the housing market, something that I raised on several occasions when I met the home information pack providers, a home information pack is disproportionately most expensive for those who have shared equity inasmuch that they have to pay the entire cost of the pack. Are you doing any assessment in terms of the effect of home information packs on people who have a share in a house rather than a whole house? Is it a disincentive to buy or is it making things more difficult?

Yvette Cooper: Certainly what we are trying to do is monitor the overall implications for every different group of home sellers and buyers. I am very happy to look further at the issue around those who particularly have shared equity. At the moment the operation is around the three- and four-bedroom properties and, as you appreciate, many of the shared equity homes tend to be smaller properties as well for first-time buyers, but I am certainly very happy to look at that further.

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Q174 Anne Main: My final question, if you could write to the Committee please, is that you did say you were taking advice from all other sources to help the formal decision as to whether or not or when the rollout should be. Would you let us have a list of the people you are consulting?

Yvette Cooper: Sure. We have a stakeholder group that we set up that we have taken advice from and taken their views and so on. We are also just looking more widely across the Department at different issues and different impacts. I am very happy to let you know the names of all of the organisations on the stakeholder group.

Chair: That would be very helpful.

Q175 Mr Betts: Staying with the issue of energy performance certificates, while the Government might want to take a wider view of the housing market conditions in terms of HIPs, we actually have an obligation, do we not, in terms of EU directives to deliver on energy performance certificates and ensure that they are rolled out as quickly as possible? As I understand it, the only reason for not fully implementing the European Directive is a shortage of inspectors, but we have not got a shortage of inspectors now.

Yvette Cooper: We also have to make sure that the implementation is smooth, and so therefore the timing of the introduction needs to make sure that it is practical and smooth and that we take other factors into account. It is certainly the case that our intention remains to roll out the energy performance certificates as quickly as we can as part of the HIPs programme.

Q176 Mr Betts: Just moving away from HIPs and looking at the issue of rented accommodation, which is also covered by the European Directive, at this stage we have not got any implementation of energy performance certificates, yet, taking the private rented sector, those are perhaps some of the least energy efficient houses of all where landlords have historically done very little to bring them up to a modern standard. How quickly are we going to be able to roll out certificates in the rented sector as well?

Yvette Cooper: We do not have an assessment yet as to exactly how quickly we can do it and we need to make sure the systems are in place for it, but I think the fact of the energy assessors now being in place and the fact that there are now energy assessors in place in every region and growing numbers in place in every region does mean that we need to look again at whether or not we can introduce the private rented sector energy performance certificates more swiftly than we might otherwise have been able to do. What I cannot give you at this stage is a precise timetable. I am happy to write to the Committee further on that one. January 2009 we have to get it in by, so we have a clear timetable over the next few months to be able to accelerate the process.

Q177 Mr Betts: I think that would be helpful because that is an important sector as well. Can I come back and clarify one point which I thought I

heard you answer earlier but was something we could not get an answer on last week? There is a small percentage of transactions going through with HIPs where the seller is volunteering to do a home condition report. Are we going to have an analysis done of the difference in those sorts of transactions and whether we have fewer failures with an HCR combined in the HIP than where there is not an HCR? Last week we asked the Permanent Secretary and he said he was not aware of any research or analysis being done on that.

Yvette Cooper: We are trying to get that information from the area trials, so rather than try to track a kind of continuous, ongoing monitoring process of identifying those properties where sellers are voluntarily getting home condition reports now, which would be difficult to do across the wider market, what we are trying to do is get precisely that kind of information from the area trials.

Q178 Mr Betts: When will that be available?

Yvette Cooper: It is taking longer than we had hoped. The time constraint is for the researchers to be able to track and interview the buyers. Obviously, the tracking and interviewing process for the sellers was relatively easy at the beginning of the process, but it is taking longer than the research company and we had previously anticipated in order to track and interview the buyers, but it is being done independently, so we do hope to get the information shortly.

Q179 Mr Betts: Will we track and interview people who would have been buyers but dropped out for some reason in the chain? If we are going to do anything to improve the whole process of buying and selling houses we have to stop the situations of people making offers and then withdrawing them. Are we going to interview them as well, because it is a very important part of the research to do so?

Yvette Cooper: I can try and send you some more information on it, but certainly the intention behind the trials was to look at issues around failed transactions. What I am not sure is how much individual or qualitative data they have gathered for those kinds of cases and interviews with buyers to provide more information.

Mr Betts: That would be very useful.

Q180 Chair: Finally on this issue about the housing market and HIPs, given that there are large perturbations going on in the housing market to do with issues such as the credit squeeze, the increased interest rates and other factors, trumpeted, I noticed, on the front page of *The Times*—it seemed to be the only newspaper that could make it gloomy that houses might be becoming more affordable—saying that the second home market, for example, was evaporating, how are you going to detect whether HIPs have any effect on the housing market given that you are measuring it against a baseline which is moving because of all sorts of other factors? Is this actually an excuse to go slowly because the Department is frightened of the press and the virulent opposition to HIPs?

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Yvette Cooper: No. I think we have to make sure that we are just taking account of additional variables in the market that might not have been there six months ago. It is important that we do so. All the evidence still shows, as you rightly say, that the overwhelming impact on the market at the moment is coming from what is happening with interest rates, with credit, with uncertainty as a result of Northern Rock, with consumer attitudes towards the housing market, and so there are all of those sorts of factors going on. In that climate, however, we simply need to take more care about making sure we are getting the timing right for the rollout in order to make sure that the process continues smoothly.

Chair: I think we are not really any clearer about the precise factors on the timing but I am not clear we are going to get it from questions.

Q181 Mr Olnier: This is just a point I wanted the Minister to clarify. The principle is just the same now as it was when we first started to talk about introducing HIPs, and that was to give more protection to the consumer so that they were not on this roundabout where they were continually paying out money to solicitors and others for search after search when a transaction fell through. Yes, the housing market is slowing down, and I think that is a real problem perhaps for some of the assessors, but the principle of trying to protect the consumer I think is exactly as strong now as it was when we first envisaged them.

Yvette Cooper: It is, and that is why the policy remains the same. If you look at what we have also seen over the past few months, as a result of, for example, estate agents encouraging people to list properties early in advance of the HIPs deadline coming in, you therefore have a transitional impact on the timings of listings, and the housing market does always have fluctuations in the timings of listings, so the housing market is well able to absorb fluctuations in the timings of listings. However, in order to just make sure that that process is smooth it is important that we look at those issues and those transitional impact issues in the context of the wider housing market. That is all I am saying. I am not saying there is any big mysterious process here. It is simply that the process takes a bit longer to ensure that you have taken all the factors into account at a time when the market is more uncertain than it does when there is less uncertainty in the wider market.

Q182 Mr Betts: Just picking up a point that Bill Olnier made earlier—and I think there is general welcome for the idea of involving local authorities and ALMOs in the social house building programme, I think that has generally got a lot of support across the country—I just have a little bit of concern that maybe in order to squeeze a bit of money out to give what is a much better settlement for social rented housing in terms of the amount of money that is going to be available, there has been a bit of pressure put on ALMOs and others, who have already had indications of the allocations, to scale back. Round 6 ALMOs, for example, have not even got indications of the amounts of money they may

be going to get, which causes the Decent Homes programme to slip in order to fund some new house building. Am I right to view it in that way?

Yvette Cooper: I think we have been clear as part of the spending review that we have got a very substantial increase in investment and new housing, and that is £8 billion over the next three years, but we also have £2 billion for the Decent Homes programme, so we are continuing the level of investment in the Decent Homes programme. It is certainly true that effectively over the last 12 months, in advance of having the Comprehensive Spending Review settlement in place, we went through a process around contingency planning. We have also been through a process in terms of some quite rigorous work and assessments with individual local authorities on their ALMO programmes because we know that there has been a history of slippage in individual ALMO programmes. If we are advised of that slippage very late in the process it makes it very difficult, whereas on the other hand, if we can get a sensible profiling pattern from the beginning of the process, it allows us to get more local authorities started with their ALMOs as well. You, I think, will be well aware of the background to this, which is that there have been more local authorities coming forward with ALMO proposals than perhaps was initially anticipated. There have also been some local authorities which have put forward more expensive proposals than perhaps was initially anticipated, and I think what we have been trying to do is make sure that we can get all local authorities started with their ALMO programmes to get them investing. The Decent Homes programme has already lifted, I think, about a million children out of bad housing as a result of the investment so far. We do need to keep that programme in place, but I think what you are probably reflecting is what was very sensible contingency planning and work for us to do over the last 12 months, but we are, as Richard McCarthy suggested in the evidence that he gave to you, in a rather different position now.

Mr Olnier: Madam Chairman, on a point of order, is it right that members should be using hand-held devices while evidence is being listened to, and should they not be used outside the committee room instead of inside it?

Mr Hands: I think actually there was a ruling last Thursday at the modernisation debate—

Chair: Greg, I am the Chair and I was being asked, and I was about to make the point that it was. However, I think it would be polite to give some attention to the evidence that is going on.

Q183 Mr Betts: So basically local authorities are not being asked to cut back on their ALMO programmes where they are able to deliver on the lines that they initially committed to? Have we got a date when the round 6 ALMOs are going to have their bids confirmed?

Yvette Cooper: No. Now that we have the Comprehensive Spending Review settlement in place we hope to be able to set out, and rounds 2 to 5 are continuing the rounds that are already under way, what their budgets will be for the next two years

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and then also the timetable for round 6 starting. I think one of the round 6 ALMOs has achieved the two-star rating. Some of the others do not have their two-star rating assessment for another 12 months, and so there will be a varying timetable as to when they are able to begin their programme of investment, but we do want to make sure that all the ALMOs can get their information as rapidly as possible over the next month or so.

Q184 Mr Betts: Can I just come back to the point about getting ALMOs and local authorities in the building process? One of the issues that comes up over and over again, and we have discussed it before, I think, is the problem of the housing revenue account, which is an awful constraint on getting any sensible accounting process at local level between what a housing authority does and what its tenants actually receive. Is it the Government's position now that in principle you would like to basically scrap the housing revenue account and that the only issue is trying to find a sensible and practical way of doing so?

Yvette Cooper: I have to confess I am not a fan of the housing revenue account in any way. Every dealing I have with the housing revenue account from every different angle seems to just raise problems with it. However, it was set up as a system to try and establish fairness between different areas and also to recognise the complex relationship between rents and housing benefit and so there are complicated issues there, and also the fact that there has been a different history of the way in which homes have been financed across the country makes it quite difficult. Some areas therefore find that they are in a relatively wealthy position in terms of their housing stock; others find themselves not only with high levels of debt against their stock but also with high levels of repairs being needed as well. The housing revenue account is an attempt to deal with that. However, it does make it hard for local authorities to do long term planning and manage their assets effectively for the long term. The operation of the housing revenue account is one of the constraints that we have had to deal with in terms of making it easier for councils also to be able to build more social housing, so we are looking at ways in which you might potentially even be able to dismantle it for the long term, and certainly look at ways to reform it, look at what you might be able to replace it with, but because of the redistributive nature of the housing revenue account it is not a simple process. You, I know, are well aware of the housing revenue account pilots that we are doing to see whether we can take councils out of the housing revenue account altogether. I think that would be great if we could find a way to effectively dismantle it over the longer term but we have to be honest about some of the practical difficulties that we face in trying to do that.

Q185 Mr Betts: But while it exists we do not want a situation, do we, where the Treasury would pocket surpluses from the overall housing revenue account system, which is possible if we look at it over the next two or three years? As more authorities get into

surplus we could find a situation where some of the poorest people in the country were subsidising the Treasury and that would not be right, would it?

Yvette Cooper: The housing revenue account has been in deficit over a very long period of time and all the resources end up being recycled, but certainly there is an issue about how we try and get to a system for the longer term. Ideally you want a system where every local area feels more sense of a clear relationship between what is happening with the management of the stock, with the rents that are being raised and the way in which investment is taking place in that area. That, I think, would be a much more desirable position to be in, but getting from here to there is not a simple process.

Q186 Martin Horwood: If I may move on to sustainability, there is quite a concern growing in environmental organisations that the kind of policy that seems to be emanating increasingly from DCLG does not really seem to be putting environment at the heart of policy planning. We have got the Planning White Paper which has the national statements of need and so on without very clear environmental mechanisms, we have got the sub-national review that you were talking about earlier, where there is an awful lot about economic growth and economic development, but that seems to come from a kind of pre-Stern report world where economic growth and economic development were right for their own sake and environmental damage was a price worth paying, and not from the new world where we know that environmental damage itself will have huge consequences further down the line if we do not adapt to and mitigate climate change, and that that in itself will have economic consequences that are extremely serious. How do you respond to that?

Hazel Blears: I am very grateful for the opportunity to reassure the whole Committee that our approach in relation to the major reforms in the planning system that are taking place is to try and make sure that we have integrated objectives around economic development, the environment and the social objectives that we have got. In fact, just last week we hosted a round table with all the environmental NGOs and the three of us were there with them, together with the Secretary of State for Defra, when we had a very wide-ranging, challenging, good discussion, I think. I am absolutely at pains to say that this is not emanating from our Department, a kind of headlong rush towards economic development at the cost of everything else. Integrating the environment and the social objectives that we have got are absolutely integral to everything that we have on our agenda, whether it is our house building programme and the eco-towns, and not just the zero carbon homes but shops and pubs and everything else in eco-towns; our new planning guidance on climate change; all the work that we are doing on the sub-national review. There is a feeling around that somehow we have got this headlong obsession with economic development at

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the expense of everything else. I am delighted to have the opportunity to put on the record that this is about integrating our objectives.

Q187 Martin Horwood: Okay, so if we take one of the examples we were talking about earlier, which was these new integrated regional strategies, are those going to be signed off by the Sustainable Development Commission or even by Defra to make sure that they are sustainable in terms of climate change and the measures that we need to adapt to it?
Yvette Cooper: You mean the regional strategies?

Q188 Martin Horwood: Yes.

Yvette Cooper: We have to do all the sustainability assessments as part of the regional planning process and so on, so, of course, they would need to do that.

Q189 Martin Horwood: So they will be signed off by Defra or by the Sustainable Development Commission?

Yvette Cooper: The planning process has a whole series of different sustainability things.

Q190 Martin Horwood: I know that, but that has been a mixed experience at regional level, certainly in the south west. There was not very much sustainability at all in the regional economic strategy before people argued it in.

Yvette Cooper: Exactly, all the reasons for linking them together. We have very clear requirements in the regional planning process about looking at sustainability in the wider sense, and we are actually going to strengthen those as part of the new planning statement on climate change, so all regional spatial strategies—and that will include the new regional strategy—will have to comply with the new planning policy statement on climate change which will go much further in terms of requiring regional planning bodies, regional development agencies in due course, regional and local planning authorities and so on to take much greater account of issues around climate change and the need to cut carbon emissions.

Q191 Martin Horwood: For instance, extreme flooding, like the floods we experienced in Gloucestershire in the summer, we know the Environment Agency says with climate change is going to be happening on a much more frequent basis, so places like Cheltenham, where I live, where we have got hills on three sides, become particular targets for flash flooding, and we have got others on the flood plain which are clearly very much at risk, as Tewkesbury and Gloucester saw in the summer, and yet still the regional strategy seems to be handing down these housing numbers which do not seem to be being reviewed in the light of these new environmental circumstances which are likely to become more extreme with climate change. How does that work? Are those numbers going to be reviewed or not?

Yvette Cooper: The whole point about the new planning guidance on flooding was in order to give a much greater role to the Environment Agency, both in terms of regional plans but also in terms of

local plans, and in the end in terms of individual decisions, so all of the discussions that we have had, for example, around potential new growth points for eco-towns and so on are very much involving the Environment Agency at a very early stage in the assessment. There are different ways in which we can respond to some of the mitigation against climate change. There will be some areas where we should be building fewer homes. There will be other areas where you can build homes but you need different kinds of mitigation strategies or defences.

Martin Horwood: And yet the numbers in Gloucestershire are going up, not down.

Chair: Last week with the officials I think we went round this circle at that point and we seemed to get to the point, quoting from Mr McCarthy, that the regional—

Q192 Martin Horwood: That was at the micro level but the Minister has quite rightly addressed the macro level as well, which is what is responsible for handing down these very large numbers, but the numbers appear to be going up, not down, for an area that was hit by this flooding, so where is the logic in that?

Yvette Cooper: You appreciate that, given where we are in the regional spatial strategy process, it would not be appropriate for me, or for any of the ministers, to discuss an individual proposal in a particular area as part of the regional spatial strategy.

Q193 Chair: Can you generalise—

Yvette Cooper: In terms of doing it in general—

Q194 Martin Horwood: On the area regional policy we ask you and you say it is down to the regions. We are the regions and—

Yvette Cooper: No. Ministers have to take decisions on regional spatial strategies.

Q195 Chair: Martin, you are about to get the hypothetical answer, which would then give you what you want and would allow the Minister not to go beyond her planning role.

Yvette Cooper: What we are clear about though is that the Environment Agency needs to play an earlier role in terms of the planning for housing; and the new planning policy statement on climate change does go into greater detail around things like looking at mitigation issues as well as looking at what you need to do to prevent carbon emissions and so on in the first place. In terms of some of the issues specifically around flooding, if the Environment Agency's assessment changes, for example (and it may well be that the Environment Agency's assessment in particular areas will need to change as a result of climate change, so it is not necessarily the framework that is a problem; it is simply that within that framework the Environment Agency's assessment will change as we have greater information about the consequences of climate

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change), that will be one set of circumstances that we will need to better take into account. The second is that we have done a lot of work around looking at traditional flood risk areas and seeing flood risk areas as part of PPS25, and have got stronger advice than ever in terms of the role of the Environment Agency there, but I think there is probably more work that we need around issues like drainage, so there is a presumption around sustainable urban drainage systems as part of the new planning guidance but some of the lessons that we had as a result of the flooding that took place earlier this year are probably around a need to look further at issues

around drainage across the country as well, and so that is obviously one of the things that could be looked at as part of the review.

Q196 Chair: Thank you very much, Ministers. I am sure we will be able to see you on several of these issues further at subsequent meetings.

Hazel Blears: I have issued a letter to the Department in terms of our priorities and I wonder if the Committee would like to have sight of that letter. It may well be helpful.

Chair: That would be extremely helpful. Thank you very much.

Written evidence

DCLG memorandum to the Communities and Local Government Committee on the Departmental Annual Report 2007

PUBLIC SERVICE AGREEMENTS

1. PSA1 NEIGHBOURHOOD RENEWAL

The Technical Note specifies that “ODPM’s PSA1 target will have been successfully met if the required progress is achieved against all the indicators . . . under the six key outcome areas”. On what basis has the Department assessed performance against this target as “On Course”, when two of the indicators are assessed as “Slippage” and one has not yet been assessed?

The Department assessed its performance against PSA1 as “On Course” because progress was being made in all six outcomes areas, and particularly on health, crime and liveability indicators.

Worklessness

A robust measurement of progress against the Spending Review 2004 worklessness target requires comparison between like for like quarters over two reporting years (that is, 4 data comparison points). Comparison between sequential quarters does not provide definitive evidence of rate of progress because of the short term variations in employment levels that occur in different seasons (eg in tourism and farming), though it can be an indicator of direction travelled.

At the time we submitted evidence, worklessness was marked as “not yet assessed” because we did not have data over sufficient quarters to state categorically what the rate of progress was, but the evidence that was available indicated that the target was on course. Since then further data has become available to make a robust assessment of progress, which shows that in the two years from April 2005, there has been a 2.8 percentage point improvement in the employment rate in target wards and a 2.3 percentage point reduction in the difference between the employment rate for England and the target wards. This confirms that at this time there is no reason to suspect that the indicator will not be met and it is more likely that the target will in fact be exceeded.

Housing

The PSA1 floor target elements of the decent homes target are on course for delivery, and as such overall slippage on PSA7 will not negatively impact on the delivery or rating of PSA1.

The proportion of non-decent homes in deprived areas fell from 52% to 49% between 2003–04 and 2004–05, representing greater progress than the fall from 23% to 22% in non deprived areas over the same period. If this progress is maintained then as the greatest proportion of social housing and non decent social housing is in deprived areas, most of the improvements will continue to take place in deprived areas.

Education

The indicator for education remains the most challenging target. However, at Neighbourhood Renewal Fund level there has been a marked improvement in progress since 2002.

Based on the latest figures (information on this year’s results will not be available until Spring 2008), although the rate of progress between 2005 and 2006 is higher in Neighbourhood Renewal Fund areas than nationally, we estimate that schools in Neighbourhood Renewal Fund areas are unlikely to meet the 2008 target until 2010.

So we remain confident that good progress is being made in narrowing the gap in Neighbourhood Renewal Fund areas. But currently we expect slippage on the education element meaning that it will be met in 2010 rather than 2008 as originally planned.

Liveability

In the 2007 Annual Report progress on the liveability indicator was assessed as “on course”. Our target is: to reduce the proportion of local authorities judged to have unacceptable levels of litter and detritus nationally from 23% to 10% and from 33% to 17% in areas in receipt of NRF. On this indicator, targets for national improvement, and the overall improvement in deprived areas, were being achieved, although there was a deterioration in some deprived areas in 2005–06.

The data for BV199a 2005–06 indicate that the percentage of local authorities with unacceptable levels of litter and detritus has fallen from 8% in 2004–05 to 6% in 2005–06 nationally, but has increased from 10% to 12% since 2004–05 for Local Authorities in receipt of Neighbourhood Renewal Funding. While this means we continue to achieve our target, it also indicates that over the past 12 months the gap between national and deprived areas has widened by 4 percentage points.

It should be noted that on PSA8, which shares this indicator, the indicator was assessed as “ahead” (whereas the same indicator was reported as “on course” on PSA1). Whilst we are on course to meet the target we recognise the need for consistency in our reporting of progress against both PSAs and will address this in the Department’s Autumn Performance Report.

2. PSA2 REGIONAL ECONOMIC PERFORMANCE

PSA2 is assessed as “On course”. The first sub-target of PSA2 is “to make sustainable improvements in economic performance as measured by the trend rate of growth for Gross Value Added (GVA) per head for all regions . . .”. In relation to GVA per head growth, paragraph 4.7 of the Communities and Local Government Annual Report states that “The West Midlands maintained baseline performance” and “the South East and East regions did not improve on their individual baseline trends”. On what basis has the Department assessed progress against this target as being “On Course”?

Paragraph 4.10 of the Annual Report states that “With only three years data it is too early to say if these results reflect changes in underlying trends”. Why has the Department chosen to report overall progress as being “On Course” rather than “Not yet assessed”?

The aim of the Regional Economic Performance PSA is to improve the economic performance of all regions and reduce the persistent gap in growth rates between the three best performing regions of the Greater South East (London, South East and East) and the other six collectively by 2012.

Whilst there is as yet insufficient evidence to establish underlying trends, the 2007 Annual Report’s statement on overall performance as “on course” reflects the Department’s best assessment of overall progress. This is assessed on the basis of the best available data and early emerging positive signs. For most of the regions, performance between 2002 and 2005 was better than in the baseline period, and the gap in growth rates between the regions was less than during the baseline period.

Improvements in economic performance in the North, Midlands and South West have contributed as much as the slight slowdown in the Greater South East to the recent narrowing of the gap in growth rates. A full analysis of the position was set out by Government in December 2006.¹ This included further evidence of progress such as the narrowing of regional gaps in two key economic indicators: employment rates and level 2 skills.

Therefore, although it is too early to be confident of the outcome, the Government believes this target remains achievable, whilst recognising that it is very challenging.

Paragraph 4.11 refers to the need for “all the key economic departments to co-ordinate action”. How is the Department seeking to achieve this co-operative working? How is the Department seeking to work co-operatively?

Prior to recent Machinery of Government changes, Communities and Local Government shared lead responsibility for PSA delivery with Business, Enterprise and Regulatory Reform and HM Treasury. The Department maintained regular senior level discussions and working-level contacts with these departments and also worked closely with wider departmental stakeholders through an Inter-Departmental Steering Group. The Department continues to hold high-level bilaterals and to contribute to work.

The *Review of Sub-National Economic Development and Regeneration* highlighted that “the Government would place lead responsibility for the Regional Economic Performance PSA in the Department for Business Enterprise and Regulatory Reform” (*Sub National Review*, paragraph 6.137). Communities and Local Government will continue to play a significant role in this work, particularly in its cross-Government work on the development of an Integrated Regional Strategy to underpin regional development and growth and on implementation of other recommendations in the *Review of Sub-National Economic Development and Regeneration*.

3. PSA3 FIRE DEATHS REDUCTION TARGET

Progress against sub-target 1 of PSA3 has been assessed as slippage. How is the Department seeking to address this? What assessment has the Department made of the reasons for some local fire and rescue authorities having fatality rates that are significantly higher than the national average?

The floor target is that no fire and rescue authority should have more than 1.25 times the national average for accidental fire deaths. For the 12 months from September 2005 to September 2006, four Fire and Rescue Authorities were over the 1.25 floor target threshold. These were Merseyside, Greater Manchester, South Yorkshire, and Lancashire.

¹ CLG-HMT-DTI, *Regional Economic Performance: Progress to Date*, December 2006.

The Department has commissioned work to explore in detail the reasons why some Fire and Rescue Authorities have fatality rates well above the national average. The results of this work demonstrate a strong correlation between those who live in deprived areas and the risk from fire.²

Consistent with these findings, the Department provided funding to support those authorities with the highest levels of deprivation. When the PSA3 target was first established on 1 April 2005 there were 11 Fire and Rescue Authorities suffering fire fatality rates at more than (or just below) 1.25 times the national average. The Community Fire Safety Innovation Fund—established following the 2002 Spending Review as a non ring-fenced grant targeting those Fire and Rescue Authorities with fire death rates worse than the floor target—has helped to reduce the number of Fire and Rescue Authorities above the floor target from eleven to four. Subsequent programmes, including the Home Fire Risk Check and Fire Prevention Grant, have allocated some £36.4 million funds to Fire and Rescue Authorities nationally, with a particular focus on targeting areas of deprivation and high risk groups.

Figures for the third quarter of 2006 (to September) for the four Fire and Rescue Authorities above the floor target threshold show fatality levels were below the quarterly average for each Fire and Rescue Authority in the period since the floor target was first established in 1999.

4. PSA4 LOCAL GOVERNMENT

PSA4 uses the Audit Commission's Comprehensive Performance Assessment scoring of individual local outcomes. Paragraph 5.21 refers to the new assessment framework introduced in 2006, and notes that the Audit Commission is to publish CPA re-categorisations of some district councils in summer 2007. The Committee would like the Department's updated PSA4 assessment once any CPA re-categorisations are made.

In July 2006, the Audit Commission confirmed the process by which councils could be re-categorised through a corporate assessment. The Commission announced it will only undertake Comprehensive Performance Assessment re-categorisation activity in the following circumstances:

- where a council requests re-categorisation and is able to demonstrate significant evidence of improvement; or
- where the Commission identifies evidence of significant deterioration.

Under the Audit Commission's new district council framework the methodology for assessment is a risk based approach rather than a rolling programme of inspection; therefore, it is not possible to meaningfully set an overall PSA category target for district councils. We will continue to monitor performance of district councils against this measure and against the target.

Since the 2007 Annual Report was published the Audit Commission has carried out Comprehensive Performance Assessment re-assessments for 15 district councils. 14 of these district councils improved their score as a result and the other score remained the same. Three of the districts who were re-assessed by the Audit Commission had previously been rated "poor". Two of these councils have moved up to "good", whilst Bromsgrove remains "poor". The Department is currently working with the council in order to ensure rapid and effective improvement. 50% of districts are currently rated as good or excellent.

5. PSA5 HOUSING MARKET RENEWAL

On PSA5, what evidence does the Department have for the statement in paragraph 6.18 that long term vacancy rates in pathfinders are expected to fall "as they move into the next phase of their interventions"? What active steps is the Department taking to ensure that it meets its target to reduce the long-term vacancy rate in the North West to the target level?

Vacancy rates in the market renewal areas to an extent reflect the programme of acquisitions of property undertaken in the first years of the pathfinders initiative. Between 2003 and 2007, Government funding has supported over 7,000 acquisitions across the market renewal areas, many of which must remain vacant while the pathfinder develops its next phase of work, such as redevelopment of a wider area. Plans for development in an area may also contribute to some temporary movement away from an area as people choose to live elsewhere while redevelopment is in progress.

As the programme continues to develop, therefore, the Department expects the market renewal areas to take forward a range of activity on refurbishment, demolition and new build, which will all reduce the number of vacant properties in an area and help to create more sustainable communities.

The Government's approach to this is common across all regions, including the North West. We have asked the market renewal areas to prepare business plans for the period 2008–11, which will set out new targets for refurbishment, demolition and new build. These plans will help us track progress towards the renewal of the intervention areas. We will be considering them and taking decisions on funding allocations early in the New Year.

² Greenstreet Berman Report on Fires in the Home, Communities and Local Government (2004).

6. PSA6 PLANNING

On PSA6, paragraph 6.41 of the Annual report refers to Local Development Frameworks, and states that around 38% of DPD submissions are likely to be more than six months late, and some documents already submitted have been found to be unsound. What are the reasons for these problems? Has the sub-target for Local Development Frameworks already been missed, or can the Department improve performance to meet future milestones?

The target in the Spending Review 2004 was that local authorities would complete their Local Development Frameworks according to the timetables that they set out in their individual Local Development Schemes. As the Annual Report acknowledges, there has been significant slippage against these original timetables and, as a result, the PSA6 sub-target will not be met.

The chief reason for this slippage is that the level of culture change needed throughout the planning system to produce proactive development strategies instead of regulatory plans has been much greater than was originally thought. In addition many councils have not treated Local Development Frameworks as one of the key policy making documents for the authority, and have not prioritised or resourced it adequately.

The Department has a number of proposals in hand to improve performance:

- Amendments to the Local Development Framework regulations and guidance to make the process simpler and more proportionate to the tasks in hand.
- Using Housing and Planning Delivery Grant to incentivise performance.
- Capacity building in local authorities through the Planning Advisory Service.
- Working with the Local Government Association and others to emphasise the importance of Local Development Frameworks as a corporate priority for authorities.

The Local Development Frameworks timetables are reviewed by local authorities from time to time, to reflect changed circumstances. Because of concern about slippage in December 2006 the Government announced that after March 2007 no further changes would be agreed without good reason. Current timetables agreed by local authorities show that by March 2008 one third of core strategies (the principal Local Development Framework Documents) should be submitted to government and over two thirds by March 2009.

7. PSA7 DECENT HOMES

On PSA7, the Department has not reported progress on some indicators which are listed in the Technical Note. Specifically, the Department does not appear to have reported on the proportion of the reduction in the number of non-decent dwellings that has taken place in deprived areas from 2003–04 to 2004–05, and success in sustaining this progress to 2006 (two indicators). A further two indicators relating to the private sector have also not been specifically reported on (the target to achieve a year on year increase in the proportion of vulnerable private sector households in decent homes, and the target to achieve 75% of these homes being in decent condition by 2012). Why has the Department not reported progress against all indicators, as requested in Treasury guidance?

Can the Department provide an assessment of progress against the above indicators?

We have never reported on the proportionate reduction of non decent homes in deprived areas year on year as the technical note for PSA7 does not require it. We are required to deliver:

- by 2004 more than 50% of progress occurring in the 112 areas since 2001 (reported in the 2005 Autumn Performance report); and
- by 2006 more than 50% of progress occurring in the 112 areas since 2001 (will be reported in the 2007 APR).

Our latest figures show that 68% of the reduction took place in the 112 most deprived local authorities between 2001 and 2005.

The Department has not reported progress against the two indicators relating to vulnerable people in the private sector in previous annual reports. This is due to an oversight which will be corrected in future annual reports.

The proportion of vulnerable households in the private sector in decent homes increased from 65.5% in 2004 to 66.1% in 2005.³ This exceeds the interim target of 65% by 2005 and puts performance ahead of trajectory to achieve 70% by 2010 and 75% by 2012.

³ English Housing Condition Survey report 2005 (published 2007) The EHCS data are aggregated over a two year period. These data cover the period 2004–06 and are reported as the position at the mid point, ie 2005.

The target for non-decent social sector dwellings is a reduction of 100% by 2010. How is the Department seeking to address the slippage in this performance indicator?

Given that this target has experienced slippage, why did the Department spend less on this target in 2006–07 (£1,577 million) than in 2005–06 (£1,690 million)?

On 7 June 2006, the then Secretary of State announced that the 2010 target would be relaxed in a limited number of cases for those local authorities engaged in or wishing to pursue major transformations of their estates, where extending the programme beyond 2010 could deliver value for money or better outcomes for local communities. By 2010 it is expected that over 95% of social sector homes will meet the decent homes standard, compared with less than 50% attaining this standard in 2001.

The reduced level of spend in 2006–07 is due to the ALMO programme spending less money than planned. This was caused by two factors, firstly a number of large ALMOs completed their investment programme, having delivered decent homes, and secondly fewer ALMOs began spending in this year than we had programmed for. We are dependent on ALMOs meeting at least 2* performance standards before they can access funding and in 2006–07 nine local authorities chose to delay their inspections which assess performance, and four local authorities did not pass their inspections. Much of the slippage will be recouped as these ALMOs come on stream but delayed starts will mean some spend continuing beyond 2010 which is taken into account in the estimate of achieving 95% decency by 2010.

8. PSA8 LIVEABILITY

The Technical Note for PSA8 specifies that in order for this target to be met, at least one of the last two indicators must be met. One of these indicators (household satisfaction with quality of local area) has been assessed as “Slippage”. The other (public satisfaction with parks and open spaces) has not yet been fully assessed. Data to make a full assessment is due to become available in “summer 2007” [Annual Report, paragraph 7.21].

The Department has assessed overall progress of PSA8 to be “On course”. Has the Department now made an assessment of progress against the “Parks and Open Spaces” target using the Best Value User Satisfaction survey?

The assessment of “on course” in the 2007 Annual Report was based on the fact that while we had yet to receive data on public satisfaction with parks and open spaces (BV199e) from the 2006–07 Best Value Satisfaction Survey, our expectation at that point was that the indicator would be achieved.

The 2006–07 Best Value User Satisfaction Survey data subsequently published in July 2007 reported that satisfaction with local parks and open spaces has continued to improve from 2003–04 survey and baseline year (2003–04) up nationally from 71% to 73% and in deprived areas from 69% to 70%.

However, although we have seen satisfaction continue to rise, it is below our target of achieving an aggregate level of satisfaction of 75%, nationally and in deprived areas over the lifetime of the PSA. The data also reports a widening of 1% in the “gap” in satisfaction between national and deprived areas.

However analysis of the data demonstrates that we are seeing improvement in areas previously identified as performing poorly. For example:

- of the 234 authorities in 2003–04 reported below 75% resident satisfaction, 54 are now above the threshold and 146 have shown overall improvement; and
- of the 69 authorities in deprived areas in 2003–04 reported below the 75% threshold, 11 are now above and 39 have shown overall improvement.

We are currently developing a new national indicator set for assessing local performance, including taking greater account of citizens’ views and perceptions. Details will be announced as part of the forthcoming Comprehensive Spending Review 2007 announcement.

What effect has this had on the overall assessment of progress on PSA8?

In view of the 2006–07 on public satisfaction with parks and public spaces and latest available data on household satisfaction where we have seen improvements but remain below trajectory, will be revising our overall assessment of progress on PSA8 in the Department’s forthcoming Autumn Performance Report.

A final assessment of progress will be made at the end of December 2008 against the criteria set out in the published technical note.

Given that indicators (a)–(d) have been assessed as either “Ahead” or “On course”, why does the Department consider that results of the EHCS surveyor assessment (indicator (e)), and the SEH survey data (indicator (g)), which give an overall indication of the quality of the environment, are showing signs of slippage?

Performance indicators (e) and (g) provide an assessment of physical and perceived quality, respectively, across a wide range of factors to produce aggregated measures of poor quality environments around housing (16 factors) and how people perceive the quality of where they live (6 factors). As these factors go wider than the specific services and service outcomes measured in indicators (a) to (d) we would not expect there to be a definite correlation between the different indicators.

Provisional full-year data for 2006–07 from the Survey of English Housing (published after the 2007 Annual Report) reports over the last 12 months household satisfaction with quality of local area has increased from 64.6% to 65.6% nationally and 60.1% to 61.4% in NRF areas. So while we remain below trajectory, the increase in satisfaction is encouraging and reverses the previous downward trend.

Although the 2005 English Housing Condition Survey reports the number of households living in poor-quality environments is not in line with expectations for indicator (e), statistically there has been no significant change from our 2003 baseline position. A further assessment against this indicator will be made in the Department’s forthcoming Autumn Performance Report.

What measures is the Department taking to improve performance specifically against indicators (e) and (g)?

We continue to support local areas to create and sustain high quality public spaces as a key part of our strategy for delivery of PSA8. We do this through the following:

- The “how to” innovation and good practice programme which uses a range of approaches to encourage practitioners to take-up and use powers and tools to improve physical quality of local areas including:
 - revised and updated guides tailored to support local service providers and practitioners to take more effective and innovative action to deliver community aspiration for high quality town centres, residential areas and parks;
 - a series of nine action learning events across the country—with a further three planned—focussing on successful approaches for engaging children and young people in the design, use, management and maintenance of public space; and
 - support to 44 Local Strategic Partnerships (recipients of the Cleaner Safer Greener or Neighbourhood Elements of Safer and Stronger Communities Fund) to help raise the profile of PSA8 and to agree cross-partnership action to improve liveability locally.
- Taking forward commitments in the Local Government White Paper to empower communities to help shape the quality of where they live by:
 - extending take-up of neighbourhood management, which evidence shows can improve the responsiveness of local services, particularly where services are weak or failing, delivering improved outcomes for communities particularly on liveability issues; and
 - simplifying the statutory ‘Right to Manage’ process to make it easier for local authority tenants to work with their local authority to take on management of housing services. As part of the tenant empowerment package also considering possibility of voluntary extension of tenant management to Registered Social Landlord tenants and how Tenant Management Organisations could extend role into wider neighbourhood services.

Through our partnership with Groundwork and support via the Special Grants Programme we are continuing to work with a range of Third Sector partners to enable communities to engage in transforming the physical quality of their neighbourhoods, creating a greater sense of local ownership and pride.

9. PSA9 GENDER EQUALITY

On PSA9, the Technical Note specifies that in order to meet this target, the Department must meet all of the first four sub-targets. Of these, two (childcare arrangements and equal pay reviews) are not yet assessed, and the other two have been judged against a variety of indicators with no clear overall assessment made. Of the 19 indicators in total, five are not yet assessed and five have been assessed as “Slippage”. On what basis has the Department arrived at its overall assessment for PSA9 of “On course”?

At the end of July, the Prime Minister announced plans to transfer responsibility for equality issues to a new Government Equalities Office, to be located in the Department for Work and Pensions and reporting to Barbara Follett MP, Parliamentary Under-Secretary of State at the Department for Work and Pensions and the Right Honourable Harriet Harman QC MP, Minister for Women.

Following the publication of the Annual Report, in response to a National Audit Office report, which highlighted concerns about some data sources underpinning the PSA, officials have undertaken further analysis and concluded that, without modification, they should revise their assessment to say that the PSA is not now on course to be met. This is specifically because of problems with the existing data source for the

domestic violence sub-target (following changes in the law) and with data collection to assess the Equal Pay Review sub-target. In addition, there are difficulties with the data used to assess the pensions, Information Technology, Electronics and Communications and take-up of childcare by low income families sub-targets which we are considering.

Can the Department provide data quantifying the state of progress that has been made on these indicators?

Quality of individual data sources from a number of departments across Government has been identified as poor, and this is one of the areas for discussion with HM Treasury. The current state of play on individual indicators is:

- data on employer provision of childcare is expected from the Department for Business, Enterprise and Regulatory Reform in November. The first data on the take-up of formal childcare by low income families is also expected to be published in November. Officials are working to resolve how data can be provided for the remaining sub-targets which have not yet been assessed: these are numbers of women in Information Technology, Electronics and Communications, and coverage of second tier pensions;
- performance against target is currently slipping on five indicators: employee awareness of flexible working arrangements, women's representation in Science, Engineering and Technology related boards and councils, public appointments, appointments to the Senior Civil Service and appointments to top management posts;
- six sub-targets are currently assessed as ahead or on course: employer provision of flexible working (latest figure), numbers of registered childcare places, number of women starting up in business and three sub-targets to improve gender balance on three different National Vocational Qualifications. The public transport sub-target is on course, although the regional element is challenging. The sub-target on the introduction of a Childcare Approval Scheme has been achieved; and
- the analysis of data sources undertaken by officials has revealed particular issues with collection of data on domestic violence incidents and numbers of large employers who have carried out Equal Pay Reviews, which they are working to resolve.

What measures is the Department taking to improve performance on those indicators where performance is currently slipping?

A number of Government departments contribute to action on these sub-targets. Action includes:

- On Senior Civil Service posts, as part of the Government's 10-Point Plan for achieving Diversity in the Civil Service, action has been taken both at corporate and individual Department level on target-setting, recruitment and selection, developing the talent pool and identifying and sharing good practice.
- The former Department for Trade and Industry took and the new Department for Innovation, Universities and Skills takes a proactive approach to increasing women's representation on science, engineering and technology boards and councils—including funding the UK Resource Centre for Women in Science Engineering and Technology, which has a comprehensive strategy in place.
- On flexible working, the Department for Business, Enterprise and Regulatory Reform extended the right to request flexible working to carers of adults in April 2007 (this is in addition to the parents of children under six and disabled children under 18 who already had the right to request). The Government has set up a £500,000 fund to support initiatives to increase the number of quality jobs which are available on a part-time or job share basis.

Paragraph 8.18 states that the Department is "on track to report to HM Treasury by the end of July 2007 on agreement of outstanding baselines, trajectories and targets" for PSA9. Have all these now been agreed with the Treasury? Can the Department provide this information?

In discussion with HM Treasury earlier this year, it was agreed that departmental resources would be best applied to developing the new PSA targets and underpinning analytical frameworks as part of the Comprehensive Spending Review, rather than producing a separate report in this instance on outstanding baselines, trajectories and targets under PSA9. Normal reporting to HM Treasury on PSA9 performance has continued.

10. PSA10 COHESION

Can the Department supply data to support the statement in paragraph 8.22 that performance in some areas of the first indicator (discrimination by organisation) has improved for selected organisations?

The attached table (Annex A) shows the position on PSA 10 at the end of 2006–07. It shows: (i) that Black and Minority Ethnic perceptions of each of the eight organisations monitored by Home Office Citizenship Survey (now called the Citizenship Survey) improved between 2001 and 2005; and (ii) that our proxy data suggested that Black and Minority Ethnic perceptions of each organisation continued to improve between March 2005 and December 2006.

For reasons to do with the way the participants were selected, and the research conducted, the proxy data gave higher initial figures in March 2005. But they matched Citizenship Survey in showing a clear pattern of improvement during the period to December 2006. Our most recent data from the Citizenship Survey, covering the first quarter of the current financial year, was published on 4 October 2007 and demonstrates progress. This is attached at Annex A2 (Chart 8) and A3 (Table 9).

On PSA10, how will the Department improve performance in this area, and what changes it has made (or does it intend to make) to its workplan in order to address the reported slippage?

Delivering PSA10 depends on changing the way that the 8 organisations we monitor are perceived; changing the way that people from BME backgrounds feel they are treated in the job market; and changing the way that people feel about the cohesiveness of their communities. The Department therefore works closely with other Departments, the regional Government Offices, the Regional Development Agencies, the Commission for Racial Equality, employer organisations, and particular local authorities and their partners to make progress in this area. These workstrands and our progress with them to date were set out in detail in our 7 August publication *Improving Opportunity, Strengthening Society—Two years on*.

Our work since that publication has built on the workstrands set out there, but also taken account of developments since. On cohesion, we are currently focussed on:

- preventing hate crime;
- engaging faith communities in building cohesion, improving their engagement with Government and with each other; and
- responding to the Commission on Integration and Cohesion and beginning to implement its recommendations.

The Commission recommended a new typology of areas, grouping areas with similar challenges together to provide less of a “one size fits all” approach to support from central Government. It also set out ideas for a national framework for improved local delivery. The Government will respond to the Commission in autumn 2007.

On race equality, our recent work has focussed on the following areas:

- education and life chances—we are working on implementing the recommendations of the REACH report, on raising the aspirations of Black boys and young Black men;
- employment—we continue our work in support of the Ethnic Minority Employment Task Force and have recently contributed to the National Employment Panel Business Commission’s report on Ethnic Minorities in the Workplace; and
- criminal justice—we are working with Ministry of Justice colleagues and others on the response to the Home Affairs Select Committee report into young Black people and the Criminal Justice System, and supporting recent work on gun crime and tackling gangs.

11. REVISED PSAs

The Committee would like to see a draft set of the revised PSA targets for the Department as soon as possible.

Revised PSAs have yet to be published. As soon as they are announced we will provide the Committee with those for which the Department is responsible and those in which it has an interest.

EFFICIENCY PROGRAMME

12. What was the basis for the forecast of RSL efficiency savings set out in the Efficiency Technical Note, which have been significantly exceeded?

The forecasts for Registered Social Landlords efficiency savings set out in our Efficiency Technical Note were developed at the beginning of the Spending Review 2004 efficiency programme, based on our knowledge of the sector and support that was being put in place to drive the efficiency agenda.

For example, for capital works we saw the development of procurement consortia as the vehicle by which efficiencies would be delivered and that these would take time to set up following the appointment of the National Change Agent. As a result our assumption was that £2million could be delivered through this route in the first year. In the event Registered Social Landlords were able to deliver initial efficiencies without the development of consortia and this is reflected in the higher figures they have achieved.

Similarly in other areas, Registered Social Landlords have achieved efficiency savings significantly above early expectations and we have an increasingly detailed knowledge of what can be achieved. Whilst the target was set in Spending Review 2004, we continue to revise forecast efficiencies internally and to deliver continuing improvement.

13. In light of efficiency savings achieved so far by RSLs, why are their forecasts for future saving not being reviewed in the same manner as RDAs (Annual Report table 2, p.104)?

All the workstreams within our efficiency programme are required to review forecasts on a regular basis. Forecasts for efficiency savings in the Registered Social Landlord sector have been reviewed at various stages throughout the programme. The most recent forecasts for Registered Social Landlords that took account of savings achieved to date were stated in the Annual Report. The Regional Development Agencies were in the process of reviewing forecasts but we were not in a position to provide revised Regional Development Agency figures at the time of writing our Annual Report.

14. £6.8 million of administration savings have been achieved to date, against a target of £25 million. What level of administration efficiency savings does the Department expect to achieve by March 2008?

Although we have claimed only £6.8m in administration savings to date, our approach has been to ensure we claim only those savings which we are confident are robust. Estimated savings to date are up to a further £7 million, although these additional savings have not yet been validated and are subject to review.

The Department's Internal Auditors are auditing the administration workstream as part of their regular reviews of our efficiency programme, during which they will quality assure the robustness of the methodologies for claiming savings. The validation exercise will look to provide further assurance on savings already claimed, as well as forecast figures up to March 2008.

We are, however, also reviewing our plans to try to ensure that we achieve our target even if some of the anticipated savings are deemed insufficiently robust at this late stage.

15. Can the Department provide an analysis showing what element of the reported efficiency savings have been classified by each of the OGC categories as "provisional", "interim" and "final"?

The OGC require departments to classify efficiency gains into three categories: Preliminary, Interim, and Finalised. These classifications combine a number of factors including: measurement methodology; assurance about quality of service; and data maturity. So for example, where there is an indication that reported data is likely to change it is classified as *preliminary*, where it may change (eg minor changes as a result of year-end adjustments), it is classified as *interim*. Efficiency gains are classified as *finalised* when there is no expectation that the data will change.

We reported delivery of £756 million efficiency gains at December 2006, of which £145.6 million (19%) had been classified as finalised, £598.7 million (79%) as interim, and £11.7 million (2%) as preliminary.

16. Can the Department supply further details on how it monitors the effect of claimed efficiency savings on service delivery, so as to ensure that unintended falls in the quality of service delivery are avoided?

All workstreams within the Department's Efficiency Programme include performance quality measures to monitor the quality of service delivery. These demonstrate that efficiency savings have not affected service quality.

For example, in the homelessness workstream, service delivery is monitored at the individual housing authority level and through regular progress visits to authorities. The data includes details on the level of homelessness applications, the number of "accepted" cases for accommodation, the number of individuals in temporary accommodation and the settled outcomes secured for those households. This data is monitored to ensure that the efficiencies delivered by local authorities are not at the expense of the level of service provision.

Other workstreams have quality measures that have been factored into the measurement methodology. For example, in the Social Housing New Supply workstream, the measurement methodology established ensures that efficiency gains are not at the expense of the provision of units of the size, type and location needed.

17. *Departments provide reports to the OGC with a quarterly breakdown of planned and actual efficiency savings. The Committee would like to see a copy of the most recent such quarterly report submitted to the OGC.*

The most recent return to OGC (Quarter 1 2007/08) is attached at Annex B.

18. *The Firelink project was examined by the National Audit Office in its second review of progress on the Efficiency Programme [HC 156-I 2006–07, published 8 February 2007]. What is the Department's response to the NAO's findings, namely that:*

- I. *"the Department . . . may be considerably overstating the efficiency gains" [HC 156-I, para 2.18],*
- II. *"the reported efficiencies will be sustainable only until 2010" [HC 156-I, para 2.31],*
- III. *the overall assessment of the gains is reported as "Red", defined as "There may be efficiencies taking place, but the measures used either do not yet demonstrate efficiencies, or the reported gains may be substantially incorrect"?*

The Department's response to these findings was set out in the Permanent Secretary's letter of 5 February 2007 to the National Audit Office, a copy of which it attached at Annex C.

How do the Department's systems for demonstrating and measuring efficiencies on this project compare to those in place on other projects across the Department?

The level of efficiencies we expected to deliver through the Firelink: Operational Continuity Project were relatively small in comparison to other areas within our efficiency programme and as a consequence the measurement systems were not as detailed. Those areas within our programmes delivering significant efficiency gains have more robust methodologies which have been supported by various reviews. These include an analysis of Registered Social Landlord Annual Efficiency statements by the Housing Corporation and the Fire and Rescue service performance assessment use of resources audit by the Audit Commission, as well as periodic reviews by our internal audit services. The findings of these reviews have been positive and give us no reason to believe we are overstating efficiencies in other areas.

19. *Note 8 of the Department's Resource Accounts (Other Administrative Costs) shows that total administrative expenditure has risen by 15% since last year, from £130 million to £150 million. Why has expenditure on administration risen so significantly, when the efficiency programme might have been expected to have resulted in less expenditure on administration? What does the "Other" administrative expenditure listed in note 8 consist of, which has risen from £4.5 million last year to £20 million in 2006–07?*

The majority of the increase in total administrative expenditure is accounted for by the following items of expenditure contained within the "other" administrative expenditure listed in note:

- the costs of running a staff early severance/early retirement scheme (£13.3 million) in the Government Offices (GOs) as part of the implementation of the GO Review which aims to reduce overall GO headcount by 33% between October 2004 and December 2008; and
- an increase of £8.4 million (of which £6 million was for the GOs) in the non- cash provision for early retirements, which reflects the future year costs of staff early retirements in 2006–07.

"Other" expenditure is mainly the costs of staff early exits, of which £13.3 million relates to the Government Offices, and £2.2 million to the Central Department, but it also includes a range of sundry items, of which Publicity (£1.6 million) and Publications £0.6m) are the most significant.

CORE AND OTHER FINANCIAL INFORMATION

20. *On 4 April 2007 the European Commission suspended payments to ERDF programmes (for which the Department is responsible) in five of the nine regions of England plus one programme in a sixth.⁴ Payments will not be resumed until the Commission is satisfied that EU regulations governing how the funding had been spent in the past had been complied with. Paragraphs 4.12 and 10.7 of the Departmental Annual Report refer briefly to ERDF funding, but there is no mention of this issue. In the Department's Resource Accounts, there is a contingent liability of £62 million for potential fines from the European Commission, but no provision is made for this. Paragraph 1.19.5 of the notes to the Resource Accounts states that "there remains a debtor in the Department for receipt of these funds . . .", however the Resource Accounts do not reveal the value of this debtor.*

What is the latest position with regards to the suspension of some ERDF payments to the UK by the European Commission?

What if any financial correction does the Department consider is likely to be imposed by the Commission?

Following recent detailed submissions to the European Commission indicating the measures taken to address EC concerns, follow up audits have now been completed by the EC on all the regions affected by the suspensions. Each region is being assessed individually by the Commission.

So far the North East, North West Objective 1, Yorkshire and The Humber Objective 2 and Peterborough have received the all clear and the suspension has been lifted.

⁴ Speech by Siim Kallas, vice president of the EC, to the European Parliament 24 April 2007: <http://europa.eu/rapid/pressReleasesAction.do?reference=SPEECH/07/247&format=HTML&aged=0&language=EN&guiLanguage=en>

The Commission is continuing to evaluate the work done in the other regions with the exception of the North West 2 objective and Burnley Urban. For these two programmes the Commission has indicated in a letter of 27 September that it is minded to impose a financial correction. This is subject to the scale of remedial action taken by the North West Government Office under direction from the Department prior to a hearing in early December when any financial correction is expected to be determined. We are taking significant action to provide the Commission with further evidence to minimise the extent of any correction.

The Commission has not completed its deliberations in respect of ERDF programmes in London, West Midlands or Yorkshire and Humber Objective 1. We expect the Commission's findings on these programmes by the end of October, although it is thought to be unlikely that financial corrections will be proposed.

What is the current value of the debtor in the Resource Accounts for suspended ERDF payments?

The contingent liability of £62 million referred to in the Resource Accounts took account of the reference in the Commission's 2005 Annual Report of a possible £62 million correction—equivalent to 10% of all declared expenditure across the English regions in 2005. Negotiations are continuing with the Commission. Any cost, once determined, will be reflected in the Resource Accounts 2007–08.

21. *What preparations has the Department made for the merger of English Partnerships and the Housing Corporation? Has the Department considered how the performance of the new body—Communities England—will be assessed, including possible performance and financial targets? What will be the responsibility of the new body for PSA target 7?*

On 19 June 2007, the Department published a consultation paper, *Delivering Housing and Regeneration: Communities England and the future of social Housing Regulation*, on proposed arrangements to establish the new agency (which will be called the Homes and Communities Agency). The consultation closed on 10 September.

Taking account of consultation responses, the Government intends to bring forward provisions in the forthcoming Housing and Regeneration Bill, announced by the Prime Minister in his statement on 11 July and published in *The Governance of Britain: the Government's Draft Legislative Programme*, to announce the new agency.

In addition, a transition team under Baroness Ford will advise the Department on preliminary preparatory arrangements for establishing the new agency, subject to parliamentary approval of the Government's proposals.

The proposed responsibilities of the new agency, including in respect of performance targets, will be set out when the Bill is published.

CAPABILITY REVIEWS

22. *The Committee would like to have further details of the work the Department has taken and intends to take to address the shortcomings identified in the Capability Review. What progress has been made on the actions required after the Capability Review that are already due to be completed?*

The Capability Review said "Communities and Local Government's reshaped role and responsibilities and the sense of ambition and momentum imparted by the Permanent Secretary and Board are positioning it well to meet an increasingly challenging and complex agenda".

The Department has committed to a number of actions under four areas in response to the Review; to:

1. lead and enthuse partners in creating successful communities and services;
2. base policy making and delivery consistently on evidence;
3. sharpen our delivery focus and ensure we have strong performance management systems and skills; and
4. manage our people effectively, and ensure we have the critical skills we need.

At our six month stocktake in July, we provided assurance to the Prime Minister's Delivery Unit (PMDU) and the Cabinet Secretary that we have made good progress on our Capability Review actions. We have delivered all the actions and milestones required by September 2007; specific examples of achievements and evidence of impact are given at Annex D.

Has the Department made any assessment of the results of the measures undertaken so far to improve performance in the “urgent development areas” identified in the Capability Review?

The “urgent development areas” were to:

- Build capability.
- Base choices on evidence.
- Develop clear roles, responsibilities and business model(s).
- Manage performance.

We have taken a range of steps to address these areas. For example, we have:

- recruited new professionals including a DG to strengthen HR management;
- carried out a skills audit to build capability;
- launched expert panels, appointed more senior analysts and set up a major training programme to improve our use of evidence;
- published a vision statement for the Department to explain our business to staff and stakeholders; and
- improved our management and reporting on risk and critical project delivery to help manage delivery better.

We presented the Prime Minister’s Delivery Unit with a range of metrics to show the impact of these and other actions, including quantitative data (eg numbers of analyst posts in the department, staff survey results) and qualitative feedback (eg from stakeholders and staff).

23. STAFF SURVEY

We attach a letter from the Permanent Secretary to the Committee setting out the latest Staff Survey results at Annex E.

24. PAYMENT PERFORMANCE

Paragraph 2.44 of the Department’s Resource Accounts states that in 2006–07 the Department missed its Service Delivery Agreement to pay 98% of invoices within 30 days of receipt. In 2006–07, 95.37% of invoices were paid within this timeframe, compared to 98.09% in the previous year. What is the reason for this fall in performance?

During 2006–07, the Department implemented changes to the way the financial support role is delivered. This was well designed, planned and piloted. However, non-compliance to the procurement processes resulted in a down-turn in prompt payment performance. In 2007–08 transactional processing from purchase ordering to invoice payment will be centralised. Compliance will be delivered by a combination of improved processes and procedures with the aim of achieving the 98% target by beginning of 2008–09.

Annex A**PERCEPTIONS OF DISCRIMINATION BY KEY ORGANISATIONS—MARCH 2007**

<i>PSA 10.1.1 (percentage decrease of (BME) people who believe they are likely to suffer racial discrimination by identified range of organisations)</i>	<i>Baseline</i>	<i>Latest Estimate</i>	<i>On Track</i>	<i>Target</i>	<i>Proxy ICM BME n = 500 telephone survey</i>	<i>Likelihood of Delivery</i>	
Organisational perception	HOCS 2001	HOCS 2005		CS 2007	Mar 05	Dec 06	
Aggregate—one or more	38%	37%	*Inconsistent evidence	35%	62%	51%	Amber/Red
Courts	14%	12%		12.4%	29%	21%	
CPS	14%	11%		11.8%	30%	23%	
Police	27%	24%		2.5%	44%	36%	
Prison Service	21%	17%		18.4%	44%	31%	
Probation Service	11%	10%		9.2%	24%	18%	
Council Housing/HA	13%	13%		11.2%	24%	17%	
Local Doctors Surgeries	3.9%	3%		2.9%	6%	5%	
Local Schools	7.1%	6%		5.8%	15%	10%	

Annex A3**Table 1****PARTICIPATION IN COMMUNITY AND VOLUNTARY ACTIVITIES, 2001, 2003, 2005 AND APRIL TO JUNE 2007**

Percentages	England, 2001, 2003, 2005 and April to June 2007							
	<i>At least once a month</i>				<i>At least once in last year</i>			
	<i>2001</i>	<i>2003</i>	<i>2005</i>	<i>April to June 2007</i>	<i>2001</i>	<i>2003</i>	<i>2005</i>	<i>April to June 2007</i>
Civic participation	3	3	2	3	38	38	38	40
Informal volunteering	34	37	37	35	67	63	68	63
Formal volunteering	27	28	29	27	39	42	44	45
All volunteering	47	50	50	48	74	72	76	73
All respondents	9,430	8,922	9,195	2,018	9,430	8,922	9,195	2,018

Table 2

PARTICIPATION IN VOLUNTARY ACTIVITIES AT LEAST ONCE A MONTH BY GROUPS AT RISK OF SOCIAL EXCLUSION, 2001, 2003, 2005
AND APRIL TO JUNE 2007

Percentages England, 2001, 2003, 2005 and April to June 2007

	Informal Volunteering				Formal Volunteering				Any Volunteering			
	2001	2003	2005	April to June 2007	2001	2003	2005	April to June 2007	2001	2003	2005	April to June 2007
LTLI/Disability <i>Respondents</i>	33	35	35	33	23	23	23	23	44	45	44	43
	2,353	2,206	2,026	460	2,353	2,206	2,026	460	2,353	2,206	2,026	430
No qualifications <i>Respondents</i>	26	30	29	29	16	16	16	16	34	38	38	35
	2,816	1,690	1,583	338	2,816	1,690	1,583	338	2,816	1,690	1,583	338
Minority ethnic groups ¹ <i>Respondents</i>	31	34	34	32	25	23	24	23	42	44	44	41
	6,029	5,235	5,096	1,411	6,209	5,235	5,096	1,411	6,029	5,235	5,096	1,411
Groups at risk of social exclusion ¹	31	34	34	34	21	22	22	22	41	44	43	43
	9,811	8,335	8,055	2,053	9,811	8,335	8,055	2,053	9,811	8,335	8,055	2,053
All adults <i>Respondents</i>	34	37	37	35	27	28	29	27	47	50	50	48
	9,426	8,922	9,195	2,018	9,426	8,922	9,195	2,018	9,426	8,922	9,195	2,018

¹ Figures for minority ethnic groups and groups at risk of social exclusion based on the combined sample, other figures based on the core sample.

Table 3

**PARTICIPATION IN COMMUNITY AND VOLUNTARY ACTIVITIES AT LEAST ONCE A
MONTH IN THE 12 MONTHS PRIOR TO INTERVIEW BY AGE, SEX AND ETHNICITY,
APRIL–JUNE 2007**

*Percentages**England, April–June
2007*

		<i>Civic participation</i>	<i>Informal volunteering</i>	<i>Formal volunteering</i>	<i>Any volunteering</i>	<i>All activities</i>	<i>Respondents</i>
Ethnicity ¹	White	3	36	29	49	50	1,853
	All Asian	4	27	21	36	37	727
	Indian		30	27	42		
		2				42	370
	Pakistani	5	23	14	28	29	203
	Bangladeshi	5	24	12	29	30	83
	All Black	2	40	30	52	54	421
	Caribbean	2	36	28	47	48	173
	African	3	42	31	55	56	230
	Mixed Race	—	40	23	49	51	121
	Chinese/Other	—	31	14	38	38	142
	Minority ethnic groups	3	32	23	41		
						42	1,411
	White	3	36	29	49	50	1,853
Sex	Male	2	30	24	42	44	910
	Female	3	40	41	53	54	1,108
Age	16 to 24	3	40	25	51	52	175
	25 to 34	3	37	23	46	48	326
	35 to 49	2	38	27	50	51	546
	50 to 64	3	30	31	46	47	466
	65 to 74	4	36	32	50	51	245
	75 and over	3	28	26	42	43	258
All		3	35	27	48	49	2,018

— = Number of respondents too small to report on

¹ Ethnicity figures based on the combined sample, other figures based on the core sample

Table 4

WHETHER PEOPLE FEEL ABLE TO INFLUENCE DECISIONS AFFECTING THEIR LOCAL AREA AND GREAT BRITAIN, 2001, 2003, 2005
& APRIL-JUNE 2007

Percentages	England 2001, 2003, 2005 & April-June 2007					
	2001		2003		2005	
<i>People agreeing¹ they can influence decisions affecting</i>	<i>%</i>	<i>Respondents</i>	<i>%</i>	<i>Respondents</i>	<i>%</i>	<i>Respondents</i>
Local area	44	9,040	38	8,754	39	8,751
Great Britain	25	9,088	20	8,793	22	8,836

¹ “Definitely agree” or “tend to agree”
Table excludes respondents answering “Don’t know”

Table 5**WHETHER PEOPLE FEEL ABLE TO INFLUENCE DECISIONS AFFECTING THEIR LOCAL AREA AND GREAT BRITAIN BY AGE, SEX AND ETHNICITY APRIL–JUNE 2007**

Percentages

England, April–June 2007

		<i>People agreeing they can influence decisions affecting local area</i>		<i>People agreeing they can influence decisions affecting Great Britain</i>	
		%	Respondents	%	Respondents
Ethnicity ¹	White	37	1,772	19	1,785
	All Asian	45	630	32	617
	Indian	47	331	32	321
	Pakistani	42	169	33	170
	Bangladeshi	47	69	36	68
	All Black	47	381	32	373
	Caribbean	51	161	33	157
	AFrican	45	205	31	201
	Mixed Race	44	110	29	113
	Chinese/Other	39	117	27	121
	Minority ethnic groups	45	1,238	31	1,224
	White	37	1,772	19	1,785
Sex	Male	36	873	21	881
	Female	38	1,047	19	1,047
Age	16 to 24	32	162	22	162
	25 to 34	40	312	22	315
	35 to 49	38	524	19	528
	50 to 64	39	452	20	451
	65 to 74	35	237	16	235
	75 and over	32	232	21	235
All		37	1,920	20	1,928

Table excludes respondents answering to “Don’t know”

¹ Ethnicity figures based on the combined sample, other figures based on the core sample

Table 6

**COMMUNITY COHESION BY AGE, SEX AND ETHNICITY, 2001, 2003, 2005
& APRIL–JUNE 2007**

Percentages

England, April–June 2007

		<i>Percentage agreeing that their local area is a place where people from different backgrounds get on well together</i>			
		2003	2005	April–June 2007	April–June 2007 respondents
Ethnicity ¹	White	80	79	81	1,741
	All Asian	83	83	86	687
	Indian	81	83	87	357
	Pakistani	84	80	82	187
	Bangladeshi	87	86	88	77
	All Black	80	83	81	383
	Caribbean	84	84	86	160
	AFrican	78	81	80	206
	Mixed Race	79	76	76	111
	Chinese/Other	85	85	86	124
	Minority ethnic groups	82	82	84	1,305
Sex	White	80	79	81	1,741
	Male	81	79	82	877
	Female	80	80	81	1,014
Age	16 to 24	73	76	82	173
	25 to 34	76	76	70	308
	35 to 49	80	78	82	534
	50 to 64	84	80	84	430
	65 to 74	84	85	83	238
	75 and over	89	91	90	206
	All	80	80	81	1,891
Respondents (core sample)		1,891			
8,265 8,491					

Table excludes respondents answering “Don’t know”

¹ Ethnicity figures based on the combined sample, other figures based on the core sample**Table 7**

**WHETHER PEOPLE FEEL THAT THEY BELONG STRONGLY TO THEIR
NEIGHBOURHOOD AND GREAT BRITAIN, 2003, 2005 & APRIL–JUNE 2007**

Percentages

England 2001, 2003, 2005 & April–June 2007

	People feeling they belong strongly to the neighbourhood			People feeling they belong strongly to Great Britain		
	2003	2005	April–June 2007	2003	2005	April–June 2007
Very strongly	28	32	36	49	51	45
Fairly strongly	43	43	41	36	35	40
All responding strongly	71	75	77	85	86	85
Respondents	9,189	9,628	2,145	9,486	9,622	2,142

Table excludes respondents answering “Don’t know”

Table 8

**WHETHER PEOPLE FEEL THAT THEY BELONG STRONGLY TO THEIR
NEIGHBOURHOOD AND GREAT BRITAIN BY AGE, SEX AND ETHNICITY,
APRIL-JUNE 2007**

Percentages

England & Wales,
April-June 2007

		People feeling they belong strongly to the neighbourhood		People feeling they belong strongly to Great Britain	
		%	Respondents	%	Respondents
Ethnicity ¹	White	77	1,980	84	1,978
	All Asian	83	730	88	726
	Indian	83	373	89	369
	Pakistani	85	201	87	201
	Bangladeshi	83	85	91	84
	All Black	73	411	84	414
	Caribbean	74	171	85	172
	AFrican	73	223	84	225
	Mixed Race	70	120	85	1,396
	Chinese/Other	62	140	72	136
	Minority ethnic groups	77	1,401	85	1,396
	White	77	1,980	84	1,978
Sex	Male	76	960	84	959
	Female	79	1,185	87	1,183
Age	16 to 24	72	180	85	182
	25 to 34	69	341	79	340
	35 to 49	75	584	85	581
	50 to 64	79	493	86	494
	65 to 74	90	266	88	265
	75 and over	87	279	92	278
All		77	2,145	85	2,142

Table excludes respondents answering "Don't know"

¹ Ethnicity figures based on the combined sample, other figures based on the core sample

Table 9

PERCENTAGE WHO EXPECT ORGANISATIONS TO TREAT THEM WORSE THAN OTHER RACES BY ETHNICITY, 2001, 2003, 2005 & APRIL-JUNE 2007

Percentages	England & Wales, 2001, 2003, 2005 and April to June 2007									
	2001		2003		2005		April-June 2007			
	Minority ethnic groups	White	Minority ethnic groups	White	Minority ethnic groups	White	Minority ethnic groups	White	All ¹	All ¹
Police	27	6	23	5	24	5	23	6	8	8
Prison Service	21	4	17	2	17	2	15	2	4	3
Courts	14	5	13	6	12	6	12	5	6	6
Crown Prosecution Service	14	5	12	5	11	5	12	4	6	5
Probation Service	11	4	10	3	10	3	10	2	3	3
Council housing department or housing association	13		12		13		12			
Local GP	4	15	4	21	3	21	5	24	20	23
Local school	7	2	4	2	3	1	6	2	1	2
Any of the five CJS organisations	38	4	36	2	37	2	35	3	3	4
Respondents	5,445	20	5,288	27	5,150	26	1,420	29	28	29
		8,580		8,744		8,925		1,993	9,670	2,159

¹ The "All" columns are based on the core sample, not the combined sample

Table 10**REASONS FOR BEING REFUSED A JOB BY ETHNICITY, 2001, 2003, 2005 & APRIL-JUNE 2007***England & Wales, 2003, 2005 & April-June 2007*

<i>Percentages</i>	2003			2005			April-June 2007		
Percentages	Minority ethnic groups	White	All ¹	Minority ethnic groups	White	All ¹	Minority ethnic groups	White	All ¹
Gender	5	4	4	5	3	3	6	2	3
Age	18	30	28	16	24	23	18	19	20
Race	24	1	4	22	2	6	24	3	9
Religion	5	—	1	6	1	2	4	—	—
Colour	20	1	3	17	1	4	19	—	7
Where you live	6	5	5	7	5	6	8	—	2
Respondents who had been refused a job in last five years	815	854	958	817	716	844	215	130	152

— = Number of respondents too small to report on

¹ The “All” column is based on the core sample not the combined sample.”

Table 11

REASONS FOR BEING DISCRIMINATED AGAINST WITH REGARD TO PROMOTION OR PROGRESSION BY ETHNICITY

England & Wales, 2003, 2005 & April-June 2007

<i>Percentages</i>	2003			2005 ²			April-June 2007		
Percentages ²	Minority ethnic groups	White	All ¹	Minority ethnic groups	White	All ¹	Minority ethnic groups	White	All ¹
Gender	8	14	13	14	25	22	14	30	25
Age	15	22	22	18	29	27	14	25	20
Race	46	3	6	50	5	12	57	6	17
Religion	10	—	1	10	2	2	9	—	—
Colour	36	2	4	41	2	7	47	—	15
Where you live	2	3	3	3	4	3	—	—	2
Respondents who had been discriminated against regarding a promotion in last five years	450	500	557	488	416	497	124	80	95

— = Number of respondents too small to report on

¹ The “All” column is based on the core sample, not the combined sample² 2005 figures are not strictly comparable to 2003 or 2007 as the question was not asked to exactly the same group of respondents

Table 12**PERCEPTIONS OF RACIAL PREJUDICE BY AGE, SEX AND ETHNICITY,
2001, 2003, 2005 & APRIL-JUNE 2007**

Percentages

England & Wales, 2001, 2003, 2005 & April-June 2007

<i>Percentage saying there is more racial prejudice today than five years ago</i>						
		<i>2001</i>	<i>2003</i>	<i>2005</i>	<i>April-June 2007</i>	<i>April-June 2007 respondents</i>
Ethnicity²						
White		44	49	50	58	1,993
All Asian		33	32	35	38	734
Indian		31	31	34	34	374
Pakistani		38	39	43	49	204
Bangladeshi		35	30	27	28	84
All Black		25	20	22	25	421
Caribbean		28	24	27	26	173
African		21	14	18	22	230
Mixed Race		32	30	33	37	121
Chinese/Other		28	22	32	21	142
Minority ethnic groups		31	27	31	32	1,418
White		44	49	50	58	1,993
Sex						
Male		41	46	46	54	966
Female		45	48	50	58	1,193
Age¹						
16 to 24		N/A	38	39	41	185
25 to 34		N/A	41	47	57	342
35 to 49		N/A	45	49	58	587
50 to 64		N/A	53	52	60	496
65 to 74		N/A	59	53	65	266
75 and over		N/A	52	46	53	281
All		43	47	48	56	2,159
Respondents (core sample)		10,015	9,482	9,671	2,159	

¹ Age data using these age categories is not available for 2001.² Ethnicity figures based on the combined sample, other figures based on the core sample.

Annex B

QUARTERLY REPORTING SCHEDULE

RECORD OF FORECASTS AND ACTUALS

Department: DCLG

Target: 622.0 £m

Quarter Reported: Q1 2007–08

Initiative Title	Cashable Savings	2004–05				2005–06				Forecast 2006–07				Update 2007–08			
		Q3 Dec-04	Q4 Mar-05	Q1 Jun-05	Q2 Sep-05	Q3 Dec-05	Q4 Mar-06	Q1 Jun-06	Q2 Sep-06	Q3 Dec-06	Q4 Mar-07	Q1 Jun-07	Q2 Sep-07	Q3 Dec-07	Q4 Mar-08		
DCLG0101: New Supply RSL	276.0	0.0	0.0	0.0	0.0	0.0	392.0	392.0	392.0	276.0	276.0	276.0	276.0	276.0	276.0		
DCLG0102: Capital works RSL	0.0	0.0	0.0	0.0	0.0	0.0	163.4	163.4	163.4	79.4	84.3	84.3	86.0	86.0	86.0		
DCLG0103: Management and maintenance RSL	0.0	0.0	0.0	0.0	0.0	0.0	194.6	194.6	194.6	131.2	137.6	137.6	138.0	138.0	138.0		
DCLG0104: Commodities RSL	0.0	0.0	0.0	0.0	0.0	0.0	38.5	38.5	38.5	26.4	29.1	29.1	30.0	30.0	30.0		
DCLG0108: Fire Service Modernisation—Productive time	116.5	0.0	0.0	0.0	0.0	0.0	79.7	79.7	79.7	80.2	80.2	102.8	116.5	116.5	116.5		
DCLG0108A: Fire Service Modernisation—Procurement	12.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8	4.8	7.5	12.8	12.8	12.8		
DCLG0108B: Fire Service Modernisation—Corporate services	12.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.6	4.6	9.9	12.0	12.0	12.0		
DCLG0109: RDA efficiency	96.6	0.0	0.0	0.0	0.0	0.0	38.3	48.4	72.5	74.1	78.6	89.3	166.5	194.8	239.4		
DCLG0110: Firelink	0.0	0.0	0.0	0.0	0.0	0.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0		
DCLG0111: Other admin efficiencies—PFR	0.0	0.0	0.0	0.0	0.0	0.0	3.8	3.8	3.8	3.8	8.0	8.0	8.0	8.0	12.0		
DCLG0111A: Other admin efficiencies—Procurement	6.2	0.0	0.0	0.0	0.0	0.0	2.9	2.9	2.9	2.9	5.9	5.9	5.9	5.9	9.0		
DCLG0111B: Other admin efficiencies—Corporate services	2.4	0.0	0.0	0.0	0.0	0.0	1.3	1.3	1.3	2.2	2.6	2.6	2.6	2.6	4.0		
DCLG0121: Homelessness efficiency gains	33.0	0.0	0.0	0.0	0.0	0.0	21.0	21.0	21.0	35.1	46.2	46.2	46.2	46.2	55.7		
	555.5	0.0	0.0	0.0	0.0	0.0	943.5	953.6	977.7	728.7	765.9	807.1	900.5	928.8	991.4		
	555.5	0.0	0.0	0.0	0.0	0.0	943.5	953.6	977.7	728.7	765.9	807.1	900.5	928.8	991.4		

Annex B

QUARTERLY REPORTING SCHEDULE (continued)

Initiative Title	Actual											
	2004-05				2005-06				2006-07			
	Q3 Dec-04	Q4 Mar-05	Q1 Jun-05	Q2 Sep-05	Q3 Dec-05	Q4 Mar-06	Q1 Jun-06	Q2 Sep-06	Q3 Dec-06	Q4 Mar-07	Q1 Jun-07	Q2 Sep-07
DCLG0101: New Supply RSL	0.0	202.0	202.0	202.0	202.0	276.0	276.0	276.0	276.0	276.0	276.0	2007-08 Q2 Sep-07
DCLG0102: Capital works RSL	0.0	64.4	64.4	64.4	64.4	81.0	81.0	81.0	81.0	81.0	81.0	Q3 Dec-07
DCLG0103: Management and maintenance RSL	0.0	74.6	74.6	74.6	74.6	130.0	130.0	130.0	130.0	130.0	130.0	Q4 Mar-08
DCLG0104: Commodities RSL	0.0	11.5	11.5	11.5	11.5	27.0	27.0	27.0	27.0	27.0	27.0	
DCLG0108: Fire Service	0.0	38.0	38.0	38.0	38.0	84.2	84.2	84.2	84.2	116.5	116.5	
Modernisation—Productive time												
DCLG0108A: Fire Service	0.0	0.0	0.0	0.0	0.0	8.4	8.4	8.4	8.4	12.8	12.8	
Modernisation—Procurement												
DCLG0108B: Fire Service	0.0	0.0	0.0	0.0	0.0	7.0	7.0	7.0	7.0	12.0	12.0	
Modernisation—Corporate services												
DCLG0109: RDA efficiency	0.0	0.0	11.9	27.9	38.6	63.7	77.0	97.3	128.9	187.6	187.6	
DCLG0110: Firelink	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
DCLG0111: Other admin efficiencies—PFR	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
DCLG0111A: Other admin efficiencies—Procurement	0.0	0.0	0.0	0.0	0.0	2.7	2.7	4.4	4.4	5.2	6.2	
DCLG0111B: Other admin efficiencies—Corporate services	0.0	0.0	0.0	0.0	0.0	2.4	2.4	2.4	2.4	2.4	2.4	
DCLG0121: Homelessness efficiency gains	0.0	15.7	15.7	15.7	15.7	35.1	35.1	39.1	39.1	44.5	44.5	
	0.0	406.2	418.1	434.1	444.8	717.5	730.8	756.8	788.5	895.1	896.1	
	0.0	406.2	418.1	434.1	444.8	717.5	730.8	756.8	788.5	895.1	896.1	

Letter from the Permanent Secretary to Sir John Bourn, NAO Efficiency Centre

NATIONAL AUDIT OFFICE DRAFT REPORT—THE EFFICIENCY PROGRAMME: A SECOND REVIEW OF PROGRESS

Thank you for giving me the opportunity to comment on your draft report on the Efficiency Programme. I am content to confirm that the facts in the report are correctly stated and have nothing further to add on their presentation.

I appreciate you setting out the reasons for your assessment of efficiencies delivered through the Firelink: Operational Continuity Project and why you believe this warrants a “Red” rating. I am also grateful to Keith Davis and his team for their willingness to discuss the draft report with colleagues in my department.

We understand that according to your definition the efficiency gains are not “sustainable” but it remains the case that the programme has been taken forward in accordance with the guideline and definitions issued by the Office of Government Commerce. I do hope that this can be made as clear as possible in your report.

February 2007

Examples of Achievements in the Four Action Areas

Action Area 1. Lead and enthuse partners in creating successful communities and services

Achievements

—Published the implementation plan for the Local Government White Paper: Strong and Prosperous Communities.

—Established a high level sounding board of local authority chief executives and sector bodies.

—Agreed an approach to focus the number and length of guidance documents from central government.

—Established a Third Sector sounding board, to promote partnership working with Third Sector colleagues and to inform our strategy.

Evidence of Impact

—Partnership working with other government departments and local government in passing the Local Government and Public Involvement in Health Bill through House of Commons.

—Feedback from LG sounding board: ‘I think it was commendable of the Department to share the latest phase of its thinking with a difficult audience like us in such an open way’.

—We are working closely with other government departments to agree 200 cross-Government performance indicators for local government and their partners.

—Work with the Office of the Third Sector and HMT made the case for the Budget 2007 announcement of an £80m fund to support small community groups.

Action Area 2. Base policy making and delivery consistently on evidence.

Achievements

—Launched expert panels to provide external challenge to our policies.

—Audited analytical capacity of Programme Executives.

—Appointed senior analysts to all eight policy-facing Programme Executives.

—Held Economics seminars for all staff.

—Reviewed our modelling capability.

—Set up programme of training in analytical techniques for all members of the SCS piloted by 50 Fast Streamers.

Evidence of Impact

—Our policies are based on increasingly robust evidence bases eg Evidence packs produced for major policies, such as housing reform.

—We know how we will track the use of analysis in the department. Baselined material for key performance indicators on analysis.

—Economists providing additional economic expertise eg Economics of neighbourhoods.

—Substantial work to review and strengthen evidence base on cohesion.

Action Area 3. Sharpen our delivery focus and ensure we have strong performance management systems and skills.

Achievements

—Established Delivery Sub-Committee of the Board to oversee critical projects.

Reconstituted the Audit and Risk Committee and the Investment Board.

—Established Board level risk register and management processes.

Identified critical projects for scrutiny.

—Sharpened the Board's role and focus.

Evidence of Impact

Non-Executive Directors report a step-change in the quality of the presentation and handling of Board business.

—Feedback from staff taking business to the Board is positive about the value added.

—The Board has provided robust challenge to our key delivery projects eg FiReControl which was a high risk project and, following Board intervention, has now awarded contract and is moving to its delivery phase.

—The Board is currently focussing on lessons learned from HIPs.

Action Area 4. Manage our people effectively, and ensure we have the critical skills we need.

Achievements

—Strengthened HR with professionals at SCS level.

—Published new Equality and Diversity Strategy

—Defined new leadership behaviours with SCS—coaching, managing performance consistently and engaging with ministers.

—Established new forum to represent AA and AO staff.

—Engaged independent consultant to understand the challenge issue and propose an action plan to the Board.

—Initiated quarterly staff surveys to enable us to monitor staff perceptions throughout the year and take appropriate action.

Evidence of Impact

—We have made inroads into our difficult HR cases. Following our focus on casework, they have been reduced from 93 in February to 30 in June.

—Performance management reports submitted on time this year rose from 70% (2006) to over 89% following publicity and intervention.

—622 staff have attended the coaching skills workshop—we are re-launching this event in mid-October.

Supplementary Memorandum

FIRE AND RESCUE

The new target for the fire and rescue services from CSR07, its components and the methods for collecting the data.

The new CLG Departmental Strategic Objective 6—Fire and Resilience is:

“Ensuring safer communities by providing the framework for the Fire and Rescue Service and other agencies to prevent and respond to emergencies.”

The new DSO was announced in the Comprehensive Spending Review alongside the National Indicator Set for Local Government. The new fire indicators are part of the National Indicator Set for Local Government, and are:

1. The outcomes of National Indicators on (i) numbers of primary fires, fatalities and injuries (excluding precautionary checks) and (ii) numbers of deliberate primary and secondary fires, which will be measured through incident reports submitted to the Department.

2. Improvement in the national picture of Fire and Rescue Service performance reflected in Audit Commission assessment outcomes. This will be demonstrated by improved aggregate scores in published Use of Resources and Direction of Travel assessments for Fire and Rescue Authorities in England.

3. Delivery of a co-ordinated Fire and Resilience programme achieving planned milestones and deliverables for the New Dimension, FiReControl and Firelink projects, which will be monitored by the Department and assured through periodic Office of Government Commerce Gateway reviews.

4. Delivery of relevant strands of Home Office led counter terrorism PSA. Improving the national capability to deal effectively with the potential consequences of major risks, as set out in resilience planning assumptions and measured through readiness assessments. This will be measured through a bi-annual National Capability Survey, regular exercising arrangements at the local, regional and national level and assured through OGC reviews.

Data to back-up the Mr Wormald's view that diverting resources from response to prevention measures has lead to fewer fatalities. In particular, he referred to evidence that 80 per cent of fire deaths occur at the time the fire service is called.

From an analysis of response times, there is evidence to support the view that, sadly, 80 per cent of fire deaths in the home occur before the fire service is mobilised. This figure is supported by senior professional opinion from Sir Ken Knight, Chief Fire and Rescue Advisor.

As part of the Home Fire Risk Check initiative, 1.1 million Home Fire Risk Checks have been undertaken and 1.3 million smoke alarms installed. This has not only made good use of 'downtime' amongst FRS operational crews—for example the amount of time spent on Community fire safety has increased by 42% in the last two years—but also made a real impact on the ground.

Findings from a recently completed evaluation of the Home Fire Risk Checks indicate that around 19 deaths and 1033 injuries have been averted, which is very close to the benefit the Department initially estimated for the initiative. The estimated benefits of the initiative to date (2004-2006) far outweigh the revenue and capital costs, even allowing for uncertainties in the analysis. This study will be published in the next few months.

There is a good level of support for prevention work within the fire and rescue service, for example, Merseyside FRS has said:

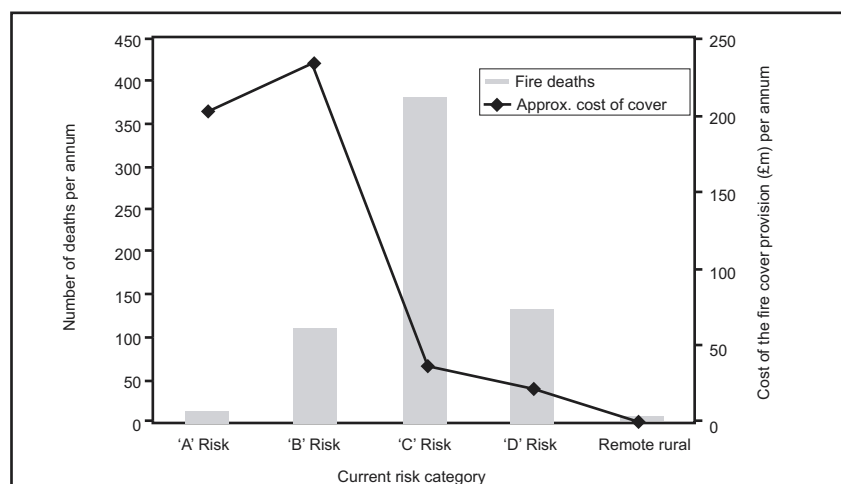
The effect of moving significant resources into fire prevention and beginning free home fire safety checks and fitting smoke alarms has been dramatic.

Trend analysis of our incident data shows that it is very likely 22 people would have died from fire in the region in 2006/7 rather than the 9 that actually did.

The effect of reconfiguring local stations on response times and the overall effect of the reforms to allow local decision making on response times and fatalities.

The Bain Review identified that resources were not always allocated on the basis of need. For example, as Figure 3 shows (published in the Fire White Paper), many more resources were devoted to protecting buildings in city centres (where deaths were low) compared to what that devoted to residential areas (where deaths are much higher).

Figure 3: Current allocation of resources to risk



A risk= normally in the largest cities and towns, and including main shopping, business, entertainment or industrial centres

B risk= normally in the larger cities and towns

C risk= normally in the suburbs of the larger towns and in the built-up areas of smaller towns

D risk= all risks other than remote rural

Source: ODPM

The review concluded that response standards and the way resources are organised should vary in accordance with those different levels of risk.

The move to locally determined risk and response through Integrated Risk Management Planning, has allowed fire and rescue services to target their resources more appropriately. Ultimately the responsibility for providing appropriate cover rests with the Fire and Rescue Authority, through the integrated risk management process. Research is underway to evaluate the impact of this devolution, including aspects such as lives saved. This is due to report in summer 2008.

Information with accompanying statistics on the effect of traffic congestion on response times.

For England response times to primary fires have increased by 16% and traffic has increased by 15% since 1995.

It is frequently reported by local fire and rescue services that traffic has an impact on the time taken to respond to an incident.

For example, in its response to the Greater London Authority's consultation on the Western Extension of the Central London Congestion Zone on 21 July 2005, John Anthony, Assistant Commissioner of the London Fire and Emergency Planning Authority said:

Efforts to ease traffic congestion and improve traffic speeds will assist in ensuring that the Brigade can attend more quickly.

Conversely, the response also states:

Should an increase in traffic volume and density by displaced traffic occur along 'uncharged roads' there is a potential for a worsening of attendance times.

This view is backed by professional advice from Sir Ken Knight. Whilst we have not to date collected this data centrally, we intend to undertake a research project in the next period that will confirm this.

Reduction in bureaucracy from deregulation in fire and rescue and any resulting effects on resources and efficiency.

Under previous legislation (The 1947 Fire Services Act, as amended) fire authorities had to apply to the Secretary of State to make any changes to fire cover. This meant that no fire station could be opened or closed without Government approval. Fire brigades were also required to adhere to statutory national standards governing how quickly fire engines should arrive at the scene of a fire and how many engines should attend, depending on the location of the fire.

The 2004 Fire and Rescue Services Act removed the requirement to seek Secretary of State permission to change fire station locations, and abolished the national standards, thus allowing FRAs to deploy their resources according to the profile of risk in their areas under a process known as Integrated Risk Management Planning.

IRMP has successfully enabled improvement and reform in the way the fire and rescue service works and has, we believe, helped deliver the achievements of significantly reduced fire deaths and deliberate fires. Fire and Rescue Authorities have used the freedoms to evaluate risk to communities—risk to life, the economy and environment—and to use their resources more flexibly to deliver better outcomes for communities. This includes directing resources at community fire safety.

The total reported efficiencies achieved so far (to end 2006/07) in recurring efficiencies is £135.6 million of which £91.9 million has been reported in IRMP categories. A further £39.2 million of recurring efficiencies are predicted for 2007/08 of which £21.9 million is in IRMP categories.

Up-to-date timetable and budgets, including predicted spend for 2007-08 and 2008-09, for the Firelink and FiReControl projects

Firelink radio systems will be fitted to all 3000 operational Fire and Rescue Service vehicles in England by June 2009. Over 50% of this programme will be completed during 2008/09.

During 2008/09 temporary Firelink connection will also be completed into the 46 existing control rooms in England, prior to migration to the 9 new Regional Control Centres (RCCs).

The 9 new RCCs in England will become fully operational in phases, over the period (October 2009 to September 2011). In 2008/09 4 RCC buildings will be completed, in addition to 4 built in 2007/08.

Communities and Local Government's total expenditure on the Fire and Resilience Programme (which encompasses Firelink, FiReControl and New Dimension) for 2007/08 and 2008/09 is currently forecast as follows:

<i>Fire & Resilience Programme</i>	<i>2007/08</i>	<i>2008/9</i>
Total forecast expenditure (capital and resource)	£170m	£220m

These figures are rounded. If the Committee would find it helpful to see the commercially sensitive disaggregated forecasts for Firelink and FiReControl, including a breakdown of the forecasts by capital and resource expenditure, then we are content to provide a further response under confidential cover, subject to the Committee's agreement that the information will not be published.

DECENT HOMES

Details on the amount of money, the receiving programmes and the date when the funds were slipped from the decent homes programme and used to fund other programmes.

We are still collating the information you have requested and will write to you separately as soon as it is available.

HOME INFORMATION PACKS (HIPs)

The number of assessors and the balance between the workload being generated, broken down by region.

Given the timescales involved we are unable to access detailed data in relation to workload.

However, the table below shows the latest published figures for numbers of assessors broken down by region against the estimated requirement to produce HIPs as part of 3 bedroom and full roll out.

This shows that there are sufficient energy assessors to meet our estimated requirement for full roll out.

<i>Region</i>	<i>Accredited/ Certificated 16 October</i>	<i>Estimated requirement for full roll-out</i>
North East	229	80
North West	627	325
Yorkshire and the Humber	421	177
East Midlands	362	303
West Midlands	494	218
East of England	531	460
London	407	409
South East	858	629
South West	628	309
Wales	277	91
Unknown (A)	316	
TOTALS	5,150	3,000

(A) Unknown postcodes

Latest data on the housing and mortgage market used for assessing the implementation of HIPs.

The Department uses a wide range of information and data to assess current market conditions, including how HIPs are being implemented. Statistics being monitored include Communities and Local Government's House Price Index and data published by Halifax and Nationwide building society in support of their house price indices. We also pay close attention to data on mortgage lending. Indices of asking prices produced by organisations such as Rightmove, home.co.uk and Prime Location are useful indicators of the market, as are statistics on the average time that properties are on the market before selling. As time passes from the introduction of HIPs, we will also examine property sales transactions recorded by the Land Registry. These lag property listings, so we would expect there to be no impact of HIPs on the data at this time.

We augment the statistics used for monitoring with information on the operation of the market. This includes information gathered by our own team making visits to Estate Agents around the country and discussions with the industry and stakeholders.

The impact of the introduction of HIPs on the number of homes being listed broken down by the type of property (bedroom size) and by regions.

At the moment, there are a range of important factors which are affecting the housing market and new listings, including interest rates and wider consumer attitudes. RICS reported in September that new instructions to sell property declined for the fourth consecutive month, indicating that the number of new listings has been declining throughout the summer, prior to the introduction of HIPs. Data published by Rightmove indicates that new listings of properties for sale fell in August right across the market. This is

likely to be due to a range of seasonal and market factors. August is always quiet and this August has been particularly so for all properties. In September, the problems in the financial sector created further uncertainty.

We know that some estate agents were persuading sellers to place their four bedroom properties on the market in advance of HIPs which would result in artificially high numbers of four beds in advance of HIPs, swiftly followed by an artificial low. This will have distorted the figures in the short term. We expect to see a similar pattern for three bedroom properties.

Rightmove has published data on the number of properties listed on their website by bedroom size. This seems to confirm expectations. Against a background of a falling number of new listings, it indicates that, immediately prior to the introduction of HIPs for four or more bedroom properties on 1 August, there was a modest increase in the number of listings for those properties, followed by a fall in the number of listings during August, and then a recovery, almost to the level at which they were at prior to the introduction of HIPs on 1 August. A similar pattern seems to be emerging for 3 bedroom properties with Rightmove's data showing an increase in listings of those properties ahead of the 10 September introduction of HIPs, with a fall immediately after. We expect the market to absorb these short term fluctuations in new listings.

Latest evidence on the types of packs being produced, particularly the effect of condition reports being included.

At this early stage it is too early to draw definitive conclusions on the impact of Home Condition Reports in the HIPs that have been produced to date. The Area Trials, which are due to report at the end of the year will give us a better understanding of the effect of the Home Condition Report in the pack. We will of course continue to monitor the roll out of HIPs as they progress.

FLOODING

More information surrounding and providing detail on the terms of reference of Sir Michael Pitt's review of this summer's floods.

On 12th July 2007, the Secretary of State for Environment, Food and Rural Affairs, Hilary Benn, announced the establishment of an independent review to identify the lessons to be gained about how to manage and respond to this type of disaster in the future. The Review is being carried out by the Cabinet Office, with support from the Department for Environment Food and Rural Affairs and the Department for Communities and Local Government. Sir Michael Pitt has been appointed as the independent Chair who will oversee the Review. The Review will report to Hilary Benn, Hazel Blears and Ed Miliband. The team are aiming to produce an interim report of the initial findings by the end of the year; a full report will follow in 2008.

The Review will examine the emergency response to the floods in June and July at local, regional and national levels, and the social implications for communities. It will consider how best to co-ordinate and deliver the immediate response to future incidents and to manage the transition to longer-term recovery. The review will also look at what can be done by both the public and private sectors to reduce the risk and impact of flooding and improve our preparedness, particularly in terms of critical infrastructure. The terms of reference for the Review are set out in full at Annex A.

As part of the review process, the Review team will seek the views of affected communities and local businesses as well as other key stakeholders such as the emergency services, professional associations, local authorities, voluntary organisations, industry associations, public and regulatory bodies, and will provide the opportunity to contribute and shape the direction of the review's recommendations.

The Department has already started to look at the Lessons Learned Review and how we can contribute to Sir Michael Pitt's Report. Hazel Blears had an introductory meeting with Sir Michael Pitt on 23 October. The meeting provided an opportunity to discuss the emerging findings of the Review and the Department's flood response and recovery work.

From a fire and rescue service perspective on the emergency response to the floods, the Chief Fire and Rescue Adviser has prepared an initial findings report which identified areas of the FRS response requiring further consideration. The report concluded that whilst urgent action is not required at this stage, efforts should be focussed on carefully deliberating a number of issues. These will be considered during the second phase of this review and include, for example, clothing and equipment, and clarity on roles and responsibilities on water rescue and co-ordination of national assets.

Furthermore, the Department will contribute to Sir Michael's report on the following areas: the role of the regional resilience tier, the transition from response to recovery, and the policy impact for Departmental work such as building regulations and planning. Officials have been working with the Cabinet Office team supporting Sir Michael Pitt to identify these.

STAFF ISSUES

We are still collating the information you have requested and will write to you separately as soon as possible.

Annex A

Flooding Lessons Learned Review

TERMS OF REFERENCE

SCOPE

The Review should be wide-ranging and consider all available evidence on the flooding that occurred in England during June and July 2007, its impacts and what this means for the future. It should hear from those involved at the local, regional and national level, including the public, their elected representatives, public organisations, businesses, the farming community and professional associations. The Review should focus specifically on issues around:

- a. Flood risk management, including the risk posed by surface water flooding and the way in which the public and private sectors might adapt to future risks.
- b. The vulnerability of critical infrastructure, including:
 - i. The ability of critical infrastructure to withstand flooding, and what improvements might be made.
 - ii. The resilience of dams and associated structures, and what improvements might be made.
- c. The emergency response to the flooding, including social and welfare issues.
- d. Issues for wider emergency planning arising from the actual or potential loss of essential infrastructure.
- e. Issues arising during the transition period from the response to recovery phases.

The Review should build on previous reviews of the response to serious flooding events, other relevant reports and policy developments including making best use of resources and maximising value for money.

The Review should not cover longer-term recovery issues which will be the subject of a separate, later, review.

OBJECTIVES

Specific objectives for the Review are:

- i. To understand why the flooding was so extensive.
- ii. To learn lessons on how in future we can best predict, prevent or mitigate the scale and impact of flooding incidents in a potentially changing environment.
- iii. To look at how best to co-ordinate the response to flooding in future, including the significant social implications for communities.
- iv. To establish what access to support, equipment, facilities and information is needed by those involved in the response at local, regional and national levels.
- v. To ensure the public has as much access as possible to information on the risk of flooding to allow them to take appropriate precautions, be adequately informed on developments as an emergency unfolds, and be looked after properly in the immediate aftermath.
- vi. To establish how the transition from response to recovery is best managed.
- vii. To identify those aspects of the response that worked well and should be promoted and reinforced.
- viii. To make recommendations in each of these areas to improve the UK's preparedness for flooding events in the future.
- ix. To make recommendations, drawing on the experience of the flooding incidents, to improve the UK's broader ability to manage the loss of essential services in any future emergencies.

COMPOSITION

The Review will be overseen by an independent chairperson, Sir Michael Pitt.

The Review team will be led by the Cabinet Office with support from the Department for Environment, Food and Rural Affairs and the Department for Communities and Local Government, drawing on experts from other bodies as necessary.

GOVERNANCE

The independent chairperson, Sir Michael Pitt, will report to the Secretary of State for Environment, Food and Rural Affairs; the Secretary of State for Communities and Local Government; and the Chancellor of the Duchy of Lancaster.

**Communities and Local Government Select Committee evidence: further information on
Home Information Packs**

Following my appearance to give evidence to the Committee on Monday 29 October, I committed to provide further information regarding the stakeholders on HIPs and on the results of the area trials, specifically relating to the HCR. You have also asked a number of follow up questions, which I will deal with first.

ROLL OUT

You asked a number of questions regarding the Government's intention to roll out HIPs to all properties. Today I announced the roll out of Home Information Packs to all existing properties from 14th December 2007.

Home Information Packs with Energy Performance Certificates were introduced for 4+ bedroom properties on 1 August and from 10 September for sales of 3 bedroom properties, covering over 60% of the market. The Government has taken a careful and considered approach before each stage of the rollout, based on the three criteria we set in June and informed by the evidence available from our monitoring. Despite the recent difficulties in the financial market, our early evidence points to a smooth introduction of HIPs for 3 bedroom properties. Some concerns have been expressed over the cost and time of obtaining leasehold documents. However, more work is needed before we can verify the extent of any problem around costs. That is why I have announced my intention to lay amending regulations retaining the lease as a required document while all other leasehold documents will become authorised for inclusion in the pack, for a temporary period until 1 June 2008.

The rollout of HIPs to all remaining properties will ensure that every consumer is able to benefit from the HIP and EPC. For the first time, every buyer can expect to receive a HIP for the property they wish to buy, no matter what the size. This is particularly good news for first time buyers who currently face high upfront costs in the home buying and selling process. The introduction of HIPs will reduce their entry costs, helping them to get a foothold on the property ladder.

ADDITIONAL QUESTIONS

You also asked about the EPCs for social housing. So far, approximately 100,000 EPCs have been carried out as part of these pilots, covering over 100 projects. We are currently evaluating the results of the pilot to inform rollout to that sector in October 2008.

In relation to the setting of a 'drop dead date', we have always said that this will be set in the light of market conditions as HIPs bed in. Once HIPs have been introduced for all properties we will consider the setting of this date.

FURTHER INFORMATION

You have asked for further information in relation to the area trials. As I explained on 29 October, this information is taking longer than we had hoped and will be available by the end of the year.

Finally, I promised to give you more information on the membership of the Stakeholder Panel during my evidence and I now attach a list of those organisations represented on the panel at Annex A.

A. Cambell

pp. Yvette Cooper

Annex A: Representative organisations on the stakeholder panel

Association of Home Information Pack Providers (AHIPP)

National Association of Estate Agents (NAEA)

Which?

Council of Mortgage Lenders (CML)

World Wide Fund for Nature (WWF)/ Friends of the Earth (FoE)/ Green Buildings Alliance (GBA)

Royal Institution of Chartered Surveyors (RICS)

Law Society

The Council of Property Search Organisations (CoPSO)
Land Registry
Office of Fair Trading (OFT)
Department for Business, Enterprise and Regulatory Reform (BERR)

Letter from the Permanent Secretary to the Chair, Communities and Local Government Committee

STAFF SURVEY RESULTS—FIRST QUARTER 2007

I am writing to let you have the results of the Department's first quarterly staff survey, which took place in February and March. We surveyed 900 (25%) of our staff, a sufficiently large sample to draw statistically valid conclusions about staff opinion as a whole. The response rate was 66%, in line with the current average 65% response rate for general staff surveys carried out by our pollster Ipsos MORI for other government departments.

The results show the high level of commitment of our staff. 88% know what the Department is here to do, 85% understand how their work contributes to the objectives of the Department and 84% are committed to helping the Department achieve those objectives. These results are above Ipsos MORI's current benchmarks of 77%, 61% and 73% respectively for other organisations. 82% of staff are clear who their customers and stakeholders are and regularly look for ways to serve them better, above the current central government benchmark of 70%. 56% of staff say morale is good in their team which is higher than the current benchmark of 28% for other organisations.

However, other results suggest we have much more work to do, particularly in the area of dignity and respect. 62% of staff feel people are treated with dignity and respect compared with the current central government benchmark of 72%. 49% would feel confident in reporting unfair treatment. 30% think it is safe to speak up and challenge the way things are done and 20% think the Department as a whole is well managed—below the current central government department benchmark of 34%.

The results on dignity and respect is disappointing as we have taken significant action to improve this aspect of our working culture. As we know, we made our dignity and respect course mandatory for all team leaders and senior civil servants, and had a very strong response. It is now open to staff of all grades. We are looking at what else we can do as part of our change programme to make clear what we expect from staff at all levels. In the next quarterly survey we intend to ask some specific questions about bullying, harassment and discrimination to check progress since the 2005 ODPM survey. This will give us a tighter focus on this particular aspect of the dignity and respect agenda.

So this survey highlights real improvements but also real challenges. We intend to build on the improvements while doing more to address the challenges in the coming months.

I look forward to updating you on progress in the near future.

Peter Housden

14 May 2007

Based on 590 responses:589 questionnaires returned using an online methodology, and 1 paper based,giving aresponse rate of 66%.

Survey Conducted: 21st February - 11th March 2007.

Trend data comparisons (where available) are also shown,as are the comparison to Ipsos MORI Norms, and Central Government norms.

					% Agree			
					CLG Wave 1	CLG 2005	Ipsos MORI Overall	Central Government
Your Job								
1. The following items relate to your job. Please indicate how strongly you agree or disagree with each one.								
a) I know what the Department is here to do	31	57	8	4	88		77	
b) I understand how my work contributes to the objectives of the Department	38	47	10	4	85		61	77
c) My job is interesting and is developing my strengths and talents	24	38	18	14	62			
d) I am satisfied with my working conditions	13	45	16	19	58			
e) Morale is good within my team—we pull together	18	38	17	17	56	43	28	
f) Everyone in our team has the opportunity to show what they can do	16	34	24	18	51			

					% Agree			
					CLG Wave 1	CLG 2005	Ipsos MORI Overall	Central Government
g) I intend to be working for the Department in 12 months' time	29	30	22	9	58	62		
h) Taking salary and pensions into account, I am fairly rewarded for what I do	11	38	22	19	49		30	

Performance and Development

2. The following items relate to your performance and development. Please indicate how strongly you agree or disagree with each one.								
a) I receive regular and constructive feedback on my performance	13	38	18	22	51	49	42	52
b) Inadequate staff performance is dealt with effectively where I work	3	19	37	24	22			29
c) I would like to see the Department as a whole deal more effectively with inadequate staff performance	32	36	25	4	68			
d) My line manager is committed to my development	20	41	21	12	61		45	
e) My performance has improved as a result of the skills I have developed over the past year	16	41	27	12	57	61		58

					% Agree			
					CLG Wave 1	CLG 2005	Ipsos MORI Overall	Central Government
Communication and Change								
3. The following items relate to communication and change. Please indicate how strongly you agree or disagree with each one.								
a) The Department does a good job of keeping me informed about matters affecting me	5	45	26	17	50	54		50
b) My views on things that affect me and my work are taken seriously by senior staff	5	27	29	22	33	41		
c) I understand and support the steps being taken in the Transformation Programme to improve the Department's capacity and performance	6	29	32	24	36	38		
d) I think it is safe to speak up and challenge the way things are done in the Department	5	25	29	25	30			50

Stakeholder Engagement

4. The following item relates to stakeholder engagement. Please indicate how strongly you agree or disagree with this statement:								
In our team, we know who our customers and stakeholders are, and we regularly look for ways to serve them better	37	45	12	4	82			70

					% Agree								
					strongly agree	tend to agree	neither	tend to disagree	strongly disagree	CLG Wave 1	CLG 2005	Ipsos MORI Overall	Central Government
Work Life Balance													
5. The following items relate to your work life balance. Please indicate how strongly you agree or disagree with each one.													
a) Deadlines in our team are usually reasonable, and we can negotiate when necessary	9	43	16	24	9	51							
b) I frequently work beyond my conditioned hours	27	29	20	17	6	56	25						
c) I am able to work flexible hours	34	44	12	6	4	79	74						
d) My manager ensures I take advantage of my full flexitime and holiday entitlement	19	32	31	12	7	51							

					% Agree				
					CLG Wave 1	CLG 2005	Inso MORI Overall	Central Government	
					strongly agree	tend to agree	neither	tend to disagree	strongly disagree
Management and Leadership									
6. The following items relate to management and leadership. Please indicate how strongly you agree or disagree with each one.									
a) My team is well managed	<div><div>18</div><div>45</div><div>18</div><div>13</div><div>6</div></div>				63	63			64
b) The Department as a whole is well managed	<div><div>18</div><div>35</div><div>29</div><div>16</div></div>				20	28			34
7. My line manager...									
c) ...is effective in delivering results	<div><div>28</div><div>44</div><div>19</div><div>6</div><div>4</div></div>				72				
d) ...takes my views on things that affect me seriously	<div><div>33</div><div>40</div><div>16</div><div>7</div><div>4</div></div>				73				
e) ...coaches people effectively	<div><div>16</div><div>32</div><div>30</div><div>15</div><div>8</div></div>				47				

					% Agree					
					CLG Wave 1	CLG 2005	Inso MORI Overall	Central Government		
					strongly agree	tend to agree	neither	tend to disagree	strongly disagree	
Line Managers										
8. For line managers of one or more members of staff (301 employees):										
8a) The people I manage have the skills they need to do their job well					15	63	11	10	78	55
8b) I see it as my responsibility to deal within adequate staff performance					57	38	4		94	
Values										

Values									
9. The following items relate to values. Please indicate how strongly you agree or disagree with each one.									
a) People here are treated with dignity and respect	14	49	19	13	8	62	81	55	72
b) I know how to report unfair treatment	16	46	19	17		62	66		
c) I would feel confident in reporting unfair treatment	13	36	21	22	8	49			
d) When I do something well, or go the extra mile, it is recognised – I feel appreciated for what I do	10	40	22	20	8	50			
e) Overall, the performance and reputation of the Department is improving	4	25	48	17	8	28			

						% Agree				
	strongly agree	tend to agree	neither	tend to disagree	strongly disagree	CLG Wave 1	CLG2005	Ipsos MORI Overall	Central Government	
f) I am committed to helping the Department achieve its objectives	32		52		14	84		73		
g) I am proud to work for Communities and Local Government	12	33		37	13	45	51	53	55	
h) I would recommend Communities and Local Government as a good place to work	10	31		36	15	41		35	52	

Letter from the Permanent Secretary to the Chair, Communities and Local Government Committee

STAFF SURVEY RESULTS—SECOND QUARTER 2007

I wrote to you on 14 May enclosing a copy of the results of the Department's first quarterly staff survey. I am now writing to let you have the results for the second quarter.

The survey period for the second quarter covered 7 -28 June 2007. Questionnaires were issued to 900 staff and the overall response rate was 63%, similar to the response rate for the first survey.

The results from this second quarter were generally encouraging, with the majority of responses (42 out of the 46 questions) showing improvement over Quarter 1. The largest increases were amongst those saying that their views on things that affect them and their work were taken seriously by senior staff (up by 18% to 51 %); those who felt that everyone in their team had a chance to show what they could do (up by 15% to 66%) and those feeling that morale was good within their team (up by 14% to 70%).

There was also a high degree of consensus on a number of key indicators. 90% of staff said that they were committed to helping the Department achieve its objectives, up 6% on the first quarter. 99% of line managers now see it as their responsibility to deal with inadequate staff performance amongst the people they manage, again up 5% on the results from Quarter 1.

While these results are encouraging, there is still work to be done on other issues. For example, despite a small increase, only a third of staff feel that it is safe to speak up and challenge the way things are done in the Department (as opposed to in their team).

In this survey we asked five specific questions on bullying and harassment along the lines of the ODPM 2005 survey. Ipsos MaRi who conduct the survey on our behalf say their judgement is that employees' attitudes on these questions remain broadly in line with those of two years ago.

These are difficult issues to gauge, as definitions are inevitably subjective. We know from benchmark data that staff perceptions here match 2005 central government benchmark figures, and the incidence of grievance cases in this area is very low. We continue to take these issues seriously however and have a range of work in place to improve policy and practice in this area which I am, of course, happy to discuss with you and the Select Committee.

Peter Housden

1 October 2007

Based on 570 responses: 564 questionnaires returned using an online methodology, & 6 paper based, giving a response rate of 63%.

Fieldwork period: 7th - 28th June 2007.

Trend data comparisons (where available) are shown, as are comparisons to Ipsos MORI Norms, Central Government norms, data from the CLG survey in 2005 & data from the Senior Civil Service Survey 2006 (all where possible).

						% Agree					
	strongly agree	tend to agree	neither	tend to disagree	strongly disagree	CLG Quarter 2	CLG Quarter 1	Ipsos MORI Overall	ODPM 2005	SCS 2006	Central Government
Please indicate how strongly you agree or disagree with each of the following statements:											
1. The Department as a whole is well managed	32		29	29	8	34	20		28	37	34
2. It is safe to speak up & challenge the way things are done in my team/division	19		46	15	14	65					
3. I am committed to helping the Department achieve its objectives	44		46		8	90	84	75		96	
4. My line manager is committed to my development	31		39	18	9	71	61				
5. I understand how my work contributes to the objectives of the Department	38		46		11	84	85			95	77
6. I intend to be working for the Department in 12 months' time	35		29	19	8	65	58	58	62	58	
7. Deadlines in our team are usually reasonable, and we can negotiate when necessary	11		44	17	21	54	51				

Based on 570 responses: 564 questionnaires returned using an online methodology, & 6 paper based, giving a response rate of 63%.

Fieldwork period: 7th - 28th June 2007.

Trend data comparisons (where available) are shown, as are comparisons to Ipsos MORI Norms, Central Government norms, data from the CLG survey in 2005 & data from the Senior Civil Service Survey 2006 (all where possible).

	strongly agree	tend to agree	neither	tend to disagree	strongly disagree		% Agree					
							CLG Quarter 2	CLG Quarter 1	Ipsos MORI Overall	ODPM 2005	SCS 2006	Central Government
10. My line manager is effective in delivering results	31	46	14	6	3		76	72			54	
11. I know how to report unfair treatment	23	46	16	13	2		69	62	66			
12. I receive regular & constructive feedback on my performance	17	38	20	18	6		56	51	43	49	52	52
13. My views on things that affect me & my work are taken seriously by senior staff	13	39	26	16	6		51	33	41			
14. In my view bullying & harassment are very rare in this organisation	14	33	30	15	8		46					
15. I know what the Department is here to do	27	54	13	4	1		81	88				
16. I would recommend CLG as a good place to work	11	40	31	13	6		51	41	52	68	52	

Based on 570 responses: 564 questionnaires returned using an online methodology, & 6 paper based, giving a response rate of 63%.

Fieldwork period: 7th - 28th June 2007.

Trend data comparisons (where available) are shown, as are comparisons to Ipsos MORI Norms, Central Government norms, data from the CLG survey in 2005 & data from the Senior Civil Service Survey 2006 (all where possible).

	strongly agree	tend to agree	neither	tend to disagree	strongly disagree		% Agree					
							CLG Quarter 2	CLG Quarter 1	Ipsos MORI Overall	ODPM 2005	SCS 2006	Central Government
17. I have personally been subjected to bullying or harassment in the last 12 months	5	10	9	19	57		15					
18. I understand & support the steps being taken in the Transformation Programme to improve the Department's capacity & performance	10	38	29	14	8		48	36	38			
19. I would report bullying or harassment if it happened to me or a colleague	37	39	12	9	3		76					
20. People here are treated with dignity & respect	12	50	23	11	3		63	62	56	81	68	72
21. Taking salary & pensions into account, I am fairly rewarded for what I do	8	38	23	22	9		46	49				
22. My line manager can be relied upon to provide advice & support if I encounter problems with the behaviour of others at work	29	42	20	7	2		71					
23. I would like to see the Department as a whole deal more effectively with inadequate staff performance	36	39	21	3	1		75	68				

Based on 570 responses: 564 questionnaires returned using an online methodology, & 6 paper based, giving a response rate of 63%.

Fieldwork period: 7th - 28th June 2007.

Trend data comparisons (where available) are shown, as are comparisons to Ipsos MORI Norms, Central Government norms, data from the CLG survey in 2005 & data from the Senior Civil Service Survey 2006 (all where possible).

	strongly agree	tend to agree	neither	tend to disagree	strongly disagree		% Agree					
							CLG Quarter 2	CLG Quarter 1	Ipsos MORI Overall	ODPM 2005	SCS 2006	Central Government
24. My Manager ensures I take advantage of my full flexitime & holiday entitlement	21	32	30	12	5		53	51				
25. My line manager takes my views on things that affect me seriously	34	42	16	6	1		76	73				
26. I would feel confident in reporting unfair treatment	20	42	17	16	4		62	49				
27. In my view discrimination is very rare in this organisation	14	36	32	13	5		50					
28. My job is interesting & is developing my strengths & talents	21	48	17	11	4		69	62				
29. I frequently work beyond my conditioned hours	32	30	16	16	7		62	56	56			
30. Morale is good within my team – we pull together	21	49	18	9	3		70	56	30	43		

Based on 570 responses: 564 questionnaires returned using an online methodology, & 6 paper based, giving a response rate of 63%.

Fieldwork period: 7th - 28th June 2007.

Trend data comparisons (where available) are shown, as are comparisons to Ipsos MORI Norms, Central Government norms, data from the CLG survey in 2005 & data from the Senior Civil Service Survey 2006 (all where possible).

						% Agree					
	strongly agree	tend to agree	neither	tend to disagree	strongly disagree	CLG Quarter 2	CLG Quarter 1	Ipsos MORI Overall	ODPM 2005	SCS 2006	Central Government
31. My team is well managed	22	49	18	7	4	71	63		63		64
32. Overall, the performance & reputation of the Department is improving	5	31	45	14	6	35	28				
33. If bullying & harassment were reported I would be confident that action would be taken	9	31	33	19	9	40					
34. I am satisfied with my working conditions	8	55	18	15	4	64	58				
35. In our team, we know who our customers & stakeholders are, & we regularly look for ways to serve them better	29	55	12	3		84	82				70
36. I have personally witnessed bullying or harassment in the last 12 months	6	14	14	25	42	19					
37. The Department does a good job of keeping me informed about matters affecting me	5	47	29	15	4	53	50		54		50

Based on 570 responses: 564 questionnaires returned using an online methodology, & 6 paper based, giving a response rate of 63%.

Fieldwork period: 7th - 28th June 2007.

Trend data comparisons (where available) are shown, as are comparisons to Ipsos MORI Norms, Central Government norms, data from the CLG survey in 2005 & data from the Senior Civil Service Survey 2006 (all where possible).

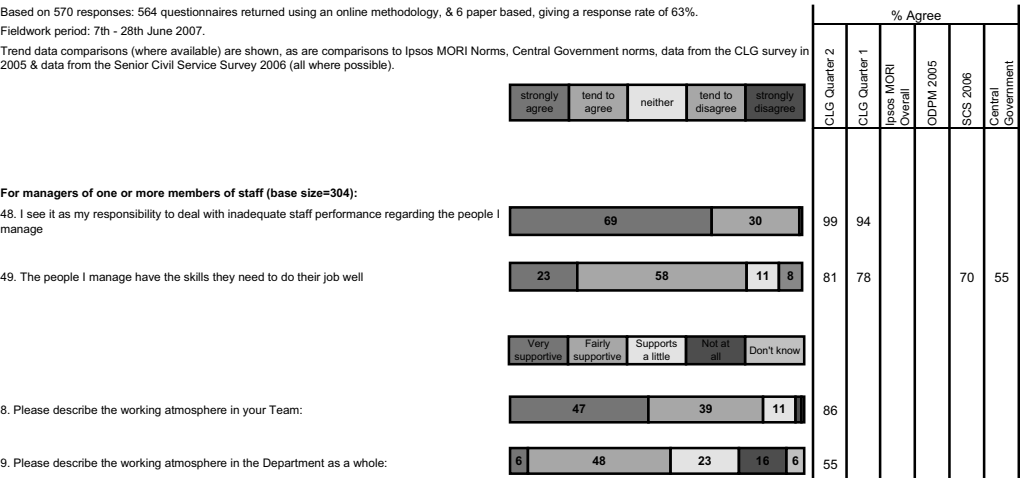
						% Agree					
	strongly agree	tend to agree	neither	tend to disagree	strongly disagree	CLG Quarter 2	CLG Quarter 1	Ipsos MORI Overall	ODPM 2005	SCS 2006	Central Government
38. I am proud to work for CLG	10	33	41	11	6	43	45	53	51	80	55
39. When I do something well, or go the extra mile, it is recognised - I feel appreciated for what I do	14	42	23	15	7	55	50				
40. My performance has improved as a result of the skills I have developed over the past year	15	46	29	7	3	62	57		61	78	58
41. I am able to work flexible hours	34	45	11	6	5	79	79		74		
42. My line manager coaches people effectively	16	37	26	16	5	53	47				
43. Inadequate staff performance is dealt with effectively where I work	3	24	39	27	7	27	22				29
44. I have personally been subjected to discrimination in the last 12 months	3	5	12	24	56	8					

Based on 570 responses: 564 questionnaires returned using an online methodology, & 6 paper based, giving a response rate of 63%.

Fieldwork period: 7th - 28th June 2007.

Trend data comparisons (where available) are shown, as are comparisons to Ipsos MORI Norms, Central Government norms, data from the CLG survey in 2005 & data from the Senior Civil Service Survey 2006 (all where possible).

						% Agree					
	strongly agree	tend to agree	neither	tend to disagree	strongly disagree	CLG Quarter 2	CLG Quarter 1	Ipsos MORI Overall	ODPM 2005	SCS 2006	Central Government
45. I think it is safe to speak up & challenge the way things are done in the Department	4	29	34	22	11	33	30			28	50
46. Everyone in our team has the opportunity to show what they can do	12	54	19	10	4	66	51				



TECHNICAL DETAILS

Questionnaires were distributed online on 7 June 2007 among 898 members of staff at Communities and Local Government.

Fieldwork ran from 7 June until 28 June 2007.

Reminders for the online survey were sent out on Friday 15 June, Thursday 21 June and Wednesday 27 June 2007.

Results are based on a total of 570 questionnaires—564 online questionnaires and 6 paper based questionnaire. A response rate of 63%.

Trend data comparisons (where available) are shown, as are comparisons to Ipsos MORI Norms, Central Government norms, data from the CLG surey in 2005 & data from the Senior Civil Service Survey 2006 (all where possible).

Where results do not sum to 100, this may be due to computer rounding or multiple responses.

An asterisk (*) indicates a finding of less than half of one percent, but greater than zero.

Unless otherwise stated, results are based on all respondents.

Letter from the Permanent Secretary to the Chair, Communities and Local Government Committee

DIRECTOR-GENERAL RESPONSIBILITIES AT COMMUNITIES AND LOCAL GOVERNMENT

As I mentioned to you when we met, I have been reviewing how best to organise Board-level responsibilities here to deliver the ambitious programme of work set by the Prime Minister and our Ministerial team. I have today announced a range of changes to Director-General portfolios which I believe will ensure clear accountability for our delivery responsibilities. I thought that you and Committee members would be interested to know the details.

I am creating the following new Director-General portfolios:

Richard McCarthy will become Director-General, Housing and Planning, focused on delivering our Housing Green Paper commitments of three million new homes by 2020; leading on the housing reform agenda; establishing the new Homes and Communities Agency; all aspects of planning reform and performance; and our programmes related to physical infrastructure. This portfolio will require Richard to continue to input to our major programmes on Thames Gateway and Olympics, but I am focussing his leadership responsibilities on the housing and planning agenda.

Joe Montgomery will become Director-General, Regions and Communities, responsible for the Government Offices and establishing the Department’s leading role in supporting the work of regional ministers. He will take on Board-level sponsorship of the Thames Gateway and lead responsibility for European policies and programmes. He will lead on cross-cutting policy issues on which the Department has a clear contribution to make across Government, such as tackling gang culture. And to reinforce the high priority which Hazel attaches to embedding community empowerment in all aspects of the Department’s work and across Government, Joe will continue to lead on the Third Sector and will chair the community empowerment programme board.

Chris Wormald will become Director-General, Local Government and Regeneration. In addition to his Directorate’s responsibilities for local government and community empowerment, Chris will establish a single, integrated lead on regeneration policy, including implementation of the Sub-National Review, and taking responsibility for neighbourhood renewal and liveability work. From December Chris will take on

responsibility for Local Strategic Partnerships and Performance, bringing together all aspects of our local government work in a single Group. Chris will retain his current responsibilities for Communications and Ministerial Group.

Susan Scholefield will become Director-General, Cohesion and Resilience, adding lead responsibility for Fire and Resilience to her current portfolio. She will lead on all aspects of our resilience work -chairing the Contingency Planning subcommittee and ensuring we are equipped to meet future recovery challenges such as flooding. Susan will become lead Director-General for our policy interests in migration issues, bringing enhanced senior leadership to this work at a time when our commitments in this area are increasing.

Hunada Nouss will become Director-General, Finance and Corporate Services. In addition to her current commitments she will take on responsibility for Analytical Services and sponsorship of Michael Kelly's work as Chief Scientist. In view of the financial commitments involved, Hunada will take on lead responsibility for the Department's contribution to the Olympics.

Mike Falvey will remain Director-General for Human Resources and Transformational Change, in line with his current portfolio.

Christina Bienkowska will remain our Board-level Director of Strategy and Performance.

Peter Housden

30 September 2007

Briefing by the National Audit Office

PERFORMANCE OF THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT 2006–07

HELPING THE NATION SPEND WISELY

The National Audit Office scrutinises public spending on behalf of Parliament.

The Comptroller and Auditor General, Sir John Bourn, is an Officer of the House of Commons. He is the head of the National Audit Office, which employs some 800 staff. He, and the National Audit Office, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

Our work saves the taxpayer millions of pounds every year, at least £8 for every £1 spent running the Office.

SUMMARY

Scope

1. This briefing is prepared for the Communities and Local Government Committee of the House of Commons to provide an overview of the work and performance of the Department for Communities and Local Government (the Department) in the financial year 2006–07 and subsequent months.

2. The briefing takes as its basis the Department's *Annual Report 2007 Community, opportunity, prosperity*, and also draws on additional evidence published over the last 18 months. It raises some of the topical issues and challenges that face the Department.

3. The contents of the briefing have been shared with the Department to ensure that the evidence presented is factually accurate. The comments and judgements on performance and matters that the Committee may wish to explore are those identified by the National Audit Office.

Overall performance

4. The Department's priorities are ambitious and address difficult challenges that it cannot tackle alone. The Department is at its best when it works in partnership with its stakeholders to establish a clear strategy and implementation plan, based on robust evidence, and puts incentives in place for others to deliver it. Its programme to tackle homelessness and the neighbourhood renewal programme are good examples.

5. The Department is moving more in this direction, reducing the number of programmes managed in-house, reducing the number of one-off initiatives and diffuse spending streams and devolving more to Local Government through Local Area Agreements. This presents the Department the opportunity to concentrate on what it does best, but presents it with the major challenges of redefining its whole relationship with Local Government and developing new ways of working.

6. 2006–07 saw the Department support major reviews of the Planning System, Housing, Equalities and more. These will help it to understand the complex policy levers it must use. The Department's response to its Capability Review aims to increase its internal analytical function and ensure that all its delivery models are based on robust evidence.

7. The Department's Capability Review and the recent Thames Gateway Public Accounts Committee hearing highlighted the fact that the Department has yet to gain the strategic influence it needs across Whitehall.

Key events since the Committee hearing on the 2005-06 Annual Report

8. Since November 2006 the Department has:

- changed Secretary of State and Ministers;
- had a Departmental Capability Review;
- published a White Paper on Local Government [setting out its agenda for the devolution of responsibilities];
- published a White Paper on the reform of the Planning System setting out its agenda for establishing a more strategically focused planning system;
- published a Green Paper on Housing setting out its agenda of increasing housing supply;
- transferred the lead role for equalities to the new Government Equalities Office at the Department for Work and Pensions and the lead role for regional economic performance to Business, Enterprise and Regulatory Reform;
- implemented regulations on Sexual Orientation and duties on public services;
- introduced home information packs; and
- managed the cross-government recovery from the 2007 summer floods.

KEY ISSUES

Capability and organisation

9. The Department's capability report highlighted weaknesses in the Department's ability to deliver and its use of a robust evidence base. The Department has focused on tackling these issues within its Transformation Programme and appears to be making good progress. Fully addressing the issues will take time. (Paragraphs 3.1-3.9)

10. The Committee's last report highlighted the level of bullying and discrimination within the Department according to its internal staff surveys. The Department has since made efforts to tackle this including better training and a stronger internal communication of its staffing policies. Recent staff surveys show it remains an issue for a small but significant number of staff. (Paragraphs 3.10-3.12)

Tackling disadvantage

11. The Department is tackling disadvantage in the most deprived areas of England. Its floor targets set minimum standards to be achieved in Local Authority areas and the gap between the most deprived areas and the rest of England is closing. The Department plans to incorporate its efforts to tackle disadvantage within its devolved funding to Local Authorities and Local Area Agreements, marking a change from its previous area based initiative approach. (Paragraphs 4.5-4.20)

Regional economic development

12. The Department has had a hands off approach to Regional Bodies. The Capability Review pointed to the ambiguous relationship between the Department and regional bodies such as the Government offices and the Regional Development Agencies. The Department has transferred responsibility for the Regional Economic Development PSA target, but the Department will continue to provide the lion's share of funding. (Paragraphs 3.2, 5.16-5.17)

13. Influencing economic growth is a long-term complex and challenging target. It is too early to say whether the Government is on track to achieve its target, and early signs are mixed. The recent Review of Sub-National Economic Development and regeneration sets out proposals to reform regional government and strengthen the role of Local Authorities in economic development. (Paragraphs 5.6-5.9, 5.13-5.15, 5.21-5.25, 5.29)

Better Local Services

14. The Department is attempting to adjust the relationship between central and local government. Local Area Agreements give Local Authorities autonomy over the use of funding in return for agreeing a set of priorities. Managing the new relationship and delivering the Department's priorities is perhaps the greatest challenge the Department faces. (Paragraphs 6.5, 6.12, 6.17, 6.23)

15. The Department has been successful at improving the internal processes of Local Authorities as assessed by the Audit Commission's Comprehensive Performance Assessment. (Paragraphs 6.8-6.11, 6.25)

Modernising the Fire and Rescue Service;

16. The Department continues to make progress in reforming the Fire and Rescue Service against the context of local opposition and difficult industrial relations. The Department is on track against its target to reduce the decline in fire related deaths, but response times are increasing, and targets do not include the Fire and Rescue Services' wider remit. (Paragraphs 7.10-7.26)

Balancing supply and demand for housing

17. The Government has recently increased its ambitions for new housing. The rate of home building continued to increase in 2006-07 from its recent low point. The number of affordable homes built in 2006-07 is now the same as it was in 1997. But Regional and Local spatial plans do not yet allow for the increased level of building the Department wants. Affordability problems are predicted to get worse at current rates of building. The Department's recent Housing Green Paper promises measures to enable the rate of home building to increase further. (Paragraphs 8.6-8.9, 8.30)

18. The introduction of new local spatial plans has been slower than expected. There is now greater expectation from the planning system to deliver more and better quality sustainable homes and communities. But local spatial plans do not yet reflect national priorities and up to date guidance. (Paragraphs 8.18-8.19, 8.27)

Decent homes and neighbourhoods

19. At the current pace of refurbishment the Department would miss the 2010 Decent Homes target. The Department has announced that Local Authorities may bring their housing up to decent standard after the 2010 deadline if it will deliver better value for money or achieve wider community objectives. (Paragraphs 9.11-9.14)

20. The Department has increased the local prioritisation of cleaner greener safer neighbourhoods. A major challenge in delivering against the Department's liveability agenda is to maintain the profile of these issues in Local Authority agendas after devolution of funding through Local Area Agreements. (Paragraphs 9.10, 9.15-9.18, 9.23)

21. The Department is also responsible for improving the environmental sustainability of new housing. This is not captured by Public Service Agreement targets. The Department uses a mixture of regulation and investment in exemplar developments to improve the sustainability of housing. (Paragraphs 9.2-9.3)

Reducing inequalities

22. The Department has improved its evidence base through commissions and reviews. The consensus from these views appears to be that current measurement processes and methods need to be improved. The challenge for the Department is to convert the findings from these commissions and reviews into implementable policies. (Paragraphs 10.8, 10.14-10.15, 10.26-10.27)

23. The Department's main role in reducing inequalities is to coordinate cross-public service efforts and to mainstream efforts to reduce inequality within other programmes. It is not necessarily helpful to throw money at tackling inequalities, and as a strategic area it accounts for a very small proportion of the department's expenditure. (Paragraphs 10.2-10.11)

KEY MATTERS THAT THE COMMITTEE MAY WISH TO EXPLORE

Matters that the Committee may wish to pursue are set out at the end of Parts 3 to 10. The main of these are:

- The extent to which the Department is ready to change the way it interacts with Local Authorities. (Part 6)
- How the Department will ensure the national objectives of its former area based initiatives are delivered when the funding of these initiatives will be devolved through local area agreements. (Parts 4 and 6)

-
- Whether the Department can get a rounded picture of the state of the most deprived areas using their existing targets and indicators (Part 4)
 - The rationale for retaining the project and programme management of a few programmes when devolving others to local government and arm's length bodies. (Part 3)
 - The strength of staff morale and attitudes towards the Department according to the staff surveys. (Part 3)
 - The ability of the Department to influence regional economic performance. (Part 5)
 - The Department's responsibilities and role in respect of regional bodies following transfer of full responsibility for PSA 2 to Business, Enterprise and Regulatory Reform. (Part 5)
 - The extent to which improved Comprehensive Performance Assessment scores translate to better capacity within the local government sector to improve resident satisfaction with their Local Authority. (Part 6)
 - The level of assurance provided by improved Comprehensive Performance Assessment scores when a high proportion of citizens are still unsatisfied with the quality of services delivered by their local authority (Part 6)
 - The extent to which improvements in fire related deaths in the home (PSA 3) are due to improvements in the way the Fire and Rescue Service operates. (Part 7)
 - The extent to which the Fire and Rescue Service is modernising. (Part 7)
 - The dependence on private developers to increase housing supply when the Department has few levers over them. (Part 8)
 - The impact of the lack of up-to-date spatial plans and the slow development of Local Development Frameworks. (Part 8)
 - The reasons that the Decent Homes Standard will not be achieved for all social housing by 2010, and the implications of the announcement that Local Authorities can extend the deadline. (Part 9)
 - The ability of the Department to improve the environmental sustainability of existing housing. (Part 9)
 - Progress in mainstreaming the consideration of inequality issues within the Department's other programmes. (Part 10)
 - The Department's ability to improve its understanding of the complex issues involved in reducing inequalities and to translate the recommendations of several recent reports into implementable policies. (Part 10)

1. INTRODUCTION TO THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT (THE DEPARTMENT)

1.1 The Department was established in May 2006, incorporating responsibilities from the former Office of the Deputy Prime Minister, the Home Office and the Department for Trade and Industry.

1.2 The Department has a vision of prosperous and cohesive communities, offering a safe, healthy and sustainable environment for all. In 2006-07 the Department took a strategic lead across government on:

- equal opportunities and social justice;
- better homes and neighbourhoods;
- strong and accountable local government and leadership;
- better local services and environment;
- regeneration and investment in our towns, cities and regions; and
- safe, tolerant and inclusive communities.

1.3 In June 2007, the Prime Minister appointed Hazel Blears Secretary of State for Communities and Local Government and the Department's responsibilities were modified. It transferred lead responsibilities for equalities to the new Government Equalities Office at the Department for Work and Pensions and the lead role for regional economic performance to Business, Enterprise and Regulatory Reform.

1.4 The Department's work is delivered through devolved delivery chains. Most of the Department's programmes are implemented by local government, Registered Social Landlords and arm's length bodies. It is responsible for the Planning Inspectorate, Fire Service College, Ordnance Survey, the Queen Elizabeth II Conference Centre, the Housing Corporation, English Partnerships, and the Audit Commission and 16 other public bodies that assist ministers and the Department in making or implementing policy.

1.5 The Department acts as the interface between Whitehall and local government. It sponsors the network of nine Government Offices on behalf of Government as a whole who coordinate a wide range of government policies and programmes at a regional and local level. They channel funding from other government departments into local government.

1.6 The Department also has responsibility for national policy on local government in England. Local government is a key point of interaction between citizen and the state, and the Department works closely with Local Authorities and their partners to devolve decision making to the most effective level and reshape public services around the citizens and communities that use them. It also acts in partnership with a wide range of private and third sector bodies, notably in the areas of housing, racial and faith equality and community cohesion.

SUMMARY TIMELINE OF 2006–07

May

- Department for Communities and Local Government created on 5 May 2006.
- Ruth Kelly appointed as Secretary of State for Communities and Local Government.
- Local elections held in England, Scotland and Wales.

June

- New building control performance indicators and standards, developed by the Building Control Performance Standards Advisory Group, unveiled.

July

- Restructuring plans for DCLG are set out in “Building the new Communities and Local Government: next steps”.
- Improving Opportunity, Strengthening Society—One Year On published—first annual report on the Government’s strategy for race equality and community cohesion

August

- Commission on Integration and Cohesion launched.

September

- 2004 English House Condition Survey and 2003 Regional Report published.

October

- The Local Government White Paper “Strong and Prosperous Communities” published.

November

- “Thames Gateway interim plan” published.
- Greater London Authority Bill proposes further strategic powers for the GLA.
- Planning system reforms set out in Planning Policy Guidance 3: Housing.

December

- “Barker Review of Land Use Planning” published.
- Sustainable Housing Code launched.
- Local Government and Public Involvement in Health Bill sets out the proposals from the Local Government White Paper

January

- Creation of the Homes and Communities Agency announced.
- “2005 English House Condition Headline Report” published.

February

- Hills report “Ends and Means: the future roles of social housing in England” published.
- Equalities Review published.

March

- Lyons inquiry into local government “Place-shaping: a shared ambition for the future of local government” published.
- “The Future for Building Control” sets out improvements to the building control system.

April

- Reformed Local Government Pension Scheme announced.

May

- “Planning for a sustainable future” white paper published.
- Local elections held in England, Scotland and Wales.

June

- Gordon Brown takes office as Prime Minister on 27 June.
- Hazel Blears appointed as Secretary of State for Communities and Local Government.
- Commission on Integration and Cohesion’s report “Our Shared Future” published

July

- Cross-departmental financial support package announced for victims of the June and July floods in the UK.
- Housing Green Paper: “Homes for the future: more affordable, more sustainable” published.
- Nine successful bids announced from Local Authorities seeking to merge to become Unitary Authorities.
- “Review of Sub-National Economic Development and Regeneration” published.

August

- Home Information Packs roll-out begins.
- Improving Opportunity, Strengthening Society—Two Years On—second annual report published

FINANCIAL OVERVIEW

Overall Budget

2.1 Parliament set the Department an annual net budget of £33.5 billion in 2006–07 of which it used £33.0 billion. The budget was reduced from £56 billion in 2005–06 because funding provided to Local Authorities for schools was rerouted through the Department for Education and Skills.⁵

2.2 The Department spends £23.7 billion in direct support of Local Authorities, mostly through Revenue Support Grant and Redistributed National Non-Domestic Rates. The Department cannot directly determine how Local Authorities use this funding. This leaves the Department with £7,984 million to allocate to its priorities (figure 1).⁶

⁵ Department for Communities and Local Government Resource Accounts 2006-07. Note these figures may differ from those in the Annual Report, because the Annual Report figures are estimates produced before the audit of the Accounts.

⁶ Figures in paragraph 2.2 and 2.3 do not total to those in 2.1 because they exclude excess receipts.

1. DEPARTMENT'S NET EXPENDITURE (£m) 2006–07

Department's own allocation	
Tackling disadvantage	2,412
Regional economic development	1,818
Better Local Services	104
Modernising the Fire and Rescue Service	185
Balancing supply and demand for housing	3,383
Decent homes and neighbourhoods	30
Tackling inequalities	52
	7,984
Local Government Support	23,726
Total Net Expenditure	31,711

2.3 The Department devolves most of its spending to other bodies. Of the £8 billion the Department directly controls it spends £2 billion itself, £2.5 billion through its sponsored public bodies, £1.6 billion through the Regional Development Agencies and the rest through Local Authorities.

Administration

2.4 Total administration costs for the Department was £410.6 million compared with £390.4 million in 2005–06. Within this total, £260.5 million was spent on staff costs for the 6,071 staff (6,560 in 2005–06).

Government Offices

2.5 Department supports the Government Office network, with each Government Office formally part of the Department. The network accounted for £138 million of the £310.6 million total administration costs.

2.6 Government Offices had either direct responsibility or management responsibility for a total of £7.1 billion of cross-government programme expenditure, of which £2.6 billion related to the Department.

Assets

2.7 Department is primarily a spending department and has few assets. Total fixed assets as at 31 March 2007 totalled £218 million consisting of £46 million in investments (largely Trading Funds), £33 million of land and buildings, £30 million of IT assets and £74 million civil resilience assets which will be transferred to the Fire and Rescue Services in due course. The remaining balance of £35 million relates to assets under construction.

CAPABILITY AND ORGANISATION*Capacity and capability*

3.1 The Department underwent a Capability Review in December 2006. It examined the capability of the Department to meet current and future delivery challenges and identifies where the Department needs to improve and the support that is required to enable it to do so.

3.2 The Review assessed the Department against nine key headings and found that the Department was already well placed for three, but had significant weaknesses in seven (figure 2 over page). It found:⁷³

- Many staff are clear about the Department's vision and the outcomes they are trying to achieve, and are working hard to align colleagues and stakeholders. However, stakeholders are less clear about what this will mean in practice. The Department is good at creating alliances of stakeholders and setting out its policy. But the Department is not strong at setting out clear implementation plans and does not have a reputation amongst its partners for having enough strategic influence to solve problems within Whitehall that are creating obstacles to local success.
- Communities and Local Government does not yet have a clear enough view of what works in what circumstances across the full range of its responsibilities. Partnerships with some key delivery bodies are not fully effective. The delivery systems used by the Department are becoming increasingly complex and there is concern amongst some partners and stakeholders that good policies risk poor execution. Sometimes the Department does not seek to influence delivery where it can. The Department provides a significant amount of funding to regional development agencies. The Review suggested that the potential of these could be harnessed more effectively to achieve its outcomes.
- People management needs more strategic focus and investment and systematic planning across the office. It is not currently clear to staff that the Board welcome constructive challenge and that management do not systematically address poor performance.

⁷³ Capability review of Communities and Local Government: December 2006.

- The Board has made significant recent progress in driving forward an ambitious programme of change, including making some key capacity-building appointments.
- Staff and stakeholders are increasingly positive about the new vision for Communities and Local Government.
- More ambitious and urgent plans are required to strengthen the Department's analytical function and help policy staff make full use of evidence and data in policy making and delivery.
- There are skills gaps in project and programme management; a more rigorous approach is needed if the Department is to manage risk and performance—internal and external—through to front-line success.

3.3 The Department's response to the Capability Review was to:

- Set out plans for delivery agreements with key government departments. It has agreed priorities with Government Offices and established a framework for engagement with the Third Sector;
- Increase the number economists in the Department by 30 per cent. It has ensured a senior analyst is a member of every policy-focused programme board, established expert panels and reviewed the roles of the Chief Scientists and Chief Analyst;
- Establish a centre of excellence on delivery and project and programme management. It, has established Programme Executives on strategic priority areas, reviewed the Department's governance arrangements, and improved the quality of performance reporting to the board;
- Reformed its staff management systems, including development strategies and performance management. It has developed an equality and diversity strategy, assessed skills and recruited a professional Director General of Human Resources and transformational change.

2: THE DEPARTMENT'S CAPABILITY REVIEW FOUND SIGNIFICANT WEAKNESSES IN THE DEPARTMENT'S CAPACITY

Leadership

Set direction	Well placed
Ignite passion, pace and drive	Well placed
Take responsibility for leading delivery and change	Development area
Build capability	Urgent development area

Strategy

Focus on outcomes	Well placed
Base choices on evidence	Urgent development area
Build common purpose	Development area

Delivery

Plan, resource and prioritise	Development area
Develop clear roles, responsibilities and business model(s)	Urgent development area
Manage performance	Urgent development area

3.4 A key theme of the Review and the NAO's work on the Department is that it is good at building alliances of stakeholders around policies, but is not always clear in its implementation plans and doesn't have enough analytical capacity to support the full range of its programmes. This was illustrated by the recent NAO report on the Thames Gateway which found that the Department had been very successful in building a network of stakeholders and selling its vision to Local Authorities who might in other circumstances have resisted the policy. But the Department had only established its analytical baseline of the subject late in the day and has yet to set out a full implementation plan and the systems to support it.⁸

The Transformation Programme

3.5 The Transformation programme was set up in July 2006 to drive improvements across the Department. Its aim is to ensure that the Department can deliver its priorities whilst providing support and development to its staff. The programme has three key themes:

- People—Improving people and performance management, implementing a system for workforce inequalities and developing a learning and development strategy.
- Capacity—Improving engagement with stakeholders, strengthening communications and ensuring the systems adequately support the business.
- Delivery—Using Programme Executives to set strategy and drive performance, cutting out low impact work and working flexibly.

3.6 The Department has incorporated its response to the Capability Review into the Transformation programme. It is focusing on improving the way it:

- Leads and enthuses partners in creating successful communities and services. The Department aims to clarify the roles and responsibilities amongst delivery partners and increase engagement with stakeholders and partners.

⁸ The Thames Gateway: Laying the Foundations, Comptroller and Auditor General, (HC (2006-07) 526, May 2007.

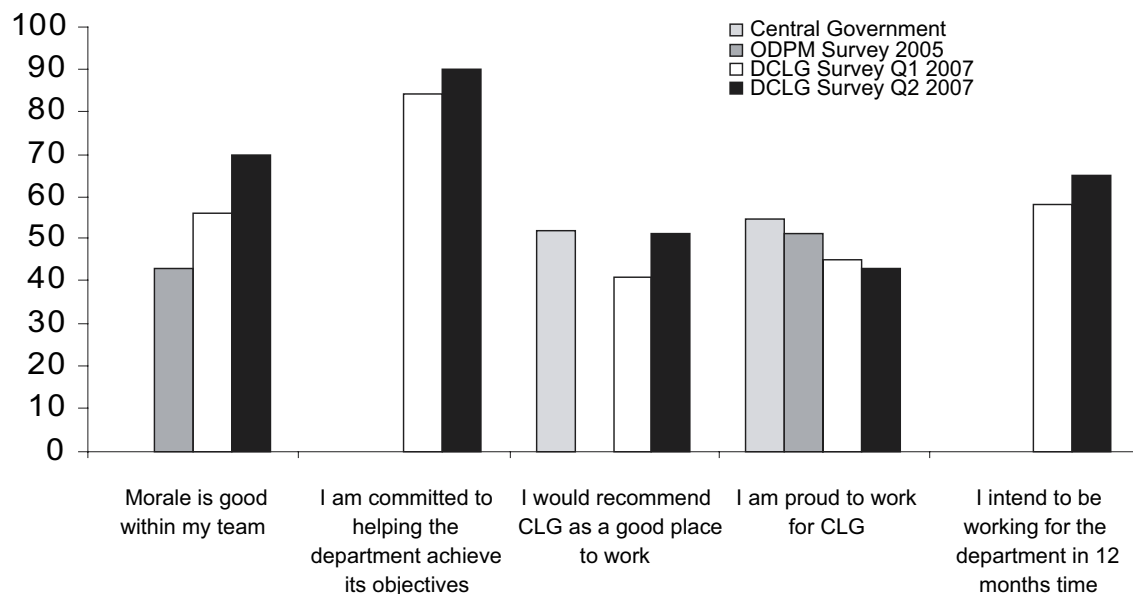
- Bases policy making and delivery consistently on evidence. The Department wants to focus analysis and research on key priorities and accelerate its efforts to embed the use of evidence and analysis across the Department.
- Focuses on delivery and ensures strong performance management systems and skills are in place. Programme Executives have been established to drive delivery in the key areas and to learn systematic lessons from the delivery of complex programmes.
- Manages people and ensures there are the critical skills needed. The implementation of a “People Plan” in April 2007, the development of an equality and diversity strategy and strengthening leadership of the HR function are all key aspects that the Department has undertaken to achieve this aim.

3.7 Programme Executives are now established on strategic priority areas. They are a potentially useful addition to the Departments top-level governance arrangements, but need to ensure that they more are consistent, accountable and rigorous to have the appropriate level of oversight of progress and risks to delivery.⁹

3.8 The Department is developing a new way of allocating its staff flexibly towards its priorities. The Department has trailed “A New Ways of Working” business planning model in its Fire and Resilience and New Homes and Sustainable Development directorates, which is now being rolled out across the Department. Under the new system, directorates within the Department map out all their work streams against their staff to ensure that staff are deployed to priorities.

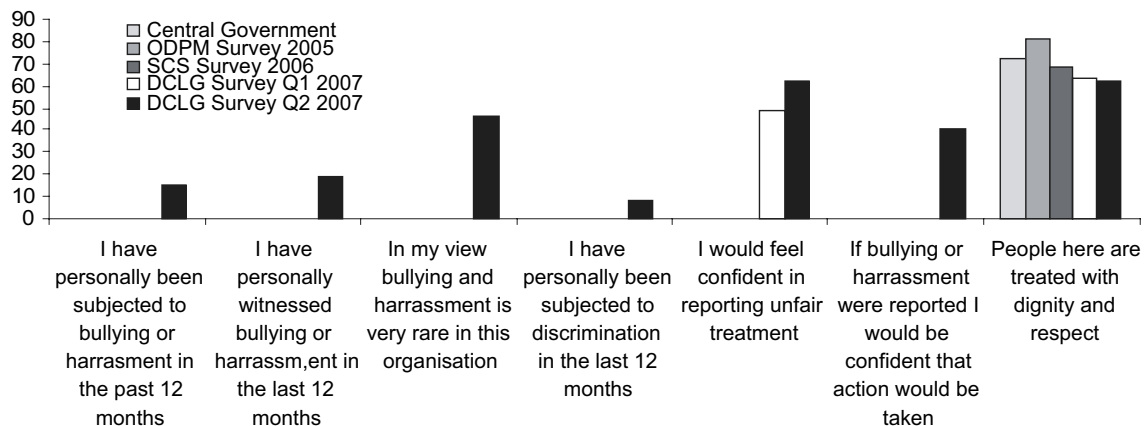
3. SELECTED RESULTS FROM STAFF SURVEYS

Staff morale is generally improving



⁹ NAO Management Letter for the Audit of 2006-07.

But bullying and harassment remains a small but significant issue



Source: Departmental Staff Surveys.

3.9 The Department is also changing its head quarters at Eland House to open plan accommodation. The Permanent Secretary and Director Generals already sit in the open plan office to increase their visibility and accessibility amongst staff. All floors are being converted and only Ministers will have their own office.

3.10 Senior staff are actively seeking to become more visible within the Department by holding informal floor meetings, seminars, web chats and question and answer sessions with staff.

3.11 The Transformation programme is well focused on the priority development areas highlighted by the Capability Review. The Department has acted promptly to put in place strategies for improvement against all of the Review's recommendations and has set it self the ambition of real improvement against all the areas within another 18 months.

3.12 The Department's identified development needs align well with its overall devolution agenda. Being clearer about implementation plans, integrating analysis into policy development, and demonstrating improved influence within Whitehall fit with the Department's vision of it self as a strategic body that delivers through local government.

Staff Issues

3.13 The Department has started to conduct quarterly staff surveys. These monitor progress on its transformation programme and staffing issues highlighted by the Select Committee after its session on the 2005-06 Annual Report. The first was conducted in January 2007 and the latest available was conducted in April 2007.

MATTERS THAT THE COMMITTEE MAY WISH TO EXPLORE

- The rationale for retaining the project and programme management of a few programmes when devolving others to local government and arm's length bodies, in the light of the Capability Review's findings on the Department's delivery capacity. (paragraphs 3.1-3.3, 3.9)
- The ability of the Department's transformation programme to fully tackle the issues raised in the Capability Review. (paragraphs 3.4-3.9)
- The capacity of the Department to create evidence based policies with its current analytical resources. (paragraph 3.2)
- The capacity of the Department to gain a clear view of what works in what circumstances. (paragraph 3.2)
- The capacity of the Department to focus its resources on its priorities. (paragraph 3.6)
- The strength of staff morale and attitudes towards the Department. (paragraphs 3.10-3.12)

3.14 Since the transformation programme began, staff morale and commitment to the Department has improved. The latest staff survey results for quarters one and two of 2006-07 show that most staff have a positive attitude towards the Department and that team morale is improving (figure 3). But there has been a slight drop in the number proud to work for the Department since it became Communities and Local Government.

3.15 Responses to the staff survey indicated that bullying and harassment of staff is a small, but significant problem within the Department. The Select Committee, in its last report on the Department's Annual Report, highlighted the level of bullying and harassment in the Department as a cause for concern with 10% of staff saying that they had experienced bullying, 8% that they had experienced discrimination and 6% that they had experienced harassment. It is not clear if this has improved. The recent staff survey

uses questions that are not directly comparable to the previous survey. The most recent survey, for quarter two 2006–07, shows that 15% of people feel that they have experienced bullying or harassment and 8% feel that they have been discriminated against (figure 3). These figures are broadly in line with the results of surveys conducted in other Departments, although again such surveys are not directly comparable.

TACKLING DISADVANTAGE

(Chapter 3 of Annual Report)

What is the Department trying to achieve?

4.1 The Department's first strategic priority is to tackle disadvantage by:

- Reviving the most deprived neighbourhoods;
- Reducing social exclusion; and
- Supporting society's most vulnerable groups.
-

4. TACKLING DISADVANTAGE TARGETS

Public Service Agreement 1: Neighbourhood Renewal: To tackle social exclusion and deliver neighbourhood renewal, working with departments to help them meet their PSA floor targets, in particular narrowing the gap in health, education, crime, worklessness, housing and liveability outcomes between the most deprived areas and the rest of England, with measurable improvement by 2010.

What is the Department doing to achieve this?

Local strategic focus

4.2 Firstly, the Department promotes a multi agency strategic approach to tackling deprivation by working with other government departments and encouraging local partners to work together.¹⁰ It:

- Sets Floor Targets for the minimum standards to be achieved in Local Authority areas with the aim of eradicating pockets of poor performance. The Government announced its aim in 2001¹¹ that within 10 to 20 years, no-one should be seriously disadvantaged by where they live. The National Strategy for Neighbourhood Renewal sets six key floor target outcomes including health, education, crime, worklessness, housing and liveability.
- Uses Local Strategic Partnerships (LSPs) to bring together the key local agencies and funding streams to deliver improved outcomes. The role of Local Strategic Partnerships will be strengthened under proposals in the local government white paper *Strong and Prosperous Communities* (see Chapter 6).

Funding to deprived areas

4.3 Secondly, the Department channels resources to the most deprived areas:¹²

- £525 million was provided in 2006–07 to support the Neighbourhood Renewal Fund. This is a non ring-fenced grant available to England's 86 most deprived local authorities to enable them, in collaboration with their Local Strategic Partnership, to improve services, therefore narrowing the gap between deprived areas and the rest of the country.
- The £265 million Safer and Stronger Communities Fund merged several funding streams from the Department and the Home Office and forms part of the funding to each Local Area Agreement. It is allocated to the 10 per cent of neighbourhoods with the most deprivation. It addresses both neighbourhood deprivation and liveability (see Chapter 7) and its key theme is promoting community safety and building capacity.
- Neighbourhood management pathfinders have been introduced in 35 areas since July 2001 to test new ways of delivering local services including tackling liveability issues. Neighbourhood managers are the single point of contact for residents and businesses and have the ability to negotiate with providers and the local community about how services are delivered. Funding is now included within the Safer and Stronger Communities Fund.
- Neighbourhood Wardens provide a uniformed presence in residential and high crime areas with the aim of reducing crime and fear of crime, deterring anti-social behaviour, improving the environment, and fostering social inclusion.

¹⁰ NAO analysis of Department's policy levers.

¹¹ A New Commitment to Neighbourhood Renewal: The Government's national strategy action plan for reviving the most deprived neighbourhoods.

¹² NAO analysis of Department's policy levers.

- The New Deal for Communities (NDC) supports locally led projects in the most deprived neighbourhoods in the country, giving the poorest communities the resources to tackle their problems in an intensive and co-ordinated way. There are five key themes in NDC areas; poor job prospects; high levels of crime; educational under-achievement; poor health; and problems with housing and the physical environment. A total of 39 partnerships have been set up since 1998 which have had approximately £2 billion funding committed to them.

Funding to disadvantaged people

4.4 Thirdly, the Department is channelling resources to support the most disadvantaged people:¹³

- The Supporting People programme (£1,685 million) has been in place since 2003 and provides grant allocations to Local Authorities to support socially excluded or disadvantaged people. There are a wide range of client groups that are eligible for funding including support for older or disabled people to live independently in their own home, support to help people move on in from a crisis such as homelessness and help for young people to develop critical life skills.

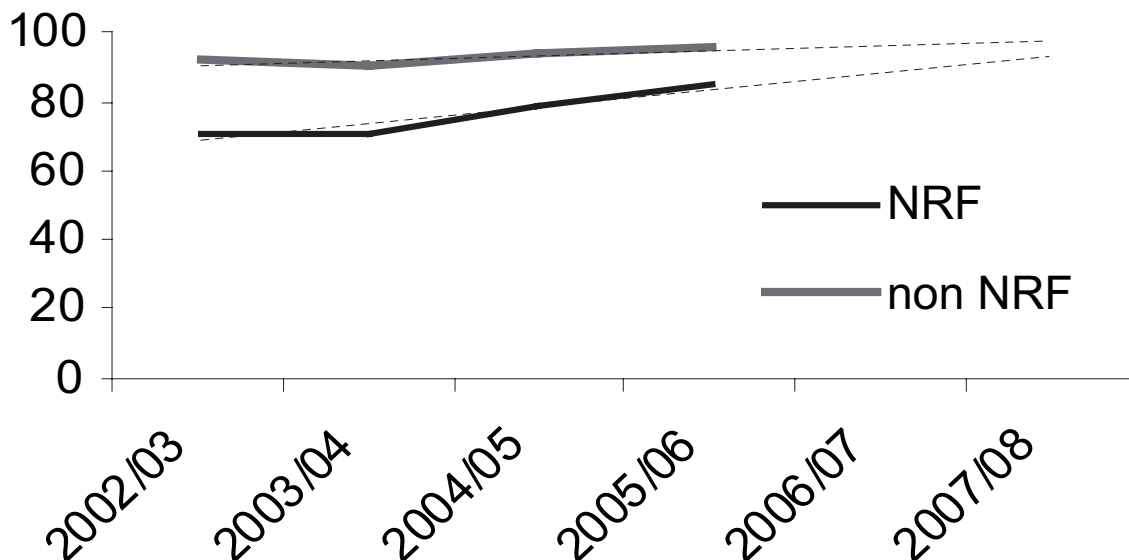
What progress has the Department made?

Floor Targets

4.5 Floor targets aim to reduce deprivation in disadvantaged areas, and to narrow the gap between them and the rest of the country. They mainly focus on the Neighbourhood Renewal Fund Areas (NRF Areas). Of the six floor targets four are on course to be met: health, worklessness, crime and liveability. There has been slippage against two: education and housing targets.¹⁴

5. EDUCATION FLOOR TARGET

Key stage 3 performance in NRF areas is improving but remains below target.



Source: Neighbourhood Renewal Unit data.

4.6 Educational attainment in the most deprived areas is improving but not enough to meet the floor target. The Education floor target says that all schools should have at least 50% of pupils achieving level 5 in English, Maths and Science at key stage 3 by 2008. Nationally, the number of schools below target fell from 410 in 2005 to 320 in 2006, a 22% decrease. In NRF areas, the number of schools below target fell from 285 in 2005 to 212 in 2006, a 26% decrease. The improvement was better in the previous year when the rate of reduction in the number of schools below target has fallen from 32% nationally and 30% in NRF areas. On current trends the education floor target will not be met by 2008 (figure 5).¹⁵

4.7 Employment rates in the most deprived areas is slowly moving towards the average rate. The PSA 1 sub-target for worklessness says that the overall employment rate of areas that are both NRF Local Authorities and one of the worst areas for employment should be increased by one percentage point and

¹³ NAO analysis of Department's policy levers.

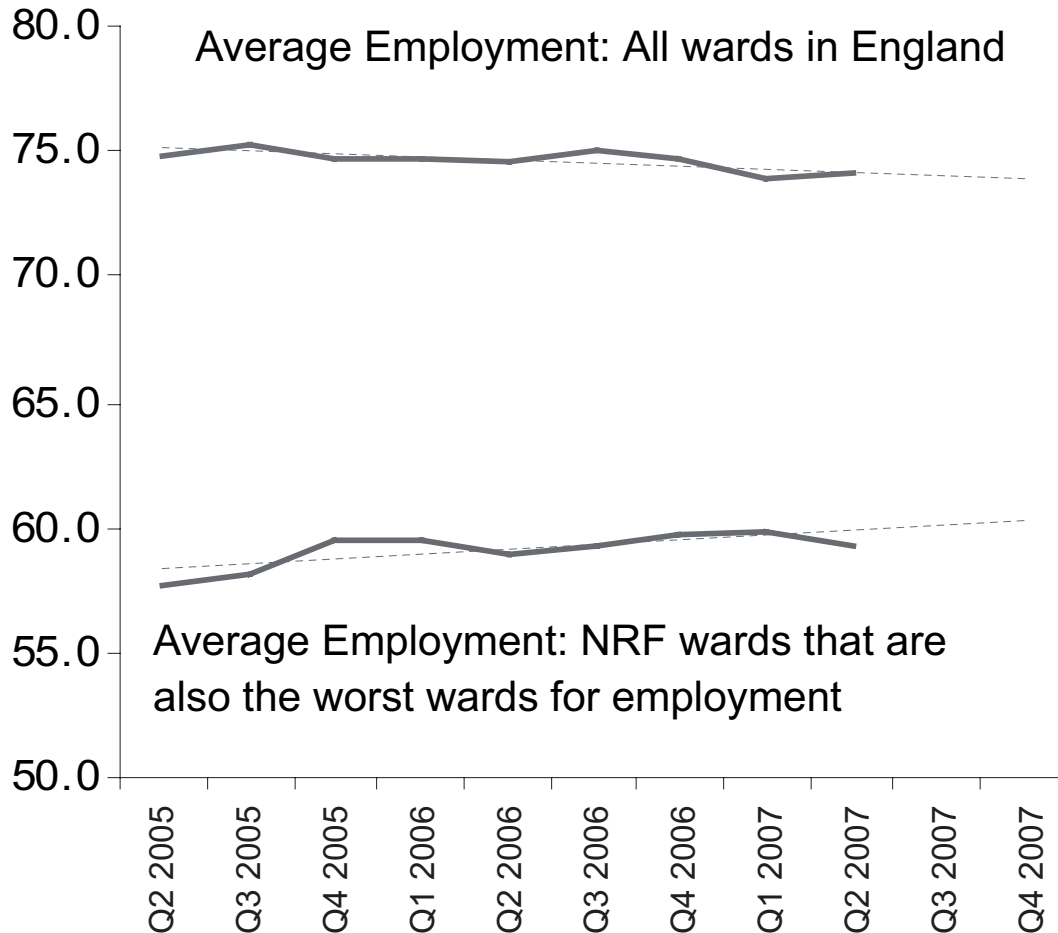
¹⁴ Annual Report paras 3.15 -3.21.

¹⁵ NAO analysis of Department's floor target data at www.fti.neighbourhood.gov.uk

the difference between them and the overall rate for England be reduced by one percentage point. Since the Annual Report was published quarter one and two data for 2007 have been released and show that the target has been met. (figure 6).¹⁶

6. EMPLOYMENT FLOOR TARGET

The overall employment rate is slowly improving in the most deprived areas.



Source: The Department.

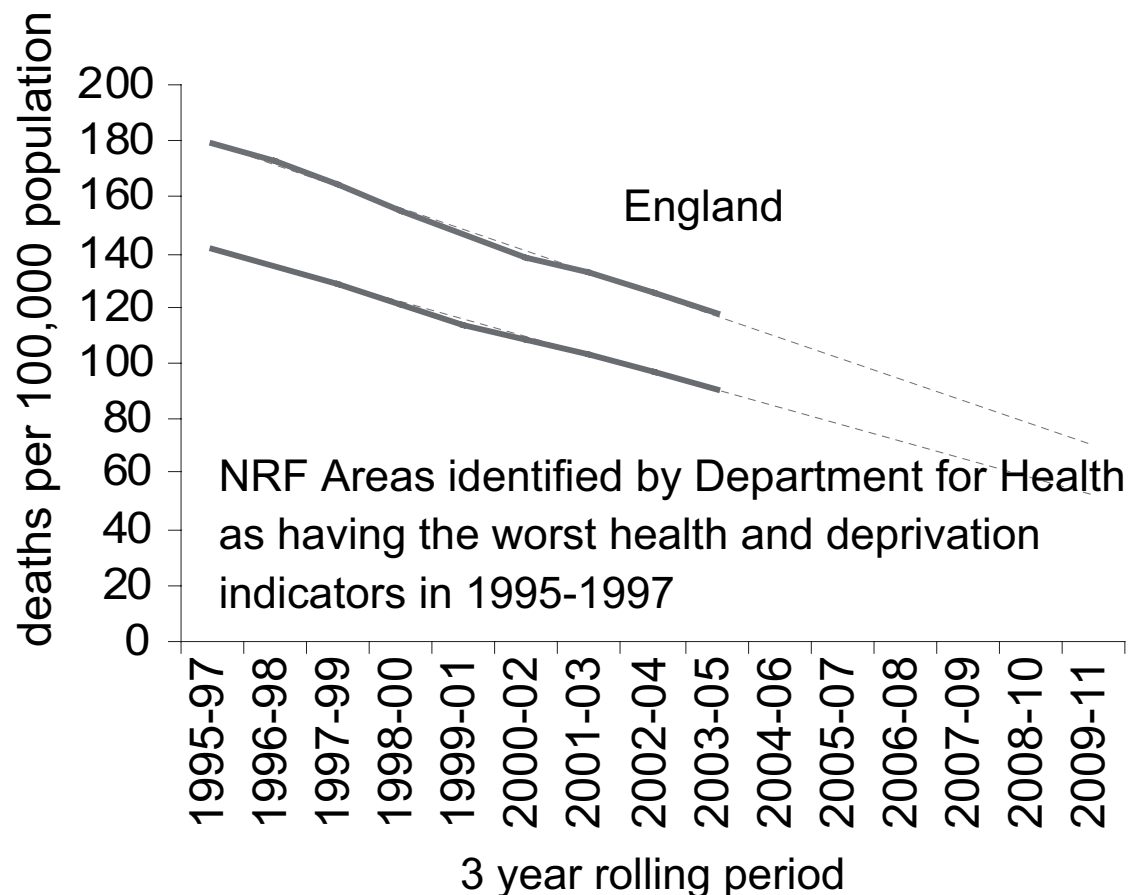
4.8 Mortality from circulatory disease in the most deprived areas is dropping and is on track to meet the target early. The health floor target says that mortality rates from heart disease and stroke and related diseases should be reduced so that the gap between the most deprived areas and the national average falls by 40% by 2010. It is measured on a three year rolling period. From 1995–97 to 2003–05 the gap reduced by 10.31 people per 100,000 population, a fall of 28%. If the gap continues to narrow at the average rate it has since 1996 then it will reach the target two years early and narrow by 48% by the target period of 2009–11. The National mortality rate from heart and stroke and related diseases has reduced significantly over this period, and to reach the target the mortality rate from these diseases in the deprived areas will have to half (figure 7).¹⁷

¹⁶ The Department.

¹⁷ NAO analysis of Department's floor target data at www.fti.neighbourhood.gov.uk

7. HEALTH FLOOR TARGET

The gap in mortality from heart and stroke and related diseases between the most deprived areas and the national average continues to narrow.



Source: Department.

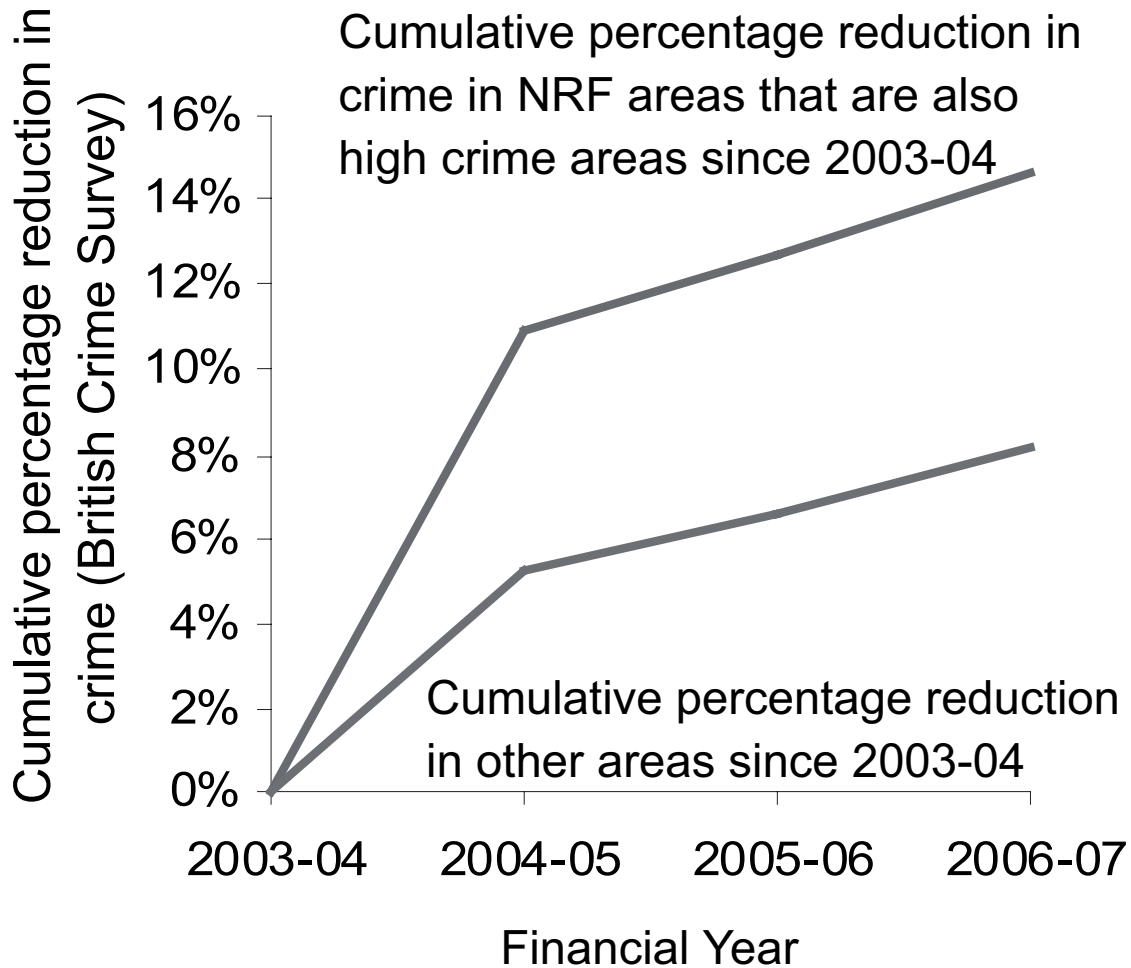
4.9 Crime has fallen in the most deprived areas more than other areas. The crime floor target says that NRF areas which are also high crime areas should reduce their aggregated crime by a greater percentage than the aggregated reduction in the non high crime areas by 2007-08. Since the Annual Report British Crime Survey data for 2006-07 became available, showing crime has fallen since 2003-04 by 14.6% in the deprived areas compared to 8.2% in the other areas (figure 8).¹⁸

4.10 Housing and Liveability are discussed in chapter 7.

¹⁸ NAO analysis of Department's floor target data at www.fti.neighbourhood.gov.uk

8. CRIME FLOOR TARGET

Neighbourhood Renewal Fund Areas with high crime have reduced their level of crime by more than other areas since 2003–04.



Source: Department.

NEW DEAL FOR COMMUNITIES PROGRAMME

4.11 The New Deal for Communities programme has brought positive change.¹⁹ The Department's evaluation of the programme found considerable improvements in NDC areas between 2001 and 2006. From 63 indicators drawn from three household surveys, 59 had moved in a positive fashion and all movements were statistically significant. However, it also noted that it was easier to prove that the physical areas targeted by the programme had improved than it is to prove that the life choices of people who live in them have improved. More change occurred between 2001–02 and 2004 than in the following two year period.

NEIGHBOURHOOD MANAGEMENT PATHFINDERS SCHEME

4.12 The Department's review of the Neighbourhood management pathfinders found:²⁰

- Neighbourhood managers have made an important contribution to place shaping at a local level through their clear focus on the concerns of local residents.
- Neighbourhood managers have been able to build capacity and confidence among local community groups and bring them together with local service providers to discuss how to improve the neighbourhood.

¹⁹ New Deal for Communities National Evaluation: An Overview of Change Data: 2006, Department, January 2007.

²⁰ Neighbourhood Management: Empowering communities, shaping places: Review 2006–07.

-
- However, neighbourhood management remains an area based initiative largely supported with time-limited regeneration funding and initiatives have yet to gain the support from mainstream local authority funding for their core operations.

What challenges does the Department face?

4.13 Tackling disadvantage is a highly complex issue. Social exclusion is not merely about poverty and the lack of an adequate income but is a combination of many types of deprivation all of which combine to isolate individuals and communities from mainstream society. Progress on the floor targets has been good but the Department needs to continue to be aware of other influencing factors.²¹

4.14 A multi-agency approach is required to achieve the target. The floor targets rely to a great extent on other government departments. The Department must coordinate and influence others to achieve them. But such coordination and influencing is time consuming and difficult.²²

4.15 The Department is focussing the majority of its efforts on the most deprived areas rather than individually deprived people. Those facing the most severe exclusion frequently live in neighbourhoods experiencing multiple deprivation related to low levels of educational attainment, lack of employment opportunities, poor health and housing and high crime rates. However, social exclusion is not confined solely to poorer neighbourhoods and can also affect people living in other areas for reasons such as race, age, disability, family circumstances and isolation. Local Authorities that are not in receipt of specific funding from the Department for tackling disadvantage are expected to use their own resources to reach such social exclusion.²³

4.16 People based outcomes of neighbourhood renewal are difficult to sustain. For instance, the New Deal for Communities evaluation found that individuals benefiting from person based interventions in areas such as job training and mentoring may find their circumstances improve so as to allow them to move to a better area. In the long term such support may benefit the individual rather than the wider community.²⁴

4.17 Funding for the Supporting People programme has been reduced by approximately £130 million cumulatively between 2003–04 and 2006–07.²⁵

What happens next?

4.18 Area Based Initiatives will be reformed in line with the Local Government White Paper and the financial arrangements for Local Area Agreements. The Department will no longer provide funding direct to schemes, but Local Authorities will be encouraged to support them from Local Area Agreement funding (see Chapter 6).

4.19 From 2007–08, the Neighbourhood Renewal Fund will operate through Local Area Agreements. Local Strategic Partnerships currently in receipt of Neighbourhood Renewal funding will need to demonstrate commitment through the Local Area Agreement to narrowing the gap between the most deprived areas/groups and the rest. Their Local Area Agreements must include performance indicators with a neighbourhood renewal focus.

4.20 The Department also hopes to deliver the Supporting People programme through Local Area Agreements as soon as possible.

Matters that the Committee may wish to explore:

- The ability of the Department to get a rounded view of the state of the most deprived areas using floor targets and other indicators. (paragraph 4.13)
 - The extent to which success against floor targets translates to improved quality of life for people living in deprived areas. (paragraphs 4.5-4.9)
 - The ability of the Department to guarantee the future of Area Based Initiatives after devolution of funding through Local Area Agreements. (paragraphs 4.18-4.20, 4.12)
 - The capacity of local government to help deprived people in less deprived areas without extra financial support from the Department. (paragraph 4.15)
 - The extent to which reductions in funding for the Supporting People programme have affected its ability to help vulnerable people. (paragraph 4.17)
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²¹ NAO analysis.

²² NAO Analysis.

²³ NAO Analysis.

²⁴ NAO Analysis and New Deal for Communities National Evaluation: An Overview of Change Data: 2006, Department, January 2007.

²⁵ NAO Analysis and discussion with Department.

REGIONAL ECONOMIC PERFORMANCE

(Chapter 4 of Annual Report)

What is the Department trying to achieve?

- 5.1 The Department's second strategic priority is to promote the development of English regions by:
- improving economic performance to enable all regions to reach their full potential.
 - Reduce disparities in growth rates.
 - Tackling market and co-ordination failures in employment and the five drivers of productivity: skills, investment, innovation, enterprise and competition and;
 - Mitigating climate change linked to cities and regions objectives and adapting to its effects.

9 Regional Economic Performance Targets

Public Service Agreement 2 Regional economic performance: to make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term, reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.

(Shared with the Department of Trade and Industry and HM Treasury).

What is the Department doing to achieve this?

Regional Governance

5.2 Regional economic policy is delivered through three key delivery agencies in the 8 regions outside of London. London's Regional Development Agency reports directly to the London Mayor's office.²⁶

- Regional Development Agencies focus on promoting regional economic development through strategic planning, coordination, and direct project implementation. They are NDPBs reporting to the Department for Business Enterprise and Regulatory Reform but mainly funded by the Department.
- Regional Assemblies focus on regional spatial planning for housing, transport and other infrastructure. They are funded by the Department, but are directed by representatives of Local Authority, business, voluntary and community sectors.
- Government Offices focus on the coordination of central government policy at the regional level and managing the relationship between central and local government. They are formally part of the Department, but house representatives from nine other departments.

Strategic Coordination

5.3 Promoting regional economic development requires a multi-agency approach focused on the economic drivers: employment, skills, investment, innovation, enterprise and competition. Regional bodies focus on bringing together partners in drawing up long term strategies including:²⁷

- Regional Economic Strategies (RES), which outline economic development priorities and actions for a 10 year period. They are produced by the Regional Development Agencies in consultation with all partners and stakeholders including local authorities and central government. They are reviewed every three years.
- Regional Spatial Strategies (RSS), which set out regional planning guidance including for housing and transport provision. They are produced by Regional Assemblies and approved by the Secretary of State. They replace Regional Planning Guidance (see chapter 8).

Regionally funded programmes

5.4 The Regional bodies also coordinate and distribute direct funding at projects designed to promote economic development. The main of these are:²⁸

- £2.444 billion of Single Pot funding was managed by Regional Development Agencies in 2006–07, contributed by BERR, CLG, DIUS, DEFRA, DCMS and UKTI (figure 10). It is used to deliver priorities from the Regional Economic Strategies for projects such as employment land and appropriate workspace, business incubation and science parks, business support, promoting tourism and skills programmes for businesses.

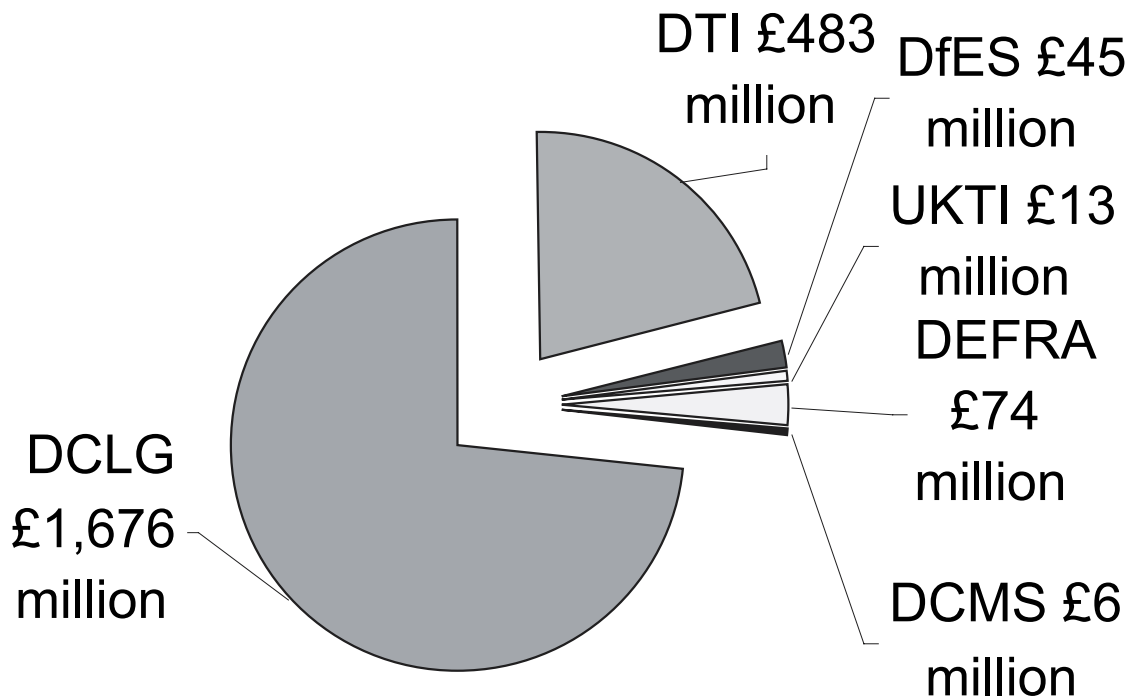
²⁶ NAO Analysis of Department's policy levers.

²⁷ NAO Analysis of Department's policy levers.

²⁸ NAO Analysis of Department's policy levers.

10. PLANNED CONTRIBUTIONS TO THE RDA SINGLE POT BY GOVERNMENT DEPARTMENTS FOR 2007–08

The Department provides the lion share of the single pot.



Source:

- 540 million of European Regional Development Fund expenditure was administered by Government Offices in 2006–07. This EU funding is used to provide normally up to half the costs of projects that support the economic development of regions lagging behind or support the economic and social conversion of industrial, rural, urban and fisheries facing structural difficulties.

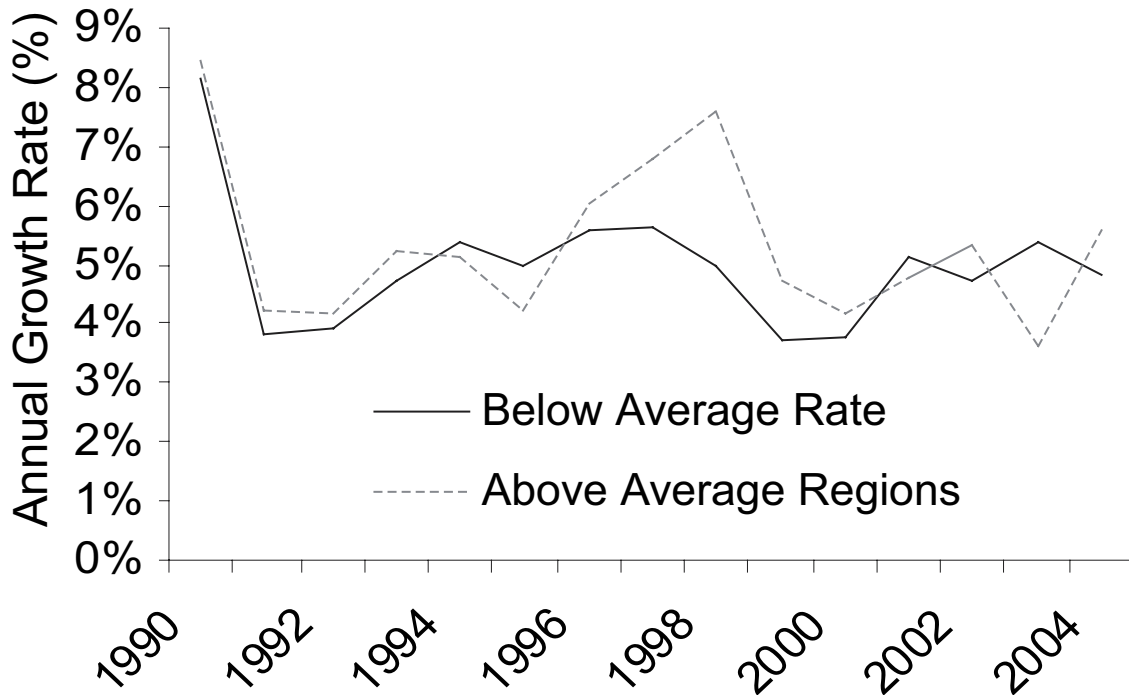
5.5 Examples of specific regional programmes include:²⁹

- The Coalfields programme, managed by English Partnerships with the Regional Development Agencies to regenerate 107 redundant coalfields across England.
- The Northern Way strategy, a collaboration between Yorkshire Forward, Northwest Regional Development Agency and One NorthEast Regional Development Agencies. It is a 20 year strategy to transform the economy of the North of England and close the £30 billion output gap between the North and the English average.

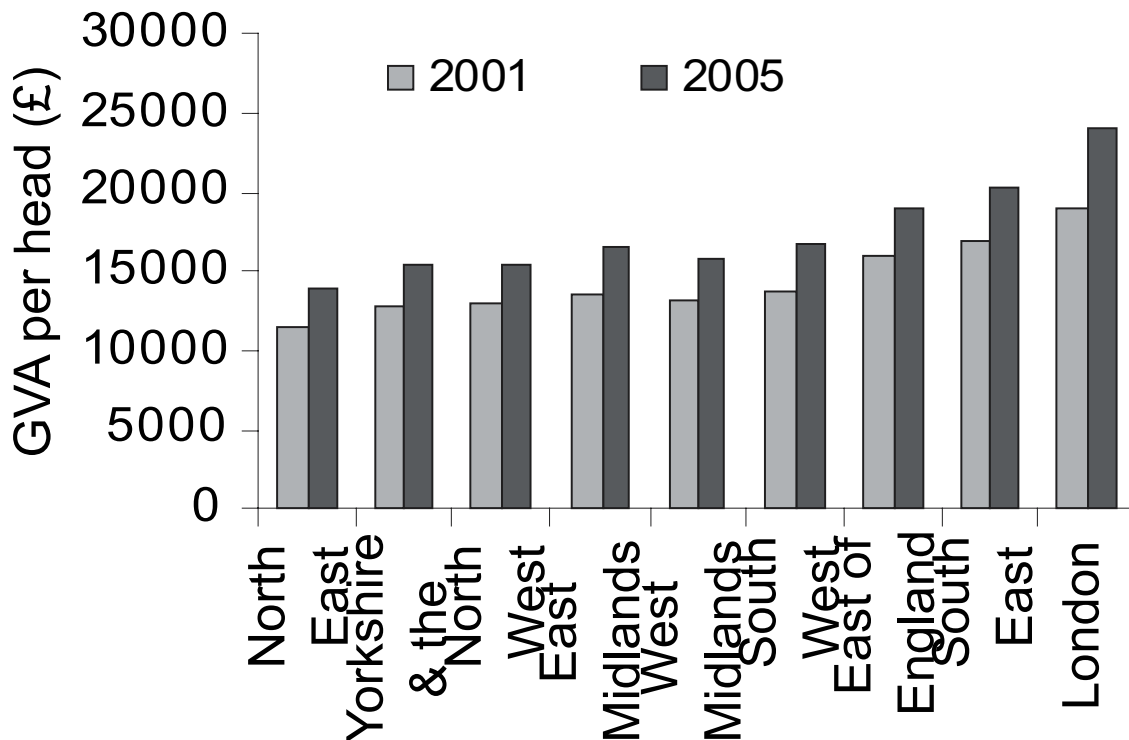
²⁹ NAO Analysis of Department's policy levers.

11. TRENDS IN ANNUAL GROWTH RATE OF GVA PER HEAD

There was a 0.6 percentage point gap between the growth rates of richer and poor regions over the period 1989–2002.



Regional economies are all growing but a wealth gap between the North and South still exists.



Source: Mind the Gap: Tackling Disparities in Regional Economic Performance.

What progress has the Department made?

Regional Gross Value Added (GVA) per head.³⁰

5.6 The PSA target compares the average growth rate of each region over the period 2003–12 with the baseline period 1989–2002. It will be achieved if each individual region's growth rate has increased and there is a reduction in the gap in growth rates between the three regions with above average GVA per head and the other six regions. This gap was 0.6 percentage points over the period 1989–2002, mostly due to accelerated growth by the more affluent regions (London, South East and East) between 1997 and 1999 (figure 11).³¹

5.7 The Department believes that it is too early to measure progress. There is typically an 18 month time delay in producing regional economic data and the Department believes that trends are best assessed after the end of the economic cycle.³²

5.9 The early signs of progress are mixed. Nominal GVA per head for 2003–2005 provides encouraging evidence for a narrowing in the gap in growth rates but not for improving the performance of all regions and there appears to be little change in productivity differentials.³³

5.10 In 2003 the ODPM Select Committee reported its view that Gross Value Added per head is “not an adequate indicator” of regional economic performance,³⁴ but the Government believes that it is appropriate because it is the internationally accepted method of measuring economic output. The Government also believes that other targets better measure the quality of life in the regions.³⁵

Regional Development Agencies performance

5.10 The NAO undertook Independent Performance Assessments of the eight Regional Development Agencies outside of London during 2006–07. Overall we found all Regional Development Agencies performing well or strongly.³⁶ Our assessment took contributions from over 2,000 individuals and looked at:

- aims (including ambition and prioritisation);
- activities (including capacity and performance management); and
- achievement.

12. CURRENT POSITION ON THE DRIVERS OF REGIONAL ECONOMIC PERFORMANCE

Driver	Focus of action	Targeted spending?	
Clear understanding of the mechanisms?			
Employment	Yes	Assisting Incapacity Benefit claimants back to work. This addresses the largest factor behind different employment rates.	Yes
Skills	Yes	Giving a regional dimension to supply side reforms.	Partial
Investment	No	Understanding the precise nature of the mechanism better.	No
Innovation	No	Understanding the precise nature of the mechanism better.	No
Enterprise	Yes	The Department of Trade and Industry Small Business Service and Business Links operated by Regional Development Agencies.	Yes
Competition	No	The government sees action on investment, innovation and enterprise as also promoting competition.	No

Source: Mind the Gap: Tackling Disparities in Regional Economic Performance.

³⁰ Note all GVA figures are stated here in nominal terms before inflation. The Department often presents these data after inflation which will produce lower figures for growth. This would have no effect on the overall pattern of growth between regions, as the Department does not have specific inflation figures for each region.

³¹ PSA Target 2 -Technical Note.

³² Annual Report paras 4.6–4.12.

³³ Review of sub-national economic development and regeneration, HM Treasury, July 2007.

³⁴ Reducing Regional Disparities in Prosperity, ODPM Select Committee Ninth Report of Session 2002–03, HC (2003–03) 492, 24 June 2003.

³⁵ Mind the Gap: Tackling Disparities in Regional Economic Performance, National Audit Office, February 2007.

³⁶ The Independent Performance Assessments scored Regional Development Agencies' performance on a scale from inadequate to strong. All performed within the top two categories of the four point scale. We were invited to undertake the assessments by the then Department for Trade and Industry.

5.11 The Regional Development Agencies have two particular strengths:³⁷

- the vision and ambition of the Regional Economic Strategies including their understanding of the regional economic context and how well it would deliver against improving economic performance; and
- their ability to prioritise by translating the ambitions of the Regional Economic Strategy into actions to address economic performance.

5.12 But there are three key areas that all of the Regional Development Agencies need to improve: evaluation, communication and delegation. Evaluation, is probably the most important to allow the Regional Development Agencies to understand the impact of their investments and see what effect this has on the overarching PSA.³⁸

What are the key challenges the Department faces?

Weak influence over the economic drivers

5.13 Influencing economic growth is a long-term, complex and challenging target that requires multiple interventions across a variety of different sectors. The Government has identified six key drivers of regional economic performance: employment, skills, investment, innovation, enterprise and competition. The National Audit Office's recent report *Mind the Gap* (February 2007) supported the Department's view of the association between success in terms of each of the six drivers and success in regional economic performance. But using these drivers is challenging because:

- there is an incomplete understanding of the economic drivers (figure 12);
- economic performance data is not real time; and
- the Department has weak levers of influence over the drivers.³⁹

5.14 The Government aims to increase flexibility at the local and regional levels to enable partners to address the market or government failures that are holding back economic performance. Regional Development Agencies are responsible for identifying these failures in the Regional Economic Strategies.⁴⁰ The allocation of resources is not therefore the primary means by which the Government seeks to address regional disparities. However there is a broad trend of slightly higher overall public spending per head in poorer regions, with the exception of London. Spending is only targeted at regional economic performance for the Employment and Enterprise drivers (figure 12).

5.15 The Department's resources aimed at regional economic performance are small compared to the total public spending on the drivers and must be used very strategically if they are to have any effect. We estimate the Regional Development Agency funds account for less than 1% of total public sector resources to a region.⁴¹

5.16 The Department has had a hands off approach to Regional Bodies. The Capability Review pointed to the ambiguous relationship between the Department and regional bodies such as the Government offices and the Regional Development Agencies.

5.17 From 2008–09 responsibility for the Regional Economic Performance PSA target will be transferred to the Department for Business Enterprise and Regulatory Reform, but the Department will remain responsible for funding the lion's share of the Single Pot.⁴²

Cross Regional Working

5.18 The Regional Development Agencies are very focused on their own region's development and do not have a strong history of working together. One reason is that they compete for investment opportunities and to promote their own region. The lack of cross-regional working has two negative impacts:⁴³

- a failure to share good practice; and
- difficulty in addressing cross-regional issues such as Growth Areas and larger infrastructure planning.

5.19 Steps are being taken to address the sharing of good practice, both by the sponsor department and by the NAO with the facilitation of good practice workshops. This will take time to embed and the results of closer working will not be seen immediately.

5.20 Progress is being made in addressing cross-regional issues, such as establishing the Northern Way Strategy.

³⁷ NAO Analysis of Independent Performance Assessments, unpublished.

³⁸ *ibid.*

³⁹ *Mind the Gap: Tackling Disparities in Regional Economic Performance*, National Audit Office, February 2007.

⁴⁰ *ibid.*; Review of sub-national economic development and regeneration, HM Treasury, July 2007.

⁴¹ *ibid.*

⁴² *ibid.*

⁴³ NAO Analysis of Independent Performance Assessments, unpublished.

Getting the level of spatial coordination right

5.21 The Government is exploring the possibility of developing loose collaborations of councils into statutory sub-regional authorities. These new bodies could be well-placed to win new powers over housing, planning and transport.⁴⁴

5.22 At the same time, the Regional Development Agencies are to become more strategic. They are being asked to take on responsibility for strategic spatial planning but delegate their funding to local or sub-regional partners which will include these new sub-regional authorities, where the capacity exists to deliver projects.⁴⁵

5.23 New accountability arrangements are needed for these bodies. Currently, the Regional Development Agencies are scrutinised by Regional Assemblies and are accountable to central government. Regional Assemblies on the other hand are funded by central government but accountable to local government. With the demise of Regional Assemblies by 2010, the question of who scrutinises both the Regional Development Agencies and the new city-regional authorities will be a key issue.⁴⁶

5.24 Regional select committees could take a key role in the scrutiny of regional policy. The Fovernance of Britain Green Paper and the Sub National Review both support the establishment of regional select committees to scrutinise the work of the Regional Development Agencies.⁴⁷

5.25 The NAO is piloting the production of regional companion pieces for its national reports. They will build on our national reports covering topics where there is a clear regional interest, such as transport, worklessness, and public services.

Suspension of payments by the EU

5.26 European Funding is administered by the Department and its Government Offices, with the Department providing money up-front and reimbursed by the European Commission later.

5.27 In April 2007 the European Commission suspended its reimbursements to the Department with respect to European Regional Development Fund payments made by the Government Offices for the North-West, North-East, West-Midlands, London and Yorkshire & Humber and the URBAN programme in Peterborough. The Commission was not happy with the arrangements in place to monitor grant payments.

5.27 The Suspension has now been lifted from the North-West (Objective 1), North-East, Yorkshire and the Humber (Objective 2) and Peterborough. The Department expects all reimbursements to continue by the end of the 2007–08 financial year. In their 2006–07 Resource Accounts the Department was seeking £270 million from the Commission and disclosed a £62 million contingent liability in respect of possible fines.⁴⁸

What happens next?

5.29 The HM Treasury published its review of Sub-national Economic Development and Regeneration, in July 2007.⁴⁹ It set out plans to:

- refocus the powers and responsibilities of Regional Development Authorities and Local Authorities;
- give local authorities a greater role in ensuring economic opportunity for all;
- give Regional Development Agencies a new strategic role to develop the single strategy on behalf of the region, incorporating responsibilities for the Regional Spatial Strategy;
- encourage further sub-regional working, building on existing collaboration between local authorities, including developing joint Multi-Area Agreements between groups of local authorities and possible statutory authorities at a sub-regional level;
- give Business, Enterprise and Regulatory Reform full responsibility of the Regional Economic Performance PSA target and a stronger role in sponsorship and oversight for the performance of the RDAs. The contribution to the single pot by the Department would not be affected; and
- disband Regional Assemblies by 2010.

Matters that the Committee may wish to explore:

⁴⁴ Sub-National Review. HM Treasury, July 2007.

⁴⁵ *ibid.*

⁴⁶ NAO Analysis.

⁴⁷ NAO Analysis.

⁴⁸ Department's Resource Accounts 2006–07.

⁴⁹ Sub-National Review, HMT Treasury, July 2007.

- The ability of the Department to monitor regional economic performance given that the trends it is trying to affect are only observable at the end of the economic cycle, and the appropriateness of using GVA per head as an adequate indicator given the Select Committee's previously expressed views. (paragraphs 5.6-5.9)
- The capacity of Regional Development Agencies to take on new roles following the Review of Sub-National Economic Development and Regeneration. (paragraphs 5.29, 5.10-5.12)
- The ability of the Department to influence regional economic performance (paragraphs 5.13-5.17)
- The Department's responsibilities and role in respect of all the regional bodies following transfer of full responsibility for PSA 2 to Business, Enterprise and Regulatory Reform. (paragraphs 5.16-5.17, 5.29)
- The Department's proposals for establishing the appropriate level of spatial coordination and effective scrutiny. (paragraphs 5.21-5.25)

6. BETTER LOCAL SERVICES

(Chapter 5 of Annual Report)

What is the Department trying to achieve?

6.1 The Department's third strategic priority focuses on delivering better local services. The overall theme for the Department is the devolution of power and decision making to local government as far as possible. This includes:

- improving local public services;
- devolving decision making to the appropriate level;
- ensuring adequate and stable resources for local government; and
- clarifying the relationship between neighbourhoods and local, regional and central government.

13. Better Local Services Targets

Public Service Agreement 4 Local Government: by 2008, improve the effectiveness and efficiency of local government in leading and delivering services to all communities.

There are three aspects to the assessment of this target: overall performance; direction of travel and use of resources/efficiency.

The Department has also established efficiency targets for Local Authorities.

What has DCLG been doing to achieve this?

The Local Government White Paper

6.2 The Department has set out its vision for driving fundamental change in the nature of the relationship between central and local government. It aims to ensure that local needs are better addressed by local government and that citizens have more input to influence the services they receive and what happens in their area.⁵⁰

6.3 In October 2006 the Department published a new local government white paper, *Strong and Prosperous Communities*.⁵¹ This sets out a new policy agenda for local government including:

- Responsive services and empowered communities. The Department will encourage councils to develop neighbourhood charters setting out local standards and priorities, and will enable citizens to hold local agencies to account. It will devolve the power to create parish councils to Local Authorities and enable Local Authorities to work more closely with neighbourhood policing teams. The Department will enable Local Authorities to give councillors small budgets to tackle local issues and some parish councils new powers to tackle local issues.
- Devolution of powers to develop effective, accountable and responsive local government. The Department will require Local Authorities to vest executive powers in the leader of the council using one of three models: a directly elected mayor, a directly elected executive of councillors, or a leader elected by councillors with a clear four year mandate. The Department will also empower Councillors to be better champions of their local communities by, for example, strengthening the role of overview and scrutiny committees.
- Strengthened strategic, place shaping role for local government supported by a simplified local performance framework. The Department will support Local Authorities in a radical simplification of the performance framework to assist them in preparing delivery plans for their sustainable communities strategies. Each Local Authority will agree around 35 priorities for its

⁵⁰ NAO Analysis.

⁵¹ *Strong and Prosperous Communities*, The Local Government White Paper, the Department, October 2006.

area, tailored to local needs, through the Local Area Agreement, plus the Department for Children, Schools and Families' statutory attainment and childcare targets. Instead of the many hundreds of indicators currently required by central government there will be a single set of about 200 outcome based indicators covering all important national priorities like climate change, social exclusion and anti-social behaviour.

- Improving the efficiency of local government and services. The Department will promote greater service collaboration between councils and across all public bodies. It will encourage Local Authorities to use business process improvement techniques more by promoting collaborative opportunities and ways to overcome barriers through Regional Centres for Excellence.
- Support for community cohesion, particularly in areas facing difficulties. The Department will provide support for areas facing particular community cohesion challenges and will help share best practice between authorities. It will support the establishment of forums on extremism in parts of the country where they are necessary.

Performance Framework

6.4 The Department uses four main policy levers to promote better public services. Firstly, the Department focuses on improving Local Government's internal processes, disseminating best practice to all and target setting:⁵²

- The Department sponsors the Audit Commission. The Audit Commission carries out inspections of local government and produces comprehensive performance assessments of English local authorities. These allow local residents and central government to gauge the level of service delivery by a council and compare performance relative to other councils.
- The Department promotes the dissemination of good practice in local government services through schemes such as the Beacons Advisory scheme. It provides a revenue support grant to the Improvement and Development Agency (I&DeA) of £25 million together with £7.9 million of other grants to support specific workstreams.
- A national "Supporting People Value Improvement Programme" aims to help local authorities' commission services more effectively and strategically.

Local Area Agreements

6.5 Secondly, the Department has established Local Area Agreements with all the Local Authorities in England. These are three year agreements setting out the strategic direction and priorities for a local area. Government Offices negotiated with Local Authorities and Local Strategic Partnerships over the contents of the Agreements on behalf of central government. They aim to achieve:⁵³

- More emphasis on area based service delivery to encourage stronger partnership working, alignment of local government performance management arrangements with that of partner agencies and replacement of authority-based inspection with an area based assessment of risks to service delivery.
- More freedom in spending decisions to allow the local authority to make decisions about spending priorities with partners locally without being conditioned by centrally imposed targets. The number of specific, ringfenced grants provided to local authorities will be reduced.
- Fewer central targets and reporting systems. Each Agreement will have no more than 35 indicators negotiated between the Local Authority and the Government Office alongside 18 statutory education and early years targets. A single annual performance review will examine the findings of the Comprehensive Area Assessment and respond to changing priorities in the area.

Control of local government finance

6.6 Thirdly, the Department has overall control of local government finance.⁵⁴ This includes:

- Departmental powers to cap council tax rises in order to protect council tax payers from excessive increases in their bills. In addition, council tax benefit is available to low-income households to alleviate the financial burden of Council tax.
- The Bellwin scheme which provides emergency financial assistance to local authorities. This enables urgent large, unforeseeable and uninsurable costs to be met by local authorities with the assurance that financial assistance will be available from the government should the cost exceed a predetermined level. Local authorities affected by the floods in June and July 2007 are eligible to claim under this scheme.

⁵² NAO Analysis of Department's policy levers.

⁵³ Department's website.

⁵⁴ NAO Analysis of Department's policy levers.

- The Local Authority Business Growth Incentive Scheme which is a three year incentive scheme to run to 2007–08 to encourage local authorities to increase business growth in their areas. The funding (£316 million in 2006–07) is un-ringfenced and autonomy is given to qualifying local authorities to spend as they see fit to deliver economic success and prosperity to their local community.

Involving local communities

Fourthly, the Department promotes the involvement of local communities by:⁵⁵

- Publishing guidance and examples of best practice to help local authorities implement the new agenda for local democracy and citizen participation.
- The “Together We Can” programme to increase collaboration of citizens and public bodies in the development of public policies and services. This involves 12 government departments covering a wide range of policy areas.

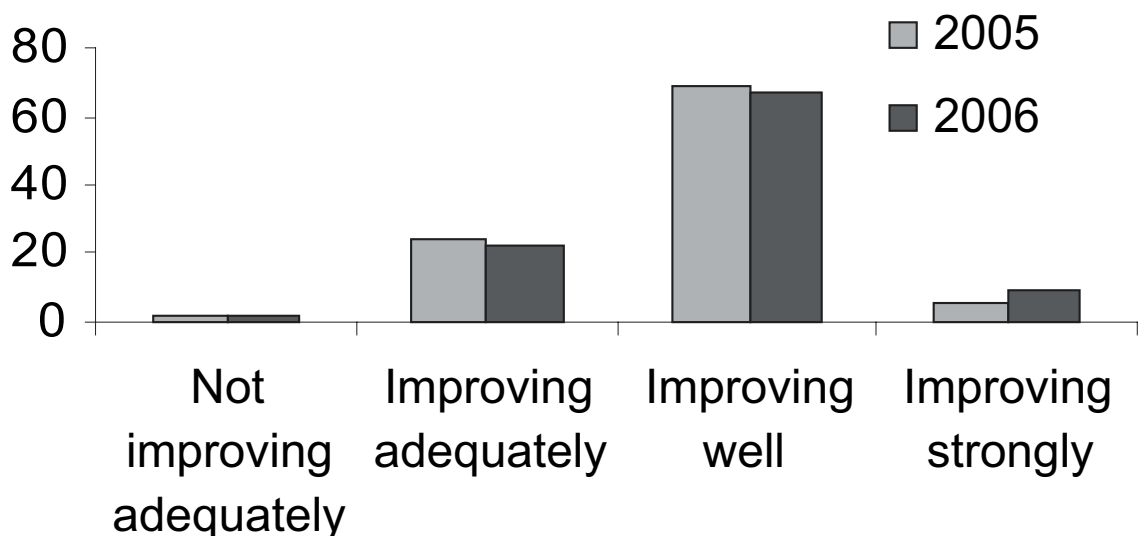
What progress has the Department made?

Local Government performance

6.8 Local Government performance as assessed by the Audit Commission has improved significantly over recent years and is on course to achieve PSA 4:⁵⁶

- Overall performance is improving. Comprehensive Performance Assessments assess net change in authorities in CPA categories from the baseline year of 2005. Results published in February 2007 show continued improvement with 79% of single tier and county councils achieving 3 or 4 stars. Three councils have moved up two categories and 29 have moved up one category. For the first time since CPA began in 2002, no councils are in the bottom CPA category. Some Councils, where they have requested it and can demonstrate evidence of improvement, are currently being reassessed by the Audit Commission, including several District Councils.⁵⁷
- Underlying direction of travel is positive (figure 14). An assessment of direction of travel is provided by the Audit Commission in annual statements for each authority. The target sets out the aim that no single tier or county council is to have a “not improving adequately” or “not improving” direction of travel statement for two consecutive years. It is on course to be met.
- Efficiency or use of resources is assessed by considering both the local government efficiency target and CPA use of resources scores (figure 15). These two elements are on course to be met with both ahead of the estimated trajectory for 2008.

14. DIRECTION OF TRAVEL: PERCENTAGE OF SINGLE TIER AND COUNTY COUNCILS SHOWING DEGREES OF IMPROVEMENT IN CPA ASSESSMENT



⁵⁵ NAO Analysis of Department's policy levers.

⁵⁶ Local Government National Report: CPA the Harder Test—Scores and analysis of performance in single tier and county councils 2006, Audit Commission, February 2007; Annual Report paras 5.20 -5.28.

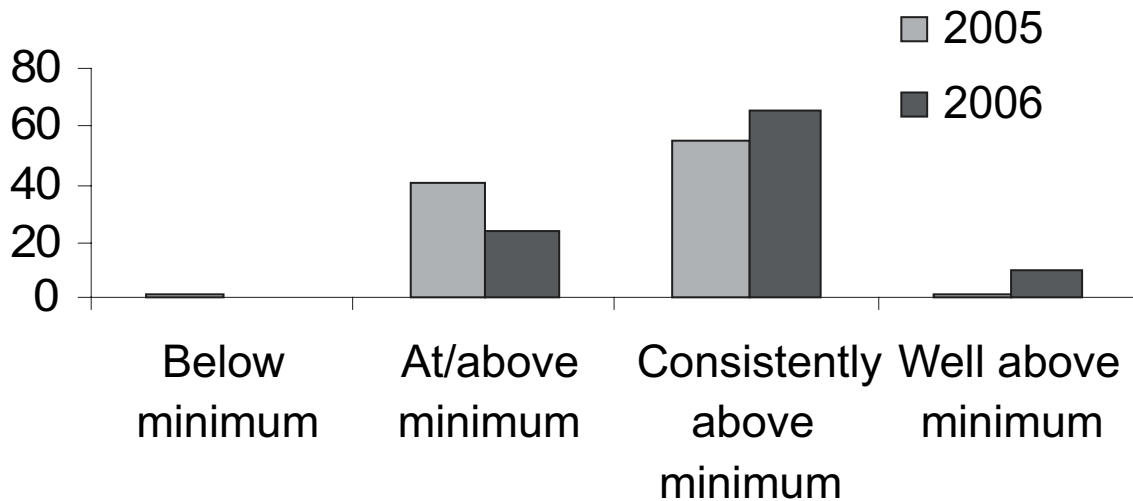
⁵⁷ Department.

Note that 18 councils whose direction of travel judgements are subject to review and have been excluded from this analysis.

Source: Audit Commission.

6.9 Better performing councils continue to improve to a greater degree than those in lower categories. Lower performing councils need to accelerate the pace of improvement to prevent the gap between high and low performance widening in the future.⁵⁸

15. THE PERCENTAGE OF SINGLE TIER AND COUNTY COUNCILS PERFORMANCE AGAINST MINIMUM REQUIREMENTS FOR THE USE OF RESOURCES



Source: Audit Commission.

6.10 Half of residents say they are satisfied with their Local Authority. 54% of those surveyed were satisfied with the overall service provided by the local authority, a decrease of 1 percentage point since 2003–04. 61% of people felt that they were not well informed about the services and benefits a council offers.⁵⁹

6.11 Satisfaction varies by region and level of deprivation. Those in the least deprived areas are more likely to be satisfied with their Local Authority.

Local Area Agreements

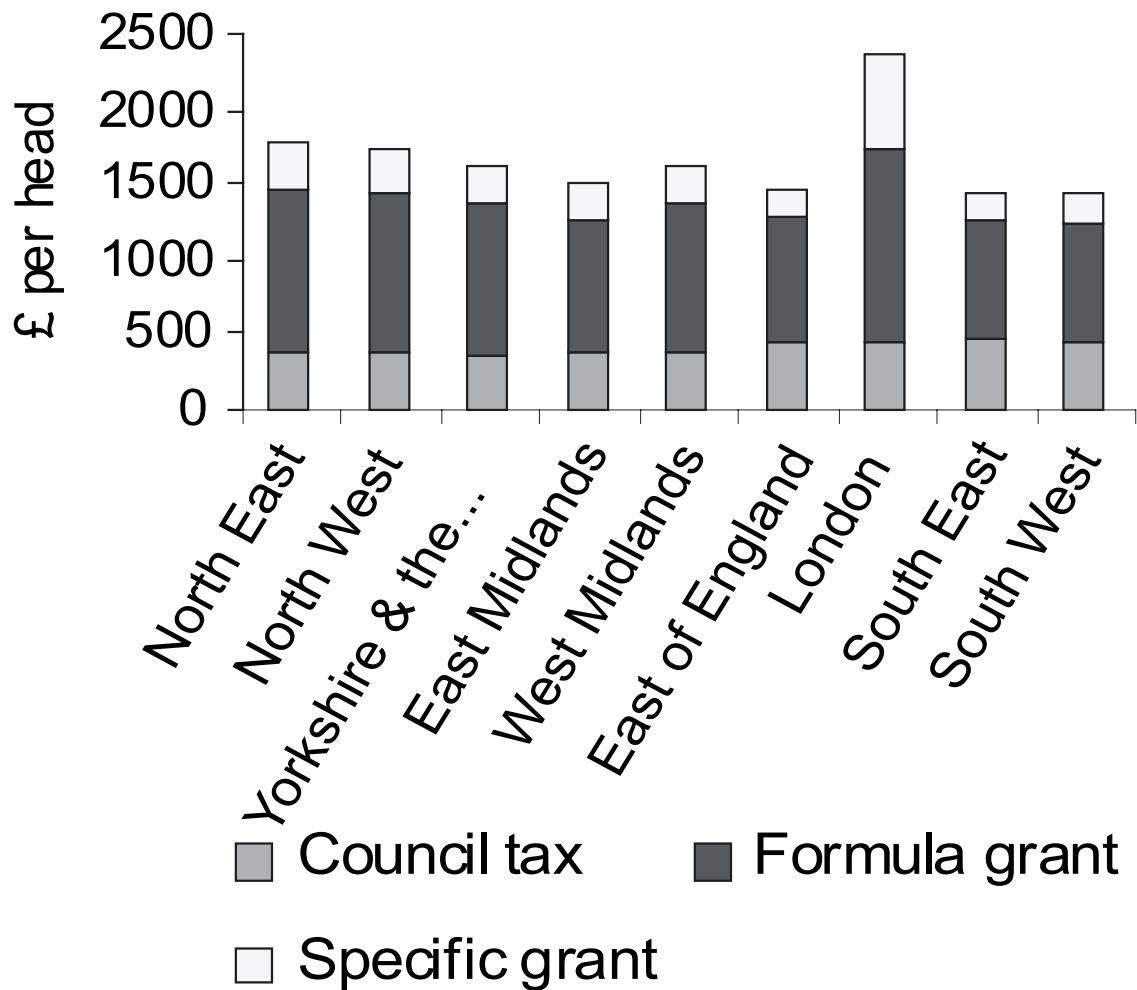
6.12 The Department's assessment of Local Area Agreements found that:⁶⁰

- Agreements are generally seen as positive in terms of focus on outcomes, dissemination of good practice and strengthened joint working.
- Cash savings are yet to be achieved from the streamlining or rationalisation of performance reporting requirements. Currently, there is a double burden of developing and implementing new performance measurement arrangements around the Agreement on behalf of the Local Strategic Partnerships whilst also maintaining existing reporting requirements to Government Departments and Government Offices.

⁵⁸ Local Government National Report: CPA the Harder Test—Scores and analysis of performance in single tier and county councils 2006, Audit Commission, February 2007.

⁵⁹ Best Value User Satisfaction Survey 2006–07, General Survey National Report, The Department, May 2007.

⁶⁰ DCLG report: Evidence of savings, improved outcomes and good practice attributed to local area agreements. February 2007.

16. SOURCES OF REVENUE FUNDING TO LOCAL GOVERNMENT 2005–06

Source: Local Government Financial Statistics England No 17.

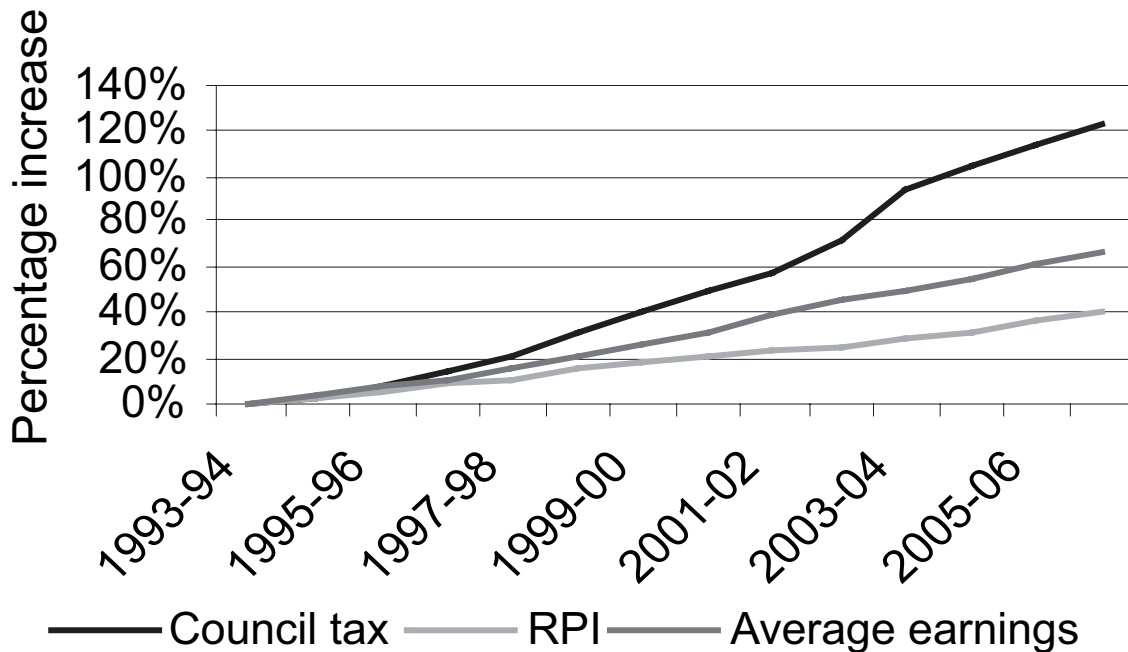
Council Tax

6.13 Local Government funding is made up of council tax, formula grants and specific grants (figure 16). Council tax accounts for under a third of Local Authority revenue.

6.14 The Select Committee report on council tax highlighted unfairness in the system.⁶¹ Council tax is not means tested. It is becoming an increasing problem for some households. The increase in council tax is around double the increase in average earnings (figure 17).

⁶¹ House of Commons Communities and Local Government Committee: Local Government Finance: Council tax benefit, eighth report of the session 2006-07.

17. CUMULATIVE INCREASE IN COUNCIL TAX, RETAIL PRICES AND AVERAGE EARNINGS SINCE 1993-94



Source: Local Government Financial Statistics England No 17.

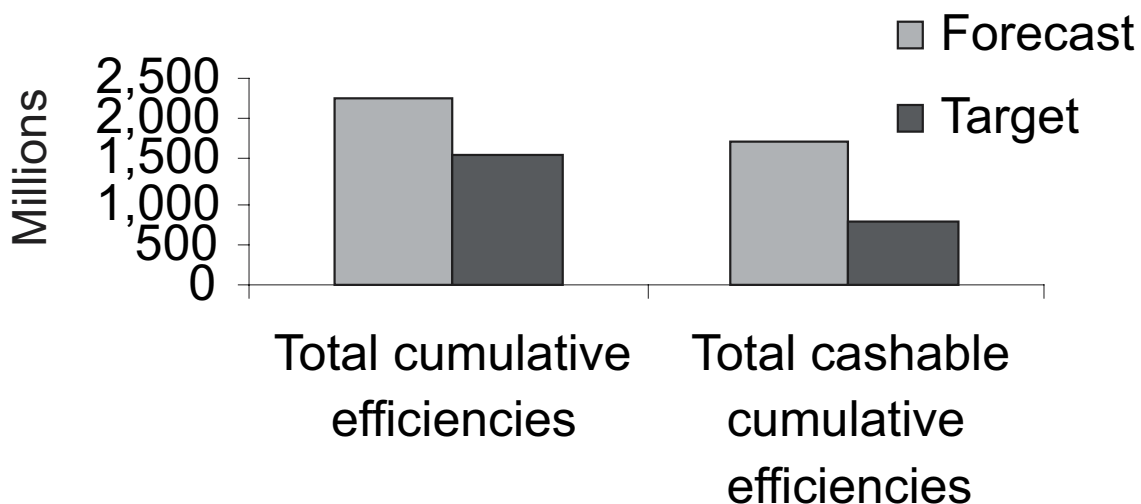
6.15 The Select Committee also highlighted weaknesses in the operation of council tax benefit.⁶² The Committee found:⁶³

- People can only receive council tax benefit if they make a claim. They are not automatically entitled to it.
- The rules governing the receipt of benefit are too restrictive for those in need of the greatest relief.
- Take up of the benefit is low and relief is not effectively reaching all those intended.

Local Government efficiency

6.16 Local Authorities have achieved their efficiency targets one year ahead of schedule and forecast to make more than twice the cashable savings than the target (figure 18).

18. LOCAL GOVERNMENT EFFICIENCY SAVINGS



Source: Mid year update 2006-07, The Department.

⁶² The Department of Work and Pensions has responsibility for Council tax benefit.

⁶³ House of Commons Communities and Local Government Committee: Local Government Finance: Council tax benefit, eighth report of the session 2006-07.

What challenges does the Department face?

6.17 Implementing the Local Government White Paper and devolving more power to Local Authorities requires a restructuring of the way the Department interacts with Local Authorities.⁶⁴

- The number of targets that Local Authorities have to report upon is being reduced to allow Local Authorities more flexibility in setting its local agenda. There will now be only 200 national indicators and each Local Area Agreement will have 35 targets tailored to the local areas and 18 statutory education and early years' targets. The challenge to the Department is working with less information on local performance and having fewer incentives to influence Local Authorities. Some Department priorities will have to be excluded from local performance targets.
- The Department will no longer be able to provide funding directly to its priorities but will have to persuade Local Authorities to focus on them. The Department will retain the ability to target more funding at specific Local Authorities.
- As performance measures and funding will be determined locally the Department will have to rely on others to provide assurance that money is being well spent. The Department continues to work with the NAO and others to determine how best to retain accountability trails to Parliament.

6.18 The Lyons Review on Local Government recommended reform of local taxation.⁶⁵ It was recognised in the review that short term measures are needed to make council tax fairer, increase take-up and increase local flexibility to manage pressures. In the longer term, radical reform of council tax is required in order to cement these changes. However, the Government has announced that any revaluation of council tax will not take place this parliament.

6.19 The Department wants to reform the local government pension scheme to ensure it remains viable. They want it be affordable to scheme members and employers and fair on the taxpayer. As of 6 April 2006, new rules came into effect to increase flexibility for scheme members including; flexible retirement from age 60, the exchange of part of the pension for a lump sum and taking additional voluntary contributions as cash. There are ongoing changes that will continue to be implemented including the new scheme regulatory framework programmed to take full effect from April 2008.⁶⁶

6.20 Local Authorities are attempting to increase recycling rates and reduce the amount of rubbish going to landfill. About 40% of English authorities have adopted alternate weekly collections of waste to encourage households to recycle. In some areas this practice has met with severe opposition from local communities. The Select Committees July 2007 report on refuse collection found:⁶⁷

- Local Authorities are best placed to decide what refuse collection regime works locally;
- alternative weekly collection works in some places to increase recycling rates, but works less well where Council have “blundered into” introducing it without adequately informing residents;
- it is not suitable for urban areas without storage space;
- proposed incentive schemes are too weak to be effective; and
- municipal waste is only 9% of national waste and the government should concentrate on the commercial waste sector.

6.21 Ministers are minded to establish nine new Unitary Authorities, merging existing district and county councils. 26 Councils submitted proposals to establish new unitary authorities, and the Department consulted on 16 of the bids. On the 26 July nine were announced as successful. Implementation will follow enactment of the Local Government and Public Involvement in Health Bill and subject to enactment and discussions with the Local Authorities, elections for future Unitary Authorities will take place in May 2008 or May 2009. The Department wants areas that are remaining two-tier to adopt new arrangements to enable them to achieve the same level of improvement and efficiency gains that is expected of the new Unitary Authorities.⁶⁸

What happens next?

6.22 A move to 3 year grant allocations for local government within the next spending review period (2008–11) aims to provide a stable funding environment which will allow local government to more effectively forward plan within budgets and provide more flexible, efficient and responsive services.

6.23 The Department is promoting the Local Government and Public Involvement in Health Bill to give effect to key proposals from the Local Government White Paper. These include making provision for local councillors to have new powers to respond to local concerns, strengthening the leadership and decision making arrangements within councils, providing an opportunity for councils to seek unitary status,

⁶⁴ NAO Analysis.

⁶⁵ Place-shaping: a shared ambition for the future of local government, Lyons Inquiry into Local Government, Sir Michael Lyons, March 2007.

⁶⁶ NAO analysis of information from www.lgps.org.uk and the Department.

⁶⁷ House of Commons Communities and Local Government Committee: Refuse Collection fifth report of the session 2006–07.

⁶⁸ The Department.

devolving power for the conduct regime and byelaws and providing a statutory basis of Local Area Agreements and the new performance regime. It aims to devolve power to more local levels and give local people more say in what happens in their area.⁶⁹

6.24 The Department is incorporating proposals from the Sustainable Communities Private Members Bill into its forward plans. The Bill is due to be enacted as law in late 2007 and requires the Secretary of State to:

- Invite Local Authorities to make proposals which would contribute to promoting the sustainability of local communities. If they wish to make a proposal local authorities must establish or recognise a panel of representatives of local persons and consult it on the proposals.
- Appoint a body to draw up a short-list of proposals received.
- Decide which of the proposals to implement and then publish the decisions.
- Arrange for the production of reports which map the flow of public expenditure into local areas.
- The Audit Commission's Comprehensive Performance Assessments will be replaced by Comprehensive Area Assessments in 2009. Comprehensive Area Assessments will continue to provide assurance about how well run local public services are and how effectively they use taxpayers' money. In addition, however, they aim to be more relevant to local people by focussing on issues that are important to the local community rather than on the internal processes of Local Authorities.

Matters that the Committee may wish to explore:

- The extent to which the Department is ready to change the way it interacts with Local Authorities. (paragraphs 6.17, 6.22-6.23, 6.25)
- The extent to which the Department will be able to provide assurance to Parliament following the reforms outlined in the Local Government White Paper on the effective use of resources provided to local government. (paragraphs 6.25, 6.4)
- The extent to which improved Comprehensive Performance Assessment scores translate to better capacity within the local government sector to improve resident satisfaction with their Local Authority. (paragraphs 6.8-6.11)
- The extent to which the Department has been able to respond to the Committee's concerns about Council tax (paragraphs 6.13-6.15, 6.18) and waste (paragraph 6.20)
- The extent to which the Unitary Authority mergers will create real improvement and efficiency gains. (paragraph 6.21)

FIRE AND RESCUE SERVICE

(Chapter 5 of Annual Report)

What is the Department trying to achieve?

The Department aims to modernise the Fire and Rescue Service to:

- reduce fire deaths and arson;
- further develop the service's effective planning, preparation and response to emergencies of any size and build resilience to new threats; and
- develop greater capacity for response and recovery at a local and regional level by working in partnership.⁷⁰

19. FIRE AND RESCUE SERVICE TARGETS

Public Service Agreement 3: Fire and rescue services: by 2010, reduce the number of accidental fire-related deaths in the home by 20% and the number of deliberate fires by 10%.

What is the Department doing to achieve this?

7.2 In 2006–07 the Fire and Rescue Authority budgets totalled £2.1 billion.⁷¹ This was financed by grant from central government and council tax. the Department spent £185 million on central programmes specifically aimed at the modernisation of the Service.

7.3 The Department's modernisation programme for the Fire and Rescue Service has five strands.⁷²

⁶⁹ The Department.

⁷⁰ NAO synthesis of DCLG strategic aims.

⁷¹ Fire and Rescue Performance Assessment National Report, Audit Commission April 2007.

⁷² NAO analysis.

Local Risk Assessment

7.4 Enabling a more flexible response to risk management with a shift of emphasis to fire prevention alongside response by:

- replacing the prescribed formulaic National Standards of Fire Cover with more flexible locally determined risk management arrangements;
- a £25 million programme of Home Fire Risk Checks combined with the installation of free 10 year battery operated smoke alarms for the most vulnerable households; and
- removing the requirement for the Secretary of State to approve changes to the Fire and Rescue Service's funding and staff complement.

National Framework

7.5 Providing a targeting framework and measuring performance against this by:

- introducing a National Framework to give key directions to the Fire and Rescue Authorities; and
- commissioning the Audit Commission to assess the performance of Fire and Rescue Authorities against this framework.

A Regional Approach

7.6 Introducing a regional approach to improve co-ordination between local, regional and national partners by:

- establishing Regional Management Boards as coordinating bodies and owners of regional strategies; and
- a £998 million FiReControl project to create a network of regional control centres, replacing existing local centres to increase co-ordination, within a resilient and consistent structure.

Integrated Response

7.7 Providing for an integrated response to major incidents, including terrorist attacks by:

- giving statutory effect to the wider role of the FRS in the Fire and Rescue Services Bill 2004;
- a £350 million Firelink project to replace each Fire and Rescue Authority's current main scheme radio technology enabling resources to work more flexibly and readily with the Police and Ambulance service;⁷³ and
- a New Dimension programme to provide equipment and training to enhance the Fire and Rescue Service's ability to respond to major emergencies including terror attacks and industrial emergencies. Investment is likely to be over £200 million.

A culture change

7.8 Promotion of a culture of inclusion within the service to ensure the needs of local communities are met by:

- removing old military style discipline arrangements, introducing multi-level entry into management, and greater use of flexible working practices;
- adopting a new workforce development programme and the replacement of ranks with roles; and
- creating forums to improve diversity and use of advertising campaigns to raise awareness of careers in the Fire and Rescue Service.

Recent Developments

7.9 In 2006–07 the Department:⁷⁴

- reformed Fire Safety Regulations by removing the requirement for fire certificates for non-domestic properties and introducing a duty of care arrangement on a responsible person supported by self-assessments and enforced by a risk based inspection system;
- awarded a £200 million contract to an Infrastructure Services provider to develop the new regional control centres, although the original planned cost of the contract was £120 million;⁷⁵

⁷³ £350 million refers to the total cost of the programme in England. An additional £50 million is being spent in Wales and Scotland, but not funded directly by the Department.

⁷⁴ NAO analysis.

⁷⁵ Written response to Parliamentary Question 101586 (Session 2006-07), 4 December 2006.

- replaced the previous fire-fighter pension scheme, considered poor value for money, with a new scheme for all fire-fighters employed since 6 April 2006;
- launched FireBuy to take forward national procurement exercises, including a project to provide nationally consistent clothing;
- revised the National Framework for the Fire and Rescue Service, which introduced amongst other things a requirement for Regional Management Boards to demonstrate measurable progress, and that Fire and Rescue Authorities must procure through FiReBuy where directed;
- introduced a new fair and transparent selection process for fire-fighters that tests only aspects relevant to the job, for use by all Fire and Rescue Authorities; and
- set out the type of emergencies to which Fire and Rescue Authorities will have a specific duty to prepare and respond, including biological, chemical, radiological, and nuclear emergencies.

What progress has the Department made?

Meeting the PSA target

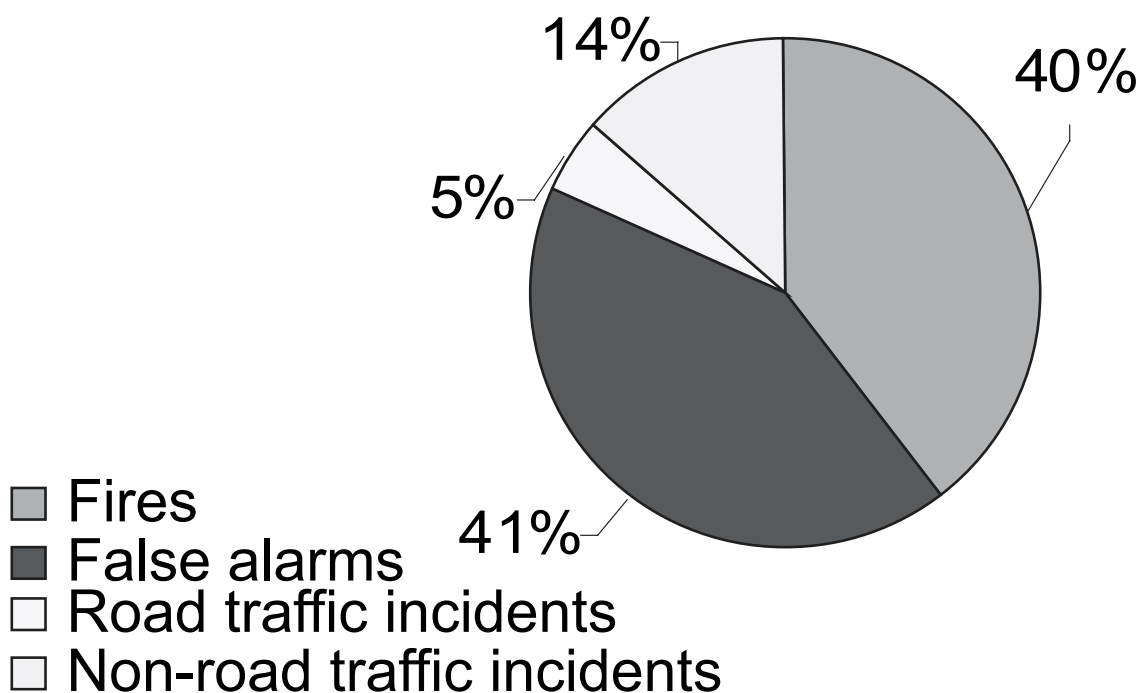
7.10 The Annual Report⁷⁶ shows good progress against the PSA target on reducing fire deaths. But the number of fire related deaths has been dropping fairly consistently over the past 30 years and it is not clear that recent reforms have accelerated this decrease⁷⁷ (figure 21 over the page).

7.11 The reduction in fire related deaths is also linked to improvements in fire safety, advancements in furniture design and construction materials, increased use of smoke detectors and increasingly stringent building regulations.⁷⁸

7.12 Although fire deaths in the home are falling, there was an overall rise in the total number of fire deaths in England. There were 405 fatalities in 2005–06 compared to 368 in 2004/05. This increase mostly comprises deaths from road vehicle fires.⁷⁹

20. INCIDENTS RESPONDED TO BY THE FIRE AND RESCUE SERVICE IN 2005–06

19% of incidents are non-fire related.



Source: Fire and Rescue Operational Statistics Bulletin for England 2005–06 DCLG June 2007.

⁷⁶ Annual Report, paras 5.14–5.15.

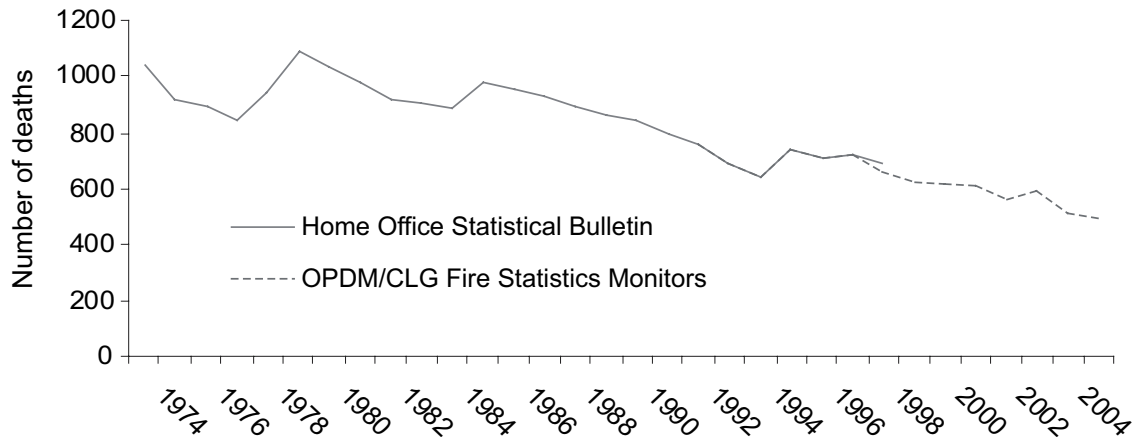
⁷⁷ NAO analysis.

⁷⁸ NAO analysis.

⁷⁹ Provisional figures for the year ended 30 September 2006, taken from Fire Statistic Monitor Q3 2006, DCLG August 2007.

21. NUMBER OF FIRE RELATED DEATHS IN THE UK, 1974–2005

The number of fire related deaths each year has dropped fairly consistently over the past 30 years.



Source: NAO analysis of Home Office and ODPM/CLG fire related death statistics.

7.13 The Department achieved its PSA sub-target on reducing deliberate fires in 2004–05, five years ahead of the deadline⁸⁰.

7.14 The PSA target does not address the wider role of the Fire and Rescue Service. 19% of incidents to which the Service responds do not relate to fires (figure 20).

7.15 The latest information on response times in England suggests that Fire and Rescue Authorities are taking longer to reach a fire after an emergency phone call. 37% of fires were responded to within five minutes in 2005 compared to 46% in 2001.⁸¹ The average time taken from the call being received to a fire engine attending the scene was 7.11 minutes in England in 2005, although 33 out of the 47 Authorities had an average response time above this. Response times vary between the three different types of Fire and Rescue Authority with County Authorities taking longer to respond than Metropolitan Authorities (figure 22).⁸²

Meeting the modernisation agenda

7.16 The Audit Commission published in January 2006 the lessons learnt from the Fire and Rescue Services' first Comprehensive Performance Assessments.⁸³ It found that the pace of modernisation varies substantially and improvement has not been achieved to the extent that might be expected.⁸⁴

⁸⁰ Fire Statistics 2004, ODPM February 2006.

⁸¹ NAO analysis of data provided in the written response to Parliamentary Question 140723 (Session 2006–07), 7 June 2007.

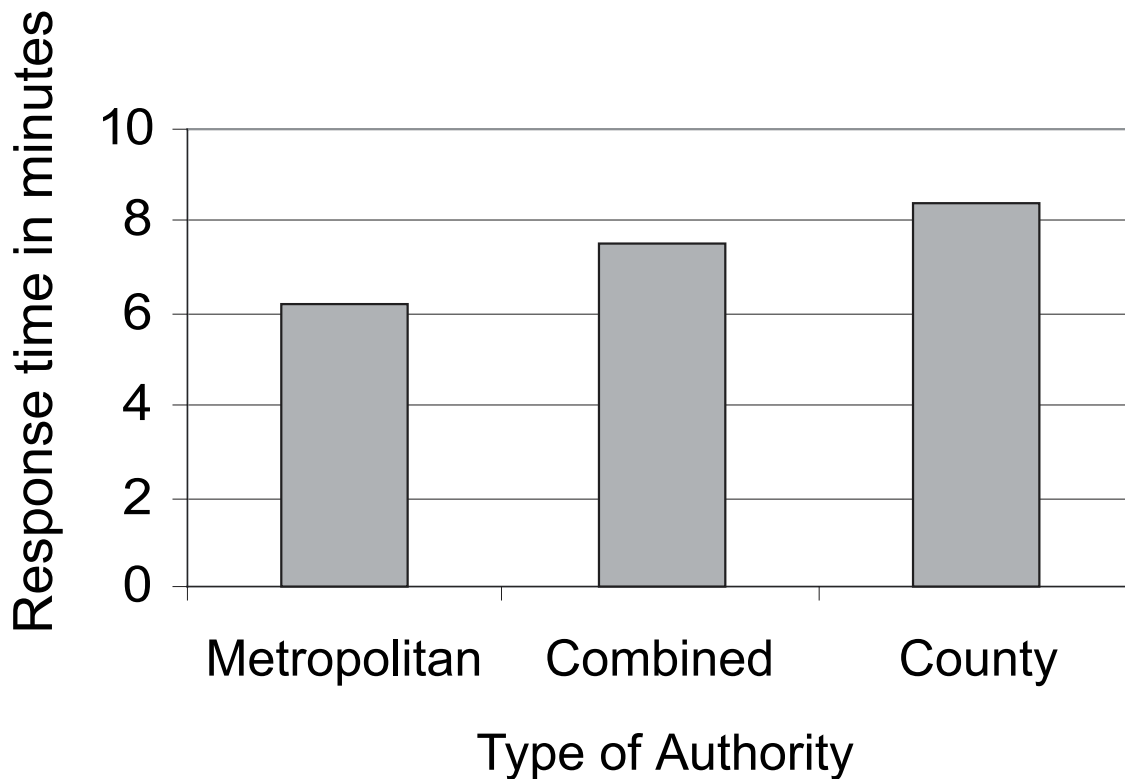
⁸² The Department.

⁸³ Fire and Rescue Comprehensive Performance Assessment National Report, Audit Commission January 2006.

⁸⁴ NAO analysis.

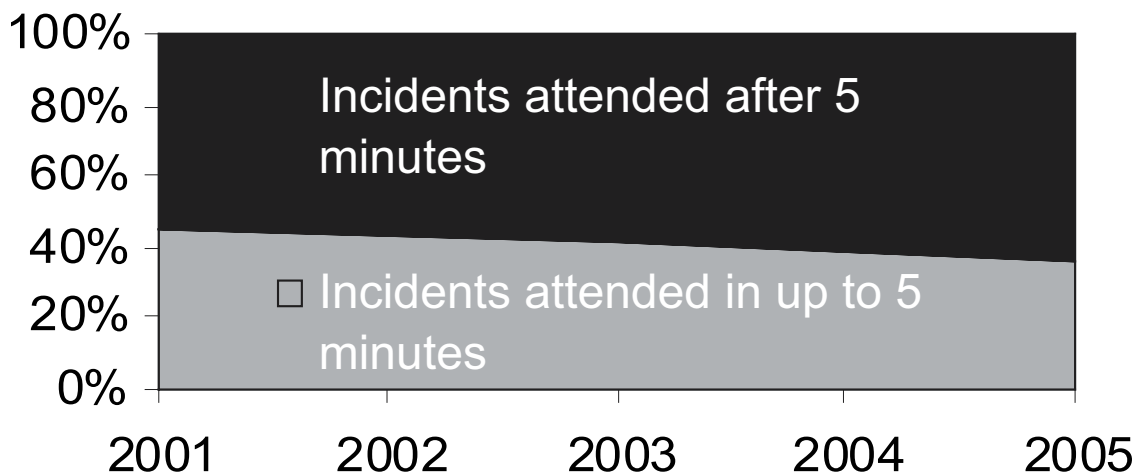
22. FIRE AND RESCUE AUTHORITY AVERAGE RESPONSE TIMES (ENGLAND 2004–05)

Response times vary, with County Fire and Rescue Authorities taking longer to respond than Metropolitan Authorities.



Source: Written response to Parliamentary Question 110258 (Session 2006–07), 19 December 2006.

Few incidents are being responded to within five minutes in England and Wales.



Source: Written response to Parliamentary Question 140723 (Session 2006–07), 7 June 2007.

7.17 The Department's PSA target 3 does not address the wider role of the Fire and Rescue Service. 19 per cent of incidents to which the Service responds do not relate to fires.

7.18 The Audit Commission followed this work up with a Performance Measurement review in 2007.⁸⁵ This review found that:

- the rate of improvement is variable with the gap between the strongest and weakest performers widening;
- the majority are improving well and no service is failing to improve;

⁸⁵ Fire and Rescue Performance Assessment National Report, Audit Commission April 2007.

* services' prevention and protection activities tend to be more effective than their emergency response;

- thirty-six services out of 47 are performing well in delivering value for money; and
- Fire and Rescue Authorities are increasingly working well in partnership with organisations to deliver community fire safety initiatives.

7.19 In September 2006 the Select Committee in its report⁸⁶ on Fire and Rescue Service found:

- that a baseline needs to be prepared against which the performance of FiReBuy can be measured;
- there was a lack of effective stakeholder engagement and communication concerning the FiReControl project, and the Department needed to publish the full business case;
- the impact and adequacy of local risk management arrangements should be assessed on a nationwide basis;
- the Government needs to give urgent consideration to how risk management arrangements may be better linked to planning for major catastrophic incidents; and
- Government's leadership of diversity in the Fire and Rescue Service was ineffective and half-hearted.

What challenges does the Department face?

7.20 Integrating national resilience planning within the context of locally determined risk assessment will be challenging. Recent events like the flooding in England and the Buncefield oil depot fire have shown the importance of ensuring that local decisions on resourcing and placement need to meet the needs of wider national events⁸⁷.

7.21 Poor industrial relations put modernisation plans at risk of failure or delay. For instance:

- Stakeholder buy-in to FiReControl remains low. In a recent YouGov poll, fire crews polled gave an average score of 0.74 out of ten for their level of confidence in the Government's ability to build a new region-wide system that would work well.
- The Fire Brigades Union has resisted steps towards integration of the services⁸⁸. They have achieved a legal victory in the high court against Fire and Rescue Authorities who attempted to force fire-fighters to participate in co-responding schemes as such participation is not in fire-fighters contracts.

7.22 Achieving the correct balance between national, regional and local responsibilities is difficult. Ensuring Regional Management Boards have adequate capacity is crucial to their ability to facilitate improvement. They lack delegated power to enter into contracts on behalf of their constituent Fire and Rescue Authorities and have limited resources⁸⁹.

7.23 Poor diversity amongst the Fire and Rescue Service's workforce hinders the Service's ability to engage communities in their fire prevention work.⁹⁰ Only 2.8 per cent of the operational service are women and 3 per cent of all staff (including uniformed and administrative) are from minority ethnic groups⁹¹.

7.24 Measuring efficiencies generated through modernisation will be challenging. In regards to procurement, the Department does not require fire specific procurement data from Fire and Rescue Authorities and it remains unclear as to whether this is readily available from FRAs⁹². Data on what works well in prevention does not exist widely within the FRS and very little cost effectiveness work has been done. This undermines performance analysis and appraisal of what works well in preventative work⁹³.

7.25 Implementation of the FiReControl project has been slow and difficult. Although a major rationale for the project is that it will lead to major efficiency savings, it is not clear where these will come from. Following the Select Committee's recommendation the full business case was published on 7th April 2007. Savings and costs are expected to vary by area and it is not yet decided how some costs will be allocated⁹⁴.

7.26 The deadline for Regional Management Boards to set up Local Authority Controlled Companies to operate regional control centres was phased from August 2006 to May 2007.⁹⁵ Significant delays occurred in setting up these companies due to concerns raised by local Fire and Rescue Authorities. As of May 2007 only three of the eight companies were set up, although two more have been set up since.⁹⁶

⁸⁶ Fire and Rescue Service, Fourth Report of Session 2005-06, House of Commons Communities and Local Government Committee, June 2006.

⁸⁷ NAO analysis.

⁸⁸ NAO analysis.

⁸⁹ NAO analysis.

⁹⁰ The Future of the Fire Service: reducing risk, saving lives, December 2002.

⁹¹ Fire and Rescue Service Operational Statistics Bulletin for England 2005/06, DCLG June 2007.

⁹² Government Response to the Communities and Local Government Select Committee's report on the Fire and Rescue Service, DCLG September 2006.

⁹³ NAO analysis.

⁹⁴ NAO analysis of Full FiReControl Business Case.

⁹⁵ NAO analysis.

⁹⁶ NAO analysis.

What happens next?

7.27 The Audit Commission published on the 16th of August 2007 its plans for the annual assessment of all Fire and Rescue Authorities between 2007 and 2009 and a review of risk management arrangements, considering both their quality and consistency.

7.28 The Department intends to continue its implementation of the modernisation programme.

7.29 The NAO is undertaking an examination of the impact of the reforms of the Fire Service. Publication is planned for 2008.

Matters that the Committee may wish to explore

- The extent to which improvements in fire related deaths in the home (PSA 3) are due to improvements in the way Fire and Rescue Services operate. (paragraphs 7.10-7.15)
- The extent to which the Fire and Rescue Service is modernising. (paragraphs 7.16-7.19)
- The ability of the reformed Fire and Rescue Service to better address national and regional priorities. (paragraphs 7.20, 7.26)
- The effect of opposition to some of the Department's programmes on the modernisation of the Fire and Rescue Service. (paragraph 7.21)
- The extent to which the modernisation process will achieve efficiency improvements. (paragraph 7.24)
- The implications of PSA 3 not capturing the full role of the Fire and Rescue Service. (paragraphs 7.14-7.15)

8. BALANCING SUPPLY AND DEMAND FOR HOUSING

(Chapter 6 of Annual Report)

What is the Department trying to achieve?

8.1 The Department aims to deliver a better balance between housing supply and demand by:

- Supporting sustainable growth in housing stock;
- Reviving markets;
- Tackling abandonment;
- Helping those who wish to own their own home to do so whilst protecting the environment; and
- Providing communities in which people want to live.

23: BALANCING SUPPLY AND DEMAND FOR HOUSING TARGETS

Public Service Agreement 5 Housing supply: to achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions whilst protecting valuable countryside around our towns, cities and in the green belt, and the sustainability of towns and cities.

Public Service Agreement 6 Planning: that the planning system should deliver sustainable development outcomes at national, regional and local levels through efficient and high-quality planning and development management processes, including through achievement of best value standards for planning by 2008.

In July 2007 the Department committed to increasing the English supply of new homes by 240,000 a year by 2016. This was up from a target of 200,000 new homes a year.

What is the Department doing to achieve this?

Stimulating housing markets

8.2 Firstly, the Department attempts to stimulate supply and demand in housing markets by:⁹⁷

- Promoting home building in the Growth Areas. The four Growth Areas—the Thames Gateway, Milton Keynes & South Midlands, Ashford and the London-Stansted-Cambridge-Peterborough growth corridor—aim to sustainably provide 200,000 additional homes by 2016. The largest of these is the Thames Gateway. Delivery is coordinated at a local level by Local Regeneration Partnerships. The Department provided £253 million to local partners in 2006-07 in the growth areas.

⁹⁷ NAO Analysis of Department's policy levers.

- Using English Partnerships to invest in difficult urban developments and brown field land, specialising in land remediation and kick starting urban regeneration. They also develop surplus public sector land. In 2006-07 the Department contributed £307 million towards English Partnerships' £647 million turnover, whilst English Partnerships facilitated the building of 4,248 homes and attracted £1,022 million of private investment.
- Funding Housing Market Renewal Pathfinders focus on stimulating housing markets and communities in those parts of the North and Midlands where demand for housing is relatively weak. In 2006-07 £243 million was given to Pathfinders mostly for the refurbishment, demolition and building of homes.

Subsidising housing provision

8.3 Secondly the Department subsidises the provision of affordable housing for those that cannot afford market prices through:⁹⁸

- Increasing social housing stock. Social housing includes stock held by Local Authorities, Registered Social Landlords, and Arm's Length Management Bodies that provide secure tenure properties at controlled sub-market rents. It is means tested at the point of entry so it can be targeted at those who cannot afford market rents. In 2006-07 £1.455 billion of funding was provided through the Housing Corporation to Registered Social Landlords to build new social housing.⁹⁹
- Providing Low Cost Home Ownership. These schemes allow people who cannot afford to buy a home outright to buy a share of their home. In 2006-07 £455 million was provided through the Housing Corporation to Registered Social Landlords to fund the three main financial products: open-market HomeBuy, Social HomeBuy and NewBuild HomeBuy. A further £100 million of land was made available for the First Time Buyers' Initiative by English Partnerships.
- Tackling Homelessness. The Department aims to reduce the number of homeless households through a mixture of prevention and providing support through Local Authorities to homeless families with the Supporting People Programme (see chapter 4) and £72 million (2006-07) of Homelessness grant.

Reforming the Planning System

8.4 Thirdly, the Department continued to implement reforms of the planning system following the 2004 Planning and Compulsory Purchase Act:¹⁰⁰

- Improving the efficiency with which Local Authorities come to decisions on planning applications. £135 million of Planning Delivery Grant was provided to Local Planning Authorities to improve the efficiency of the system, and spread good practice through the Planning Advisory Service and the Advisory Team for Large Applications.
- Using planning guidance to improve the quality of development. The Department has been slowly reforming statutory planning guidance to focus the planning system on enforcing high quality sustainable development. In particular new guidance has stressed the use of brown field land, higher densities and the regeneration of urban centres. Planning Policy Statement 3: Housing was published in November 2006 and Planning Policy Statement 25: Development and Flood Risk was published in December 2006.

New Developments in 2006-07

8.5 To develop these programmes, in 2006-07 the Department:¹⁰¹

- Developed the Planning for a Sustainable Future White Paper. This was published in May 2007 following from the December 2006 Barker Review of Land Use Planning. It suggests the introduction of national policy statements for major infrastructure, an independent commission to take planning decisions for schemes of national importance and other initiatives to make decision making in the planning system more efficient and better able to concentrate on producing sustainable communities.
- Focused on the environmental performance of new housing. In December 2006 the Government announced a new ambition of making all new housing carbon neutral by 2016. As part of this drive the Department launched the Code for Sustainable Homes to measure the environmental sustainability of new housing.

⁹⁸ NAO Analysis of Department's policy levers.

⁹⁹ Housing Corporation Annual Report and Accounts 2006-07, Gross Social Housing Grant expenditure.

¹⁰⁰ NAO Analysis of Department's policy levers.

¹⁰¹ NAO Analysis of Department's policy levers.

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- Launched the New Growth Points initiative. The New Growth Points initiative was first announced in December 2005, but details came out over 2006–07. Initially the initiative aimed to provide 100,000 additional homes above existing regional plans around 29 existing urban centres. In July 2007 it was announced that New Growth Points would be expanded across the country. Initial funding of £40 million will start in 2007–08.
 - Re-emphasised support for development in the Thames Gateway, by setting out an Interim Framework and appointing a new chief executive to coordinate development across the region.
 - Simplified the Low Cost Home Ownership (LCHO) programme. From April 2006 all LCHO products are known as HomeBuy and are administered on a sub-regional basis by Registered Social Landlords known as HomeBuy Agents.

What progress has the Department made?

Supply and demand for housing

8.6 The supply of new housing is increasing towards the Department's pre-July ambition of 200,000 homes a year by 2016. In 2005-06 the net supply of new homes in England increased to 185,300 of which 163,400 were new build and the remainder the net effect of conversions and demolitions. The Department has yet to publish 2006-07 figures but believes they are similar. Home building in the South East is also on track to deliver 1.1 million homes in the Regional Planning Guidance 9 area (2001-2016) as set out in PSA 5.¹⁰²

8.7 But the number of new homes being built remains low compared to historic build rates (Figure 24). The Department believes that the relatively low rate of house building combined with increasing household numbers has been the main cause of increasing house prices and affordability problems. House prices have more than doubled in real terms since 1997, although the increase slowed in 2006-07. As a result lower quartile house prices to lower quartile earnings (a standard measure of housing affordability) has risen from 4 in 2001 to 7 (Figure 25).¹⁰³

24. INCREASE IN HOUSING SUPPLY

The Number of Homes Built each year has recently increased, but is low compared to post-war years.

Source: DCLG Housing Statistics

8.8 Affordability is predicted to grow worse. The National Housing and Planning Advisory Unit (NHPAU), set up to advise the Government on affordability issues, estimates that under current building plans house prices increases will make lower quartile house prices 10 times lower quartile incomes by 2025 (figure 25).¹⁰⁴

8.9 The NAO reported on the Thames Gateway Growth Area in May 2007.¹⁰⁵ We found:

- Government investment is helping local partners to accelerate the regeneration of the Thames Gateway;
- the Department cannot yet demonstrate that it's programme management has added value to the projects the Department funds;
- stronger Departmental management of the programme is required to ensure plans are more coherent, investment more integrated and risks better identified and managed; and
- stronger leadership across central government is needed to coordinate departments investing in the programme.

¹⁰² Annual Report paragraph 6.23, and Department's housing statistics.

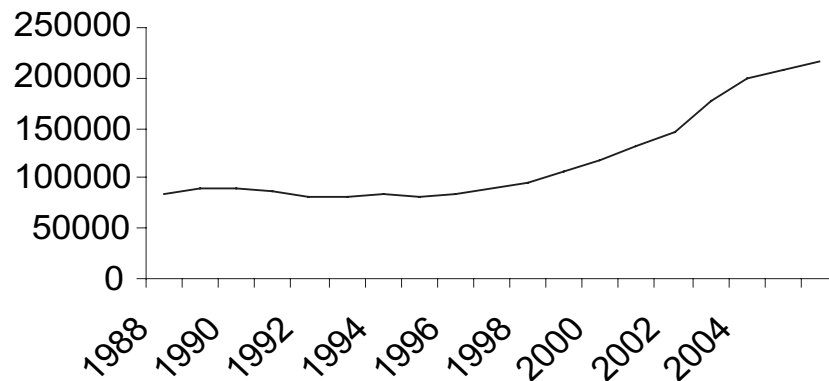
¹⁰³ Affordability Matters, National Housing and Planning Advisory Unit, June 2007.

¹⁰⁴ Ibid.

¹⁰⁵ The Thames Gateway: Laying the Foundations, Comptroller and Auditor General HC (2006-07) 526, 23 May 2007.

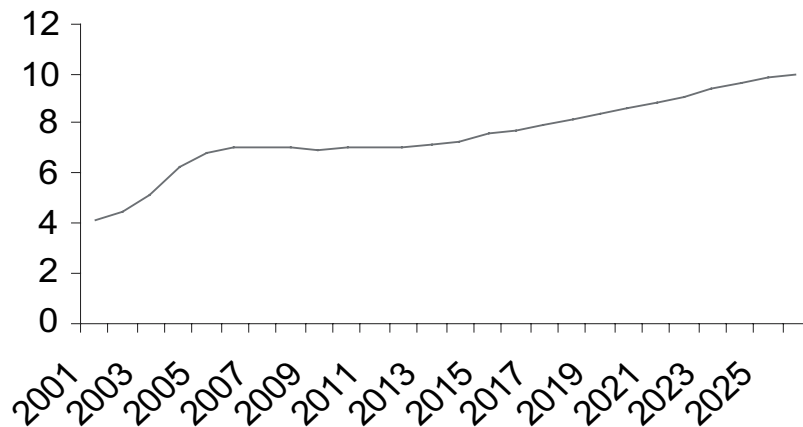
25. HOUSING AFFORDABILITY

Real term house prices continue to increase but have slowed in 2006-07 (set to 2007 prices).



Source: DCLG House price Statistics adjusted by ONS CPI

The NHPAU predict affordability ratios will get worse.

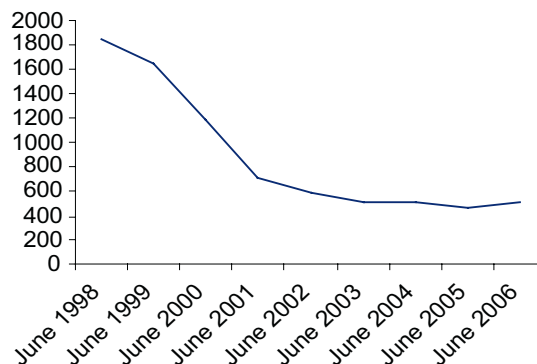


Source: Affordability Matters, NHPAU, June 2007

8.10 Housing Market Renewal Pathfinders. The Annual Report¹⁰⁶ shows how long-term vacancy rates are falling whilst house prices are increasing. However this is in the context of a very strong housing market nationally. The decrease in long term vacancy rates is not predicted to meet the Select Committee's recommendation that it be halved by 2010.¹⁰⁷

26. HOMELESSNESS

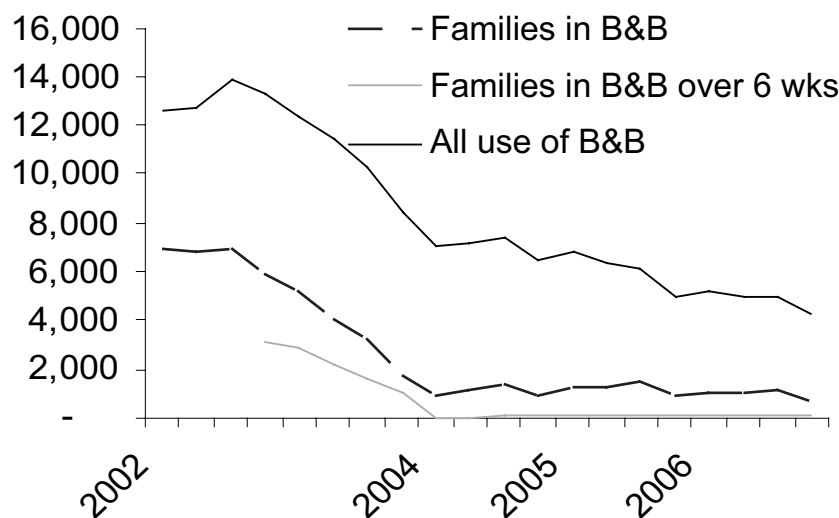
The number of rough sleepers is remaining low



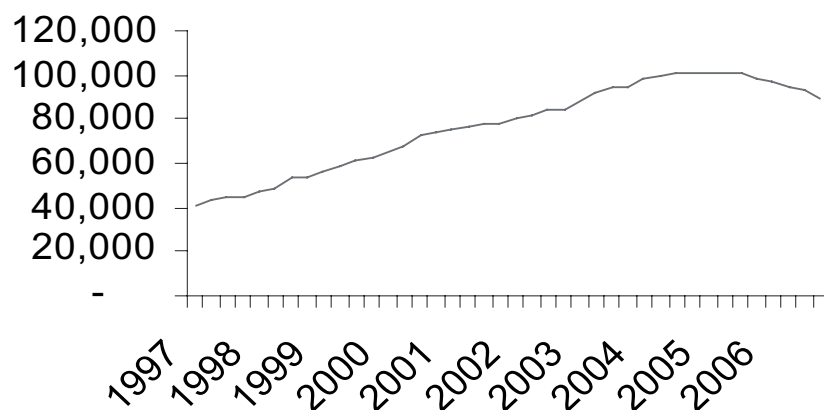
The use of Bed and Breakfast is remaining low

¹⁰⁶ Annual Report paras 6.17-6.20.

¹⁰⁷ Affordability and the Supply of housing, ODPM: Housing, Planning, Local Government and the Regions Committee, Third Report of Session 2005-06, HC (2005-06) 703, 20 June 2006.



The number of people in temporary accommodation has begun to drop after several years of rising.



Source: DCLG homelessness

8.11 In March 2007 the Government's evaluation of Pathfinders found:¹⁰⁸

- that Pathfinders had used a “very high” quality evidence base;
- that they were “geared up effectively” to deliver their programmes; but
- it is “far too early to make firm judgements about the impact of the programme on local housing markets”.

8.12 The National Audit Office is scheduled to publish a value for money report on the Pathfinder programme in Autumn 2007.

Progress in providing new Affordable Housing

8.13 The number of new affordable homes built in 2006 rose to 21,029. This is an increase of about 60 per cent since the lowest point in 2003, and roughly the same amount as built in 1997 (21,296).

8.14 The NAO reported on low cost home ownership in July 2006¹⁰⁹ and the Committee of Public Accounts in March 2007. Our main findings were:

- low cost home ownership extends choice to people who could not otherwise afford to buy;
- funding available is low compared to demand (11,000 helped per year compared to an estimated 60,000 demand in 2004–05) and it accounts for less than 4 per cent of all housing sales (2004–05).
- it is very cost effective at releasing social rented housing for others to use if targeted on the small proportion of social renting tenants who can afford it; and

¹⁰⁸ National Evaluation of the HMR Pathfinder Programme—Baseline Report, the Department, March 2007.

¹⁰⁹ A Foot on the Ladder: Low Cost Home Ownership Assistance, Comptroller and Auditor General HC (2005-06) 1048, 14 July 2006.

- Registered Social Landlords have used low cost home ownership to make substantial gains from rising house prices (up to £720 million between 1999 and 2005) which they have used to subsidise their other work.

8.15 We recommended changes which we believe could enable an additional 4,130 people a year to be helped at no extra cost to the taxpayer. The Department is in the process of implementing them.

8.16 Earlier drives were successful in reducing the numbers of rough sleepers and families living in bed and breakfast (figure 26).¹¹⁰ Only 502 rough sleepers were recorded the day of the census in June 2006 (compared to 1,850 in 1998). 4,210 households were in Bed and Breakfast accommodation at the end of 2006–07 of which 640 had children. Of these 640 families 109 had been there for more than six weeks.

8.17 The Department is now focusing its attention on halving the number of people in temporary accommodation by 2010. As the Annual Report shows¹¹¹ this has now started to fall after years of increase.

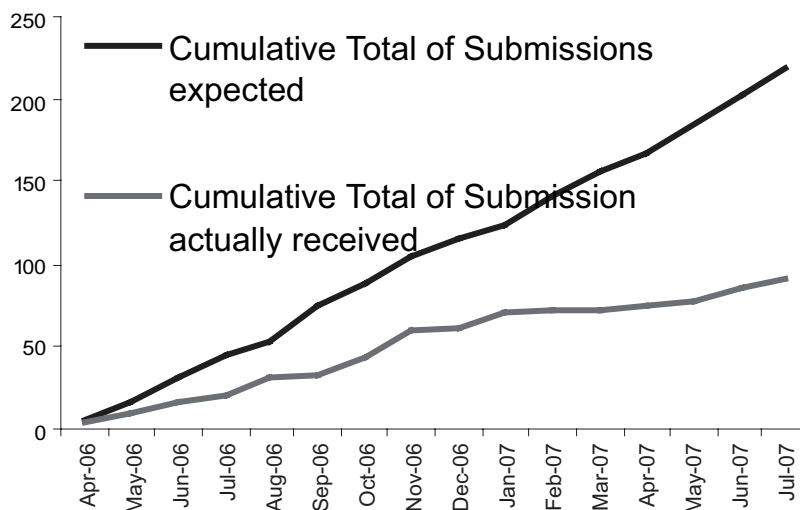
Progress on reform of the Planning System

8.18 More Local Planning Authorities are processing the required number of applications within the targeted 13 weeks for a major application and eight weeks for minor application.¹¹² These figures show significant achievement in making the planning system more efficient, but do not provide information on what happens to applications beyond the number needed to fall within the targeted time or what happens outside the recorded process. The National Audit Office is currently considering investigating these issues as part of a value for money report on Planning Delivery Grant.

8.19 The Planning and Compulsory Purchase Act 2004 set out new content, formats and processes for Regional and Local spatial planning. The Act allowed existing plans to continue for three years after the Act whilst new plans were prepared. But so far of the nine Regional Spatial Strategies, only the London Plan has been approved and published. Of 1,414 Development Plan Documents being prepared for Local Development Frameworks, only 36 have held their Examination in Public and, of these, 27 have been found to be sound.¹¹³ The Department and Local Authorities underestimated the time needed to draw up new plans under the new regime (figure 27). As a consequence, statutory local and regional plans do not fully reflect revised national guidance or adequately reflect current priorities.

27. SUBMISSIONS OF DEVELOPMENT PLAN DOCUMENTS TO THE SECRETARY OF STATE AGAINST TIMETABLE

The Department and Local Authorities underestimated the time needed to prepare Development Plan Documents



Source: Department

¹¹⁰ More than a roof: Progress in tackling homelessness, Comptroller and Auditor General HC (2004-05), 286, 23 February 2005.

¹¹¹ Annual Report paras 6.24-6.25.

¹¹² Annual Report paras 6.38-6.39.

¹¹³ The Department.

What challenges does the Department face?

8.20 Department has only indirect levers over developers and cannot make them build more private housing. The Department can encourage developers by targeting resources at specific places to stimulate local markets and it can provide more land for development through the planning system and by releasing public sector land. But these levers may be pushing at strings: in enabling development they assume that developers would build more if they could. The Callcutt Review and the Office of Fair Trading are both looking at developers' incentives.

8.21 Using Planning to encourage development is difficult because it is normally reactive, can only block or modify proposals, and cannot create new ones.

8.22 The quality of new developments is often poor and it will be challenging to improve both the quantity and quality of new housing. In 2006 the Commission for Architecture and the Built Environment (CABE) completed its national survey of the quality of housing developments against their Building for Life criteria. They found only 18 per cent of developments are "good" or "very good", 53 per cent are "average" and 29 per cent are "poor". They believe "good" should be the minimum standard.¹¹⁴

8.23 The Department wants the quality of building to improve to meet increasing expectations of environmental sustainability. But the Department faces pressure from Home Builders who say they fear that extra costs will make development unviable.

8.24 According to the Environment Agency, up to 108,000 homes in growth areas could be located in the flood plain. The Association of British Insurers estimate that the additional flood risk from development in the Growth Areas could increase from £555 to £830 million per year by the 2080s if the risks are not properly managed. The Environment Agency recommends building outside flood plains and in the long term relocating existing development.¹¹⁵ But in 2005–06 11 per cent of Environment Agency objections to planning applications for development in floodable areas were ignored by Local planning Authorities (17 per cent in 2004–05).¹¹⁶

8.25 The Department strengthened its Planning Policy on building in flood plains in Planning Statement 25: Development and Flood Risk published in December 2006. It also made the Environment Agency a statutory consultee. This sets out a risk based sequential approach for managing flooding, using:

- flood risk assessments, whereby each spatial plan will be informed by a strategic flood risk assessment and local development frameworks will set out areas where individual planning applications must be supported by flood risk assessments;
- a sequential test, whereby Local Planning Authorities allocating land in their local spatial plans need to demonstrate that there are no reasonably available sites in areas with a lower probability of flooding; and
- an exception test, under which development may take place in areas of high risk of flooding if the sequential test shows there are no lower risk locations, consideration of the wider sustainability benefits outweighs the risk of flooding and the development is safe and does not increase flood risk.¹¹⁷

8.26 The Association of British Insurers argued that using land-use planning to minimise properties in high flood risk areas would have the greatest impact on flood damages of all the options they examined. They estimated that moving properties off the floodplain and increasing the density in non-floodplain locations could reduce flood risk by 89–96 per cent for all the growth areas except the Thames Gateway where it would reduce by 52 per cent.¹¹⁸ The extent to which Planning Policy Statement 25 has brought this about in the Growth Areas has yet to be evaluated.

8.27 Coordination of infrastructure investment needs improving. Housing growth must be supported with transport, education, green space, environmental, health and community facilities. But as our Thames Gateway report found, cross-government working to match infrastructure investment to housing growth is currently poor.¹¹⁹ The July 2007 Housing Green Paper Homes for the future, more affordable, more sustainable, announced cross-government reviews to improve coordination.

8.28 The future funding of infrastructure investment needs to be determined. Much reliance is placed on housing developers funding infrastructure from s106 planning contributions. But this cannot cover larger infrastructure needs. The 2007 Pre Budget Report announced that the Government will legislate to empower Local Planning Authorities in England to apply new planning charges to new development alongside

¹¹⁴ Housing audit: assessing the design quality of new housing in the East Midlands, West Midlands and the South West (also includes national summary), Commission for Architecture and the Built Environment February 2007.

¹¹⁵ Hidden Infrastructure, the pressures on environmental infrastructure, Environment Agency, March 2007.

¹¹⁶ The Department.

¹¹⁷ Planning Policy Statement 25: Development and Flood Risk.

¹¹⁸ Making Communities Sustainable—Managing Flood Risks in the Government's Growth Areas Summary report (2005) ABI, London.

¹¹⁹ The Thames Gateway: Laying the Foundations, Comptroller and Auditor General HC (2006-07) 526, 23 May 2007.

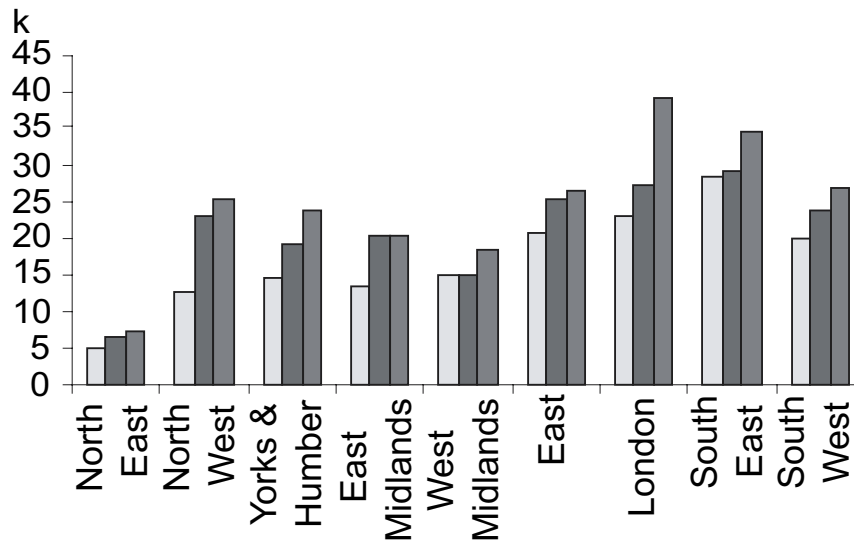
negotiated contributions for site-specific matters. Charge income will be used entirely to fund the infrastructure identified through the development plan process. In October 2006, the Select Committee published its report in support of the Planning Gain Supplement which found:¹²⁰

- That Planning Gain Supplement would be a useful funding tool for infrastructure if packaged alongside existing funding streams;
- It would provide better certainty to both Local Authorities and Developers
- But simplicity in its administration and clarity of application will be vital to its success. Exemptions and discounts should be avoided.
- Government should collect the supplement, but the majority of the revenue should be recycled to Local Authorities for the use of funding infrastructure

8.29 The Department believes that the planning system can deliver increased housing supply through setting targets for the number of homes to be built. But Regional and local plans don't yet contain enough housing growth to support national targets (figure 28). The Department has announced that it will transfer responsibility for Regional Spatial Strategies to Regional Development Agencies in 2010 and that it will commission mini-reviews of the strategies in 2011.¹²¹ But effective dissemination of central targets to Local Authorities is challenging because there is a tension in the planning system between national and local housing priorities. This has led to accusations of nimbyism on one side and centralised imposition on the other.

8.30 Housing Market Renewal has generated local controversy. Local campaign groups complain that public consultation has not been thorough enough and that plans for demolition of housing are not based on robust clear-cut evidence.¹²² The Department believes that the majority of residents in pathfinder areas support the programme.¹²³

28. THE PROJECTED DEMAND FOR HOUSING FROM INCREASING HOUSEHOLD NUMBERS IS GREATER THAN REGIONAL PLANS HOUSING TARGETS



yellow—Current Regional Targets (RPGs) England Total = 154

red—Draft Regional Targets (RSSs etc) England Total = 189k

blue—projected annual increase in households to 2026 England Total = 223k

Source: Homes for the Future: more affordable, more sustainable, DCLG, July 2007

8.31 The Affordable Rural Housing Commission published its report in May 2006. The Commission was jointly established by the Department and the Department for Environment, Food, and Rural Affairs who have lead responsibility on rural issues. The Commission argued that more affordable housing is needed for rural communities and that the issue must be addressed in its own right, and with urgency, rather than only after urban needs have been met. They recommended that 11,000 units of affordable housing should be provided per year in settlements below 10,000 population and that changes be made to the allocation of resources and planning criteria to enable this.¹²⁴

¹²⁰ Planning Gain Supplement, Communities and Local Government Committee, Fifth Report of Session 2005-06, HC (2005-06) 1024, 7 November 2006.

¹²¹ Homes for the Future: more affordable, more sustainable, DCLG, July 2007.

¹²² NAO Analysis.

¹²³ The Department.

¹²⁴ Affordable Rural Housing Commission final report, Affordable Rural Housing Commission, May 2006.

What happens next?

8.32 The Department published a new Housing Green Paper *Homes for the future: more affordable, more sustainable* in July 2007. This set out plans to:

- increase the national target for new housing supply to 240,000 homes a year by 2016 and 3 million by 2020;
- carry out mini-reviews of Regional Spatial Strategies by 2011;
- better enable Local Authorities to invest in housing by opting out of Housing Revenue Account subsidy;
- extend Growth Points to the North of England;
- build 5 eco-towns with 100,000 zero-carbon homes;
- use Planning Delivery Grant to encourage development;
- transfer surplus public sector land to English Partnerships for development of 200,000 homes;
- review cross-government infrastructure funding;
- implement the Planning Grant Supplement subject to no better way being found of retaining funding locally; and
- provide at least 70,000 new affordable homes a year by 2010–11, including 25,000 low cost home ownership homes.

8.33 The Homes and Communities Agency will merge English Partnerships, Housing Corporation and functions from the Department. The Agency will have oversight of housing investment and regeneration. It will require new legislation and it is hoped it will be launched in 2009.

8.34 The Department is consulting on the future regulation of housing. This follows the CAVE review published in June 2007,¹²⁵ which recommend that the regulation function of the Housing Corporation be separated from the investment function and become more orientated around tenants needs. The Government is considering whether the regulator should be a separate body or part of the Audit Commission, and whether it should cover Council and Private affordable housing as well as Housing Associations.

8.35 The Department is developing a strategy for Housing in an Ageing Society.

Matters that the Committee may wish to explore

- The dependence of the Government's aims to increase the supply of housing on the market and private developers over whom the Department has no direct levers. (paragraphs 8.20-8.21)
- The reasons for the rate of house building being below the historical average and the impact of the Department's programmes on house building. (paragraph 8.7)
- The impact of the lack of up-to-date spatial plans and the slow development of Local Development Frameworks. (paragraphs 8.19, 8.29)
- The Department's ability to improve the quality of development. (paragraphs 8.22-8.23)
- The ability of the Department to coordinate infrastructure planning. (paragraphs 8.27-8.28, 8.9)
- The impact of flood risk on the Department's ambitions for sustainable housing growth. (paragraphs 8.24-8.26)

DECENT HOMES AND NEIGHBOURHOODS

(Chapter 7 of Annual Report)

What is DCLG trying to achieve?

9.1 The Department's fifth strategic priority aims to ensure people have decent places to live in:

- Ensuring all homes meet minimum standards;
- Improving the quality and sustainability of local environments and neighbourhoods; and
- Balancing increased levels of house building with sustainability issues.

¹²⁵ Every Tenant Matters: A review of social housing regulation, Professor Martin Cave, June 2007.

29. DECENT HOMES AND NEIGHBOURHOODS TARGETS

To support this Public Service Agreement 7: Housing promises by 2010, to bring all social housing into decent condition, with most of this improvement taking place in deprived areas and, for vulnerable households in the private sector, including families with children, increase the proportion who live in homes that are in decent condition.

Public Service Agreement 8 Liveability commits the Department to lead the delivery of cleaner, safer, greener public spaces and improvement of the quality of the built environment in deprived areas and across the country, with measurable improvement by 2008. (This target also contributes to strategic priority 1).

What has DCLG been doing to achieve this?

Improving Sustainability of housing

9.2 Addressing the challenges of climate change is still a fairly new ambition for the Department and is not directly addressed by any of the PSA targets.¹²⁶ In 2006–07 the Department issued a number of consultations on environmental sustainability:

- Building a Greener Future
- Water Efficiency in New Buildings and
- Planning and Climate Change, the draft planning policy statement.
- Feasibility study into carbon reduction in the Thames Gateway

9.3 Currently the Department uses a mixture of regulation and investment in exemplars to improve the environmental sustainability of developments.¹²⁷ Actions using building regulations and environmental requirements include:

- Published the Code for Sustainable Homes
- New (Part L) Building Regulations came into force in April 2006 aimed at reducing the CO₂ emissions from buildings.

9.4 Actions using public investment to create exemplars of sustainable development include:

- launching the Carbon Challenge with English Partnerships; and
- English Partnerships and Housing Corporation requiring the developments they fund to achieve a high level of sustainability as assessed by the Code for Sustainable Homes.

9.5 Little investment is put into retrofitting sustainability into housing and reliance is put on home owners to invest in improvements.¹²⁸ Home Information Packs introduced on the first 1st August 2007 will provide home buyers with information on the environmental performance of their home.

Making Homes Decent

9.6 The levers for ensuring homes comply with decent homes standards vary by sector.¹²⁹

9.7 The Housing Corporation uses its regulation of Registered Social Landlords (RSLs) to require them to ensure all their stock meets decent homes standards by 2010. The RSLs raise their funding to do so privately, secured against the rental income.

9.8 103 Local Authorities have opted to make their homes decent using their own resources. Local Authorities may use prudential borrowing, supported borrowing (subsidised by central government), capital receipts, or rental income (within the restrictions of the Housing Revenue Account) to refurbish their stock. For those Authorities that need additional resources to do so, there are three options for making their homes decent:¹³⁰

- setting up an Arm's Length Management Organisation;
- using Private Finance Initiative (PFI); and
- transferring all or some of the stock to a Registered Social Landlord.

9.9 The Department has less power over the private sector. Local Authorities paid £243 million of grant in 2006–07 to improve the accommodation of vulnerable groups in the private sector and can force landlords to improve accommodation if it fails the statutory minimum standard for housing.¹³¹

¹²⁶ NAO Analysis.

¹²⁷ NAO Analysis.

¹²⁸ NAO Analysis.

¹²⁹ NAO Analysis.

¹³⁰ The Department.

¹³¹ £243 million was the budgeted expenditure according to the Regional Housing Strategy Statements. Local Authorities do not report the actual expenditure to the Department.

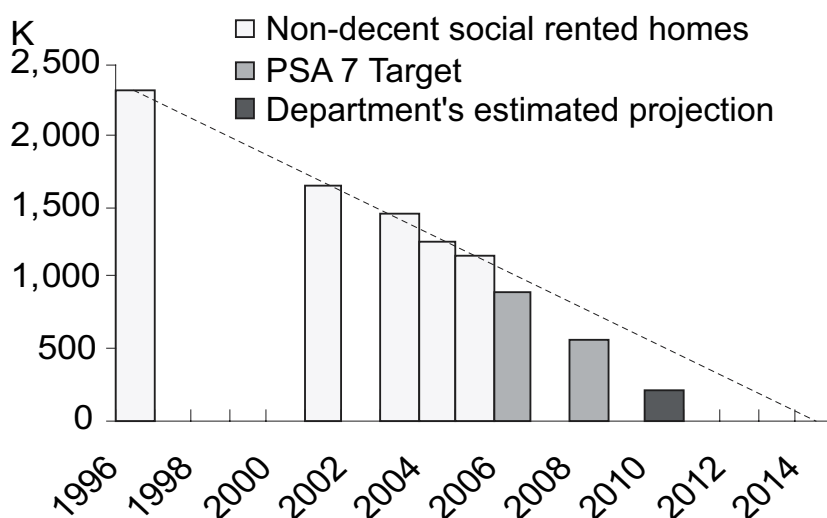
Improving Liveability

9.10 Liveability is a cross-cutting Government ambition and will be mostly delivered by Local Authorities. The Department:¹³²

- Coordinates cross-government action through the new Cleaner Safer Greener Advisory board established in October 2006;
- Assess Local Authorities performance on liveability issues under the Best Value regime and Audit Commission Comprehensive Performance Assessments;
- Promoted the liveability agenda across Local Government and provided best practice to improve the existing use of resources.
- Targeted £48.5 million (2006–07) of the Safer and Stronger Communities Fund (the Cleaner Safer Greener Element) through Local Area Agreements at Liveability projects. (see Chapter 4); and
- Placed mandatory liveability indicators in the Local Area Agreements for the 50 Local Authorities that were previously performing worst against Liveability performance indicators.

30. SOCIAL RENTED DECENT HOMES

The pace at which social rented homes are being refurbished will need to accelerate to meet the PSA target or the Department's projections.



Source: English Homes Conditions Survey and Annual Report

How are DCLG progressing and performing against their plan?

Decent Homes

9.11 The Decent Homes programme has made a significant impact in improving the quality of housing but is unlikely to achieve its ambition of bringing all social rented housing up to standard by 2010. The English Housing Condition Survey 2005 was published in June 2007 and provided an update on progress since 2001. A simple projection of the current pace of refurbishment suggests that 100 per cent of social housing will not meet the standard until 2014 (figure 30).¹³³

9.12 The Department has said that better quality outcomes can be achieved if they extend the deadline past 2010¹³⁴ and now estimate that 95 per cent of all social rented properties will comply with the standard by 2010. The Department bases this projection on their assessment of Local Authority plans for refurbishment which assume an acceleration of the current pace. This bottom up approach is more likely to be accurate than a simple trend projection. But there is a risk that the easier refurbishment has already taken place and the pace may slow.¹³⁵

9.13 The main reasons the Department gives for slippage in the target are the elemental approach, delays in ALMO inspections and incorporating refurbishment plans into wider transformational projects.¹³⁶ The programme has also encountered some local opposition to transfer of stock which has significantly delayed some refurbishment. In 2006–07, there were 28 positive ballots covering 99,000 dwellings compared with 11 unsuccessful ballots covering 41,000 dwellings.¹³⁷

¹³² NAO Analysis.

¹³³ English House Condition Survey 2005 Annual Report, Communities and Local Government, June 2007.

¹³⁴ Annual Report paragraph 7.9.

¹³⁵ NAO Analysis.

¹³⁶ Annual Report paras 7.5–7.9.

¹³⁷ The Department.

9.14 The Department is ahead of the PSA target for reducing the proportion of vulnerable groups in private non-decent homes, having achieved the interim target two years early.¹³⁸ But the actual number of vulnerable people living in non-decent homes has stabilised and increased slightly in 2005 to 1,071,000 households (figure 31). This is because the number of vulnerable households has increased from 2.5 million in 1996 to almost 3.2 million in 2005. Vulnerable households are those in receipt of at least one of the principle means tested or disability related benefits.¹³⁹

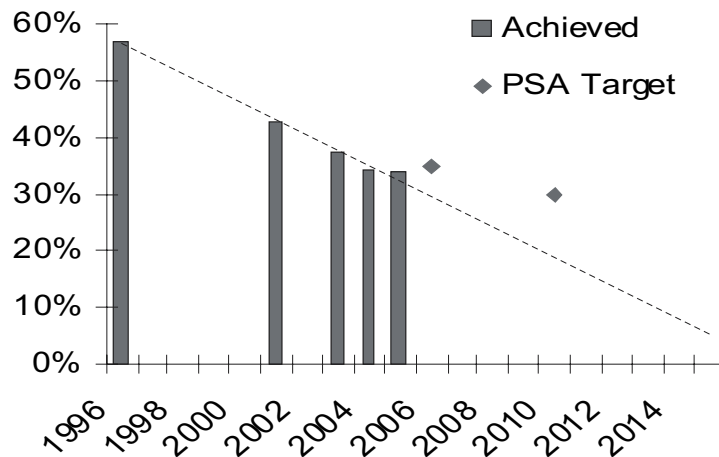
Liveability

9.15 The Annual Report says that the Department is on course to achieve PSA Target 8: Liveability due to progress on cleaner streets, safer streets, quality of green spaces and local environmental services, but records slippage on improving neighbourhoods and household satisfaction.¹⁴⁰

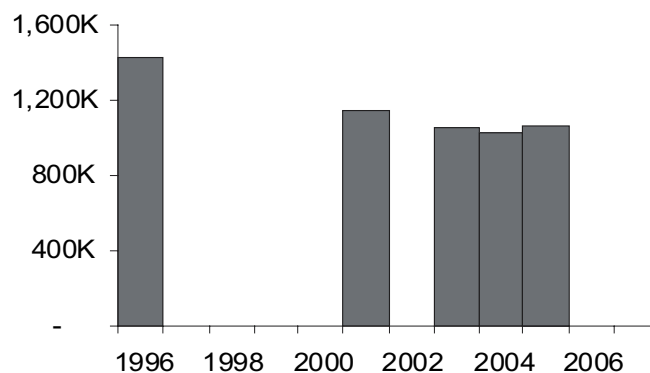
9.16 The English House Conditions Survey 2005 found 3.4 million households had liveability problems relating to the quality of their environment in 2005, possibly increasing slightly but not significantly from 2003. 11 per cent of all households have upkeep problems in their immediate environment, 7 per cent live with traffic problems and 2 per cent with abandonment or intrusive use for non-residential purposes problems as assessed by an independent surveyor.¹⁴¹

31. PRIVATE SECTOR DECENT HOMES

Progress in reducing the proportion of vulnerable households in private non-decent housing is ahead of the PSA target



But the number of vulnerable households in non-decent homes has stabilised and could be increasing



Source: English Housing Conditions Survey 2005

9.17 The number of households saying they are satisfied with their neighbourhoods is not increasing enough to meet the PSA target.¹⁴² In England, the number of households expressing dissatisfaction with noise, dogs, vandalism and traffic was higher in 2005–06 than in 2004–05, whereas dissatisfaction with graffiti and with litter & rubbish was largely unchanged. The average of these indicators, reflecting the

¹³⁸ Annual Report paragraph 7.10.

¹³⁹ English House Condition Survey 2005 Annual Report, Communities and Local Government, June 2007.

¹⁴⁰ Annual Report page 51.

¹⁴¹ English House Condition Survey 2005 Annual Report, Communities and Local Government, June 2007.

¹⁴² Annual Report paragraph 7.22.

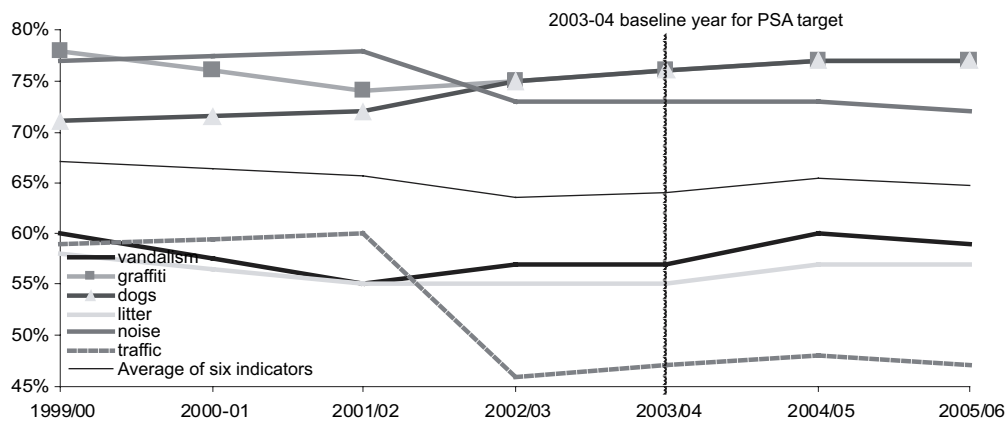
overall level of satisfaction with the local area, fell by half a percentage point in 2005/06, although the average is up from 2003/04 when the target was set (figure 32 over page). Performance has been better in the more deprived areas targeted by the Neighbourhood Renewal Fund

9.18 The NAO reported on Enhancing Green Space in March 2006.¹⁴³ We found:

- That Government action since 2001 had led to an improvement in most parks and urban green space. The satisfaction of both residents and park management teams are both significantly improved.
- But satisfaction varies widely and a significant number of Local Authorities have not improved. Some of these Local Authorities with the worst performance are not deprived areas and are not receiving specific funding. Funding for green spaces is not therefore well matched to need.

32. HOUSEHOLD SATISFACTION WITH LOCAL AREA

Householder satisfaction with the quality of their local area (measured against the six factors in the PSA target 7) declined in 2005–06 by half a percentage point



Note: 2000–01 data is not available and is presented here as the average of 1999–01 and 2001–02.

Source: Survey of English Housing Provision Results: 2005–06

- Urban green spaces remains low on the agenda of local government. Local Authority expenditure on green space makes up four-fifths of urban green space public sector spending. It has increased by 19 per cent in cash terms since 2001–02, but has not kept pace with the overall level of local authority spending. Local Authority urban green space departments suffer from a lack of skills, capacity and fragmentation in their management.
- The Department established CABE Space to help Local Authorities manage their green space better and more strategically. Green Space Strategies are essential for such comprehensive improvement. But at the time of our report only 38 per cent of Local Authorities had published one, and 20 per cent of these had no assessment of future need.

What challenges does the Department face?

9.19 One of the levers for retrofitting environmental sustainability into old housing will be the Home Information Packs. These provide information to buyers on the environmental sustainability of the home and an incentive for the seller to undertake energy efficiency home improvements.

9.20 But Home Information Packs have been controversial. Mandatory Home Condition Reports were dropped from the scheme in July 2006. In August 2007 the NAO published its findings in response to complaints concerning the design of the certification scheme.¹⁴⁴ We found:

- the Department employed consultants with a clear conflict of interest.
- In designing the certification schemes, the Department did not follow many of the better regulation principles.
- the Department fell far short of appropriate practice in developing and publishing transparent standards for the lighter touch certification scheme and the associated approval process including the scoring criteria for considering applications.
- Communication with all the applicants was not as equal or open as it should have been.

¹⁴³ Enhancing Urban Green Space, Comptroller and Auditor General, HC (2005-2006) 935, 2 March 2006.

¹⁴⁴ Note to RICS about the implementation of Home Information Packs, National Audit Office, August 2007.

9.21 In February 2007 Professor John Hills published his independent review of affordable housing, commissioned by the Department.¹⁴⁵ He found:

- Support for housing in the UK is dominated by means-tested housing benefit (£11 billion), provision of subsidised housing (£6.6 billion); and favourable taxation of owner occupiers (£15.7 billion).¹⁴⁶
- Social housing can ghettoise worklessness. Employment rates of those living in social housing with particular disadvantages are substantially lower than those of people with similar disadvantages but living in other tenures.
- Ensuring social tenants can live in mixed-income area is a key potential advantage of social housing but is not being achieved.
- More needs to be done to tackle worklessness amongst social tenants. Housing benefit can act as a barrier to work, housing and employment support needs to be better integrated; more local employment schemes are needed; and an expansion of choice-based lettings would increase economic mobility.
- Offering alternatives to secure tenancies may allow better value for money to the taxpayer and better meet tenants preferences and needs

Matters that the Committee may wish to explore

- The reasons that the Decent Homes Standard will not be achieved for all social housing by 2010, and the implications of the announcement that Local Authorities can extend the deadline. (paragraphs 9.11-9.14)
- The impact of the increase in vulnerable people on the Decent Homes Target. (paragraph 9.14)
- The reasons for the lack of progress in improving liveability conditions and resident satisfaction with their neighbourhoods. (paragraphs 9.15-9.17)
- The ability of the Department to improve the environmental sustainability of existing housing. (paragraphs 9.2-9.5, 9.19-9.20)

9.22 The NAO's report *Leaving the Services*¹⁴⁷ found that taking account of local connections to an area can exclude serving members of the military applying for social housing before they leave the service. On 21 June 2007, it was announced by the Government that the housing legislation is to be changed to ensure that Service personnel are put on an equal footing with other people applying for social housing.

What happens next?

9.23 As Local Area Agreements come into force across the local government sector, there will be no ring fenced money for liveability issues. Local Authorities will set their own targets and, except for the 50 identified as the worst performers on liveability issues, will not necessarily have to report on liveability issues.

10. REDUCING INEQUALITIES

(Chapter 8 of Annual Report)

What is DCLG trying to achieve?

10.1 Strategic priority 6 aims to reduce inequalities and build community cohesion by;

- Increasing integration and cohesion
- Reducing extremism and improving cohesion into the community and;
- Developing an equality agenda

33: Reducing Inequalities Targets

Public Service Agreement 9 Gender equality: By 2008, working with other departments to bring about measurable improvements in gender equality across a range of indicators as part of the Government's objectives on equality and social inclusion.

Public Service Agreement 10 Race equality: Reduce race inequalities and build community cohesion

¹⁴⁵ Ends and Means: the future role of social housing in England, John Hills, February 2007.

¹⁴⁶ Note these figures are estimates for 2004-05 and are economic cost and not the cash cost to the exchequer.

¹⁴⁷ *Leaving the services*, Comptroller and Auditor General, HC (2006-2007) 618, August 2007.

What is the Department doing to achieve this?

Promoting cohesion

10.2 The Department inherited responsibility for the Government's cohesion strategy *Improving Opportunity, Strengthening Society*¹⁴⁸ from the Home Office in May 2006. To pursue the strategy the Department:¹⁴⁹

- Allocates £18 million of funding through the Connecting Communities Plus grants programme (April 2006 to March 2009), for projects and activities which improve race equality and community cohesion. The programme is administered by a private company: A4e.
- Established the Commission on Integration and Cohesion in August 2006 to investigate how local areas can most benefit from increased diversity and how they can respond to tensions it can sometimes cause. It aims to develop practical approaches to build communities' own capacity to prevent problems, including those caused by segregation and the dissemination of extremist ideologies. Based on a programme of regional visits and outreach events, the Commission published its recommendations in its final report *Our Shared Future* in June 2007.
- Set out its expectation that Local Authorities take the lead in promoting community cohesion in the Local Government White Paper *Strong and Prosperous Communities* (see Chapter 4). It lays out guiding principles for Local Authorities to follow: strong leadership and engagement, develop shared values, prevent the problems of tomorrow, use good information, be seen to tackle inequalities, involving young people, interfaith work and using partners such as local third sector organisations.
- Provides Community Grants through the Community Development Foundation to support local projects run by smaller community organizations.

10.3 The Department publishes annual progress reports on the cross government efforts to achieve community cohesion in response to *Improving Opportunity, Strengthening Society*. The latest progress report was published in August 2007 and outlines the full range of cross government activity.¹⁵⁰

10.4 The Department has put particular emphasis in 2006-2007 on supporting Faith Communities and their role in strengthening cohesive communities.¹⁵¹ The Department provided £5 million through the Faith Communities Capacity Building Fund to:

- develop the Faith Community's capacity to apply for funding for its community and social activities; and
- develop interfaith networks.

10.5 The All-Party Parliamentary Inquiry into anti-Semitism was established in November 2005 to investigate the nature and extent of contemporary anti-Semitism and make recommendations about addressing this problem. The Department published the cross government response in March 2007 which set out plans to:¹⁵²

- improve recording and reporting of anti-Semitic incidents;
- review and strengthen the prosecution process;
- accelerate work to confront extremist groups who spread hate;
- promote community cohesion through education about different faiths; and
- prevent any manifestation of racial or religious intolerance on university campuses.

Tackling extremism

10.6 The Department's tackling extremism work is a key part of the prevention element of the cross-government counter-terrorism strategy.¹⁵³ The work was adopted from the Home Office under the *Machinery of Government* changes in May 2006. The Department focuses its attention at tackling extremism amongst Muslims, as that is where the security services say the biggest threat lies.¹⁵⁴

10.7 The Department's aim is to broaden efforts at preventing extremism from an exclusive focus on those at the cusp of illegality towards promoting shared values and supporting the leadership within the mainstream Muslim community.¹⁵⁵

¹⁴⁸ *Improving Opportunity, Strengthening Society*, Home Office, 2005.

¹⁴⁹ NAO Analysis.

¹⁵⁰ *Improving Opportunity, Strengthening Society: Two years on—A progress report on the Government's strategy for race equality and community cohesion*, The Department, August 2007.

¹⁵¹ *Ibid.*

¹⁵² Report of the All-Party Parliamentary Inquiry into Antisemitism: government response, Secretary of State for Communities and Local Government, March 2007.

¹⁵³ The other elements are protect, prepare and pursue.

¹⁵⁴ *Preventing Violent Extremism—Winning hearts and minds*, the Department, April 2007.

¹⁵⁵ The Department.

10.8 The Department's strategy Preventing violent extremism—Winning Hearts and Minds was published in April 2007.¹⁵⁶ It sets out four objectives and the immediate work to support them:

- Promoting shared values, by developing a plan (by Summer 2007)¹⁵⁷ to roll out good practice on broadening the provision of citizenship education in supplementary schools and madrassahs and considering how to ensure the most effective use of the education system in promoting faith understanding.
- Supporting local solutions to tackling extremism, by supporting Local Authority work through the Preventing Violent Extremism Pathfinder Fund; by increasing the number of Forums on Extremism and Islamophobia to at least 40 by April 2008 bringing together local communities, the Local Authority, the police and other players; and by supporting the development of 'tackling violent extremism road shows.
- Building civic capacity and leadership, by only giving support and funding to leadership organisations that actively work to tackle violent extremism; and by publishing in Autumn 2007 good practice and promoting debate on effective initiatives to strengthen the role that Muslim women play.
- Strengthening the role of faith institutions and leaders, by providing £600,000 to establish a Faith and Social Cohesion Unit within the Charity Commission to raise standards of governance in mosques; by developing an accredited Continuous Profession Development Programme for Faith Leaders from September 2007 (led by DIUS); and by early 2008 establishing minimum standards for all imams and Muslim chaplains engaged by the state.

10.9 The Department launched two grant funding streams in support of this strategy to start funding in 2007–8:

- the £6m Preventing Violent Extremism Pathfinder Fund to support local authorities in their work to tackle violent extremism. This Fund is intended for local-level projects and is administered through priority Local Authorities. The aim is to ensure Muslims in our communities identify themselves as a welcome part of a wider British society and are accepted as such; reject violent extremist ideology and condemn it; isolate violent extremist activity and support the police and security services; and develop their own capacity to deal with such problems. Funding started from April 2007.
- The Community Leadership Fund is a one off distribution of £650,000 over 2007–08. It aims to assist Muslim communities to take practical steps to reject violent extremism and feel a welcome part of wider British society. The programme aims to support projects with a national impact, and is administered directly by the Department.

Tackling inequalities

10.10 The Department had the lead role on equality across Government between May 2006 and July 2007, when that role transferred to the new Government Equalities Office in the Department for Work and Pensions. Whilst the new Office is responsible for integrating work on race and religion or belief equality into the overall equality framework, the lead on race and faith remains with the Department where it links strongly with the work on community cohesion and preventing extremism. The Department:¹⁵⁸

- Coordinated cross government action and worked with all front line services to ensure they have strategies in place to tackle discrimination.
- Sponsored and funded the main equalities Non-Departmental Public Bodies: The Commission for Racial Equality, Equal Opportunities Commission and Disability Rights Commission. These support individuals pursuing complaints on inequality issues, support representative bodies, and undertake research. The Department organised the merger of the equality NDPBs into the Commission for Equality and Human Rights which will come into effect in October 2007 and be sponsored by the Department for Work and Pensions.
- Mainstreams its equality efforts into its other programmes and ensures all its programmes target the hard to reach. For instance The Ethnic Minorities Innovation Fund provides £3m to combat homelessness among Black and ethnic minority communities.
- Coordinated the Government's commemoration of the 2007 bicentenary of the Abolition of the Slave Trade Act and provided funding through its small grants programme to bodies with related projects. Events were held throughout 2007, with particular focus on the International Day for the Remembrance of the Slave Trade and its Abolition on 23 August 2007. A national education project Understanding Slavery was developed by museums in Bristol, Liverpool, London and Hull. The government also published a commemorative magazine

¹⁵⁶ Preventing Violent Extremism—Winning hearts and minds, the Department, April 2007.

¹⁵⁷ As yet unpublished.

¹⁵⁸ NAO Analysis.

- Implemented the Equality Act 2006 to tackle discrimination in the provision of goods, facilities and services on grounds of sexual orientation, religion or belief. The legislation came into force on 30 April 2007.
- Established the REACH working group in February 2006 with a focus on raising the aspirations and achievement of Black boys and young Black men, enabling them to achieve their potential. It followed on from Stephen Lawrence Steering Group (LSG) and the Race Equality Advisory Panel (REAP). It published its final report in August 2007, with good practice intended for schools and Local Authorities.
- Implemented the public sector gender equality duty in April 2007, obliging public authorities to have regard to the need to eliminate gender discrimination and harassment and to promote equality of opportunity between women and men.

10.11 The Department aims to encourage Local Authorities and Registered Social Landlords to provide more authorised accommodation for Gypsies and Travellers. The Annual Report does not cover this issue, but it is the largest spending programme the Department has on tackling inequalities.¹⁵⁹ The Department hopes that providing Gypsies and Travellers with authorised accommodation will enable Local Authorities to be more effective in stopping unauthorised camping. The Department:

- provided £20 million through Regional Housing Boards in 2006–07 for new sites and the refurbishment of existing sites; and
- introduced Planning Circular 01/06 in February 2006 which requires Local Authorities to allocate land to fulfil the need for local Gypsy and Traveller accommodation as part of the spatial planning process.¹⁶⁰

What progress has the Department made?

Promoting cohesion

10.12 The Department has established a baseline for the PSA target on social cohesion by selecting data from the 2005 Citizenship Survey for the ten Local Authorities most at risk of disturbance.¹⁶¹

10.13 The choice of Local Authorities for the baseline is based on the Department's assessment of the risk of social disturbance and the impact it would have in each area.¹⁶² They collate information from Government Offices, Local Authorities, the Citizenship Survey and the Monthly Tension Monitoring Survey provided by the Police. Areas at risk are often more localised than Local Authorities and the areas chosen are not necessarily those with the least cohesion in the Citizenship Survey. The Department has not published this baseline because it may agitate tensions in the areas named.

10.14 The Commission on Integration and Cohesion published its final report in June 2007: our shared future.¹⁶³ The Commission undertook a detailed analysis of the Citizenship Survey (figure 34). They found that cohesion issues differ around the country and that different approaches are needed for different types of cohesion problems. They set out four cohesion scenarios and recommend good practice for each:

- changing less affluent rural areas eg Eastern European migrants coming to work in agriculture and food processing rural areas;
- stable less affluent urban areas with manufacturing eg longstanding White and Asian communities living parallel lives in the North and Midlands;
- stable less affluent urban areas without manufacturing decline eg in the South East where house prices are comparatively lower attracting newcomers;
- changing less affluent urban areas eg coastal towns with high demand for low skilled labour and migrant workers; and
- areas not deprived with tensions arising from a single issue eg areas with terrorist arrests or a proposed centre for asylum seekers.

10.15 The Commission made recommendations to Government following four principles of shared futures, a new model of rights and responsibilities, a new emphasis on mutual respect and civility and visible social justice.

10.16 The Department provided £50 million of Gypsy and Traveller Site Grant between 2001 and 2007 to Local Authorities and Registered Social Landlords.¹⁶⁴

¹⁵⁹ NAO Analysis.

¹⁶⁰ Planning for Gypsy and Traveller Caravan Sites: ODPM Circular 01/2006, the Department, 2nd February 2006.

¹⁶¹ Annual Report paragraph 8.26.

¹⁶² The Department.

¹⁶³ Our Shared Future, Commission on Integration and Cohesion, June 2007.

¹⁶⁴ Formerly the Gypsy Site Refurbishment Grant. The Department.

10.17 This funding is yet to make a significant impact on the number of sites, although more are now using them. In 2003 the Department estimated that there were fewer than 325 sites and 5,005 pitches then available in England and a need for an additional 2,000 to 2,500 by 2008.¹⁶⁵ By January 2007 the number of pitches managed by Local Authorities and Registered Social Landlords had reduced to 4,896 pitches. The number of Gypsy and Traveller caravans recorded as using authorised pitches (public or private) has increased by 10 per cent since 2005.¹⁶⁶

10.18 But it is too soon for the new planning guidance on Gypsy and Traveller sites introduced in February 2006 to have had much effect. The Department is looking for significant improvement over the next three years.

Tackling extremism

10.19 Tackling extremism is not directly addressed by a PSA target and it is difficult, by the nature of the topic, to provide robust data on progress. The Department is considering whether it would be feasible to survey attitudes towards extremist violence amongst Muslims.¹⁶⁷

Tackling inequalities

10.20 There are 19 separate performance indicators under PSA 9 for Gender Equality. There has been slippage on 5 of these indicators; employee awareness of flexible working arrangements, women's representation on science, engineering and technology related boards and councils, public appointments of women, appointments of women to the Senior Civil Service (SCS) and appointments of women to SCS top management posts. 4 other performance indicators have not yet been assessed and 6 are ahead or on course to achieve the target.

10.21 The NAO's review of the specification of the data systems underlying PSA 9 found the target unfit for the purpose of reporting improvements in gender equality. The diffuse multiple indicators do not collectively give a clear picture of performance. Furthermore, some indicators are not easily measurable, either because the data is not readily assessable or because success against the indicator has not been defined.¹⁶⁸

34: Percentage of people who expect to be treated worse than other races by public service

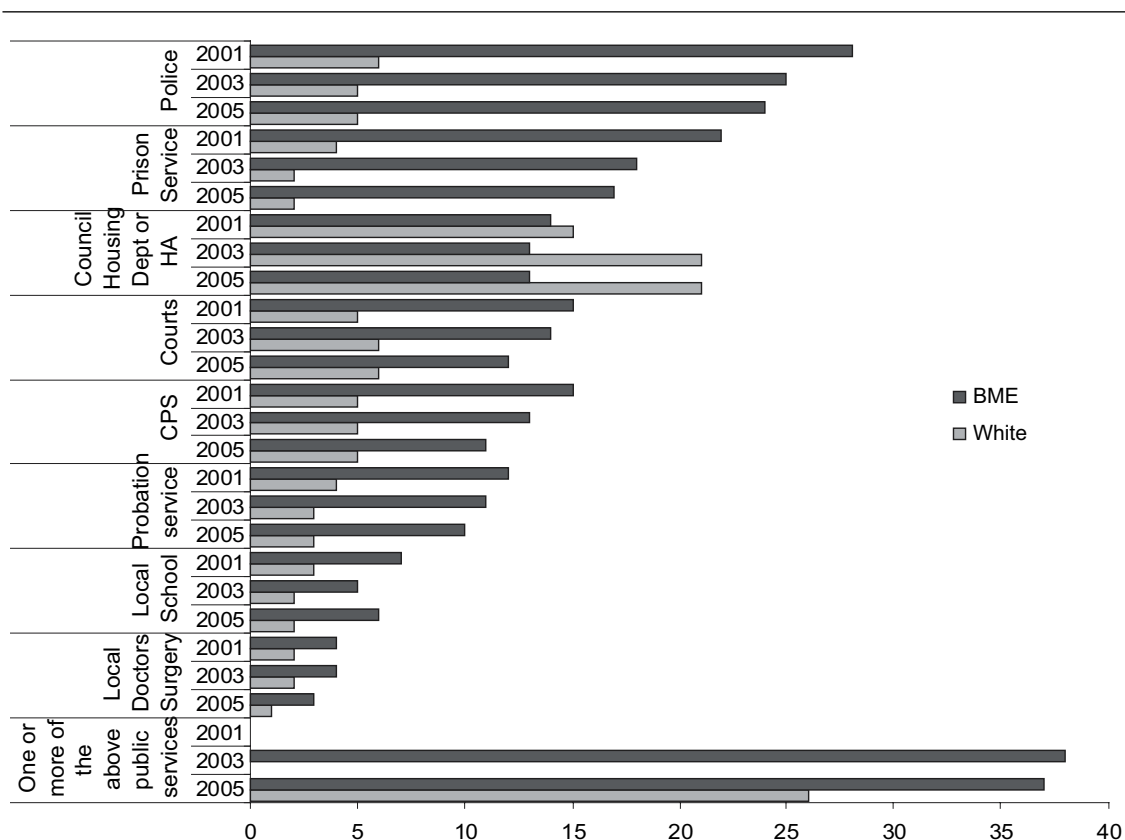
Despite poor progress on the PSA target, perceptions of the way public services treat people of different race are improving. There remains however some way to go particularly with the police and criminal justice system.

¹⁶⁵ Local Authority Gypsy/Traveller Sites in England, ODPM, July 2003.

¹⁶⁶ Gypsy and Traveller site data and statistics, the Department, January 2007.

¹⁶⁷ The Department.

¹⁶⁸ To be published Autumn 2007.



The PSA target monitors the number of BME people who think one or more of the public bodies listed above would treat them worse because of their race. This did not improve statistically significantly between 2003 and 2005. But attitudes towards each of the public services are improving.

Source: Citizenship survey 2001, 2003 and 2005.

10.22 The Equal Opportunities Commission report, *Completing the Revolution*,¹⁶⁹ identified 22 leading indicators that measure the nations gender equality. There are a number of indicators whereby there are significant gaps;

- The “power gap” for women in Parliament will take almost 200 years to close and it will take up to 65 years to have a more equitable balance of women at the top of FTSE 100 companies.
- The “pensions gap” will take 45 years to equalise: retired women’s income is currently 40% less than men’s.
- The “part-time pay gap” will take 25 years to close and the “full time pay gap” 20 years. Women working part-time earn 38% less per hour than men working full time. Full time female employees earn 17% less per hour than men.
- The “flexible working gap” is unlikely ever to change unless further action is taken. Even though half of working men say they would like to work more flexibly, currently women are much more likely than men (63% more likely) to work flexibly.

10.23 There has been slippage against all three performance indicators relating to PSA 10 race equality and community cohesion: discrimination in the labour market, discrimination by organisations, and community cohesion.¹⁷⁰ The number of Black and Minority Ethnic (BME) people who say they are discriminated against in seeking employment fell from 24 per cent to 22 per cent, but the number who said they were discriminated against in seeking promotion rose from 46 per cent to 50 per cent (2003 to 2005).

10.24 The Department’s survey did not record a significant change in the number of BME people who believe that one or more key public services discriminate against them because of their race between 2003 to 2005. But this hides improvement in the perception of individual services (figure 34).¹⁷¹ The Department published figures for the first quarter of 2007 on the 4th of October. They show a statistical significant reduction in the number of BME people who believe that one or more of the five Criminal Justice Agencies are perceived.

10.25 Half of people in England and Wales believe that racial and religious prejudice is getting worse. A third believe it has stayed the same. The 2005 Citizenship survey (June 2006) found 48 per cent of people believe that Britain has more racial prejudice today than five years ago, up from 47 per cent in 2003 and 43

¹⁶⁹ The Gender Equality Index, *Completing the Revolution*, Equal Opportunities Commission, July 2007.

¹⁷⁰ Annual Report paragraph 8.25.

¹⁷¹ Annual Report paras 8.21-8.23, Citizenship Survey 2005.

per cent in 2001. 52 per cent of people thought religious prejudice had got worse over the last 5 years and 93 per cent of these people said Muslims received more religious prejudice today than five years ago. But people who think that their local area is one where people from different backgrounds get on well together are less likely to say that racial prejudice in Britain has increased over the past five years.¹⁷²

The Equalities Review, chaired by Trevor Phillips and commissioned by the Prime Minister found:¹⁷³

- Not all inequalities are closing. Persistent inequalities remain in early years and education, employment and criminal justice. Progress is painfully slow, and non-existent for closing the disability employment gap and the ethnic qualification gap.
- Inequalities persist because there is persistent prejudice; a lack of understanding of equality which is too often regarded as “political correctness”; and little clarity over roles and responsibilities for delivering equality.
- The quality of data is poor and makes it extremely difficult to establish what needs to be done. It recommended an equalities scorecard, of 10 indicators, to measure equality.
- The policy levers are not fit for purpose. There is too much emphasis on legislation and process rather than achieving outcomes; positive discrimination is forbidden; the laws are complicated and employers lack clear guidance and support; and enforcement is blunt and inflexible.

10.27 The Equalities Review recommended 10 steps to overcome the barriers to tackling inequality: defining quality; building a consensus; measuring progress; transparency about progress; targeted action on persistent inequalities; a simpler legal framework; more accountability for delivering equality; using public procurement and commissioning positively; enabling and supporting organisations in all sectors; and a more sophisticated enforcement regime.¹⁷⁴

What challenges does the Department face?

10.28 The Department has weak policy levers. The complexity of the issues makes understanding what makes an effective intervention challenging. This is exacerbated by the fact that local communities can be highly sensitive to the findings from Government analysis and to the way policies are implemented. This exacerbates the challenge the Department faces across all its policies of needing to work remotely through others.¹⁷⁵

10.29 Many of the reports summarised above have highlighted the lack of robust data and the need to better understand the issues of social cohesion and inequality.¹⁷⁶ The Department appear to have recognised this in commissioning the major studies outlined above but now needs to demonstrate it can use a sound evidence base to formulate more effective policy levers.

10.30 The Department aims to protect the rights of minorities even when it is unpopular to do so. For instance local opposition to illegal Gypsy and Traveller sites, new migrants and asylum seekers does not encourage Local Authorities to make the provision of services and sites to these people a high political priority. Under Local Area Agreements, the Local Authority is encouraged to set its own priorities. The Department is already using other mechanisms to protect minority rights such as the use of the Planning System to place an obligation on Local Authorities to provide Gypsy and Traveller accommodation.¹⁷⁷

10.31 There is growing evidence that the rationing of scarce resources is creating tension between ethnic groups. The Commission on Integration and Cohesion found that settled communities are worried about the fair allocation of public services—with some thinking immigrants and minorities are getting special treatment.¹⁷⁸ This is particularly the case over housing where 21 per cent of White people believe they will be discriminated against because of their race (see figure).¹⁷⁹ This led to political debate in 2006-07 about the allocation of housing policy and use of choice based lettings. The Department provides advice to Local Authorities on tackling myths about the allocation of housing, pointing out that housing is allocated on the basis of need and not race. They are also considering ways of making Choice Based Lettings more transparent.¹⁸⁰

10.32 The Department is reacting to new patterns of immigration. 683,000 people from the new European Union countries have registered with the Worker Registration Scheme (1 May 2004 to 30 June 2007).¹⁸¹ The Commission for Integration and Cohesion stressed that no one size fits all approach will work. The Department is likely to want to help Local Authorities adapt to the needs of immigrant workers from Eastern Europe.

¹⁷² Citizenship Survey 2005.

¹⁷³ Fairness and Freedom: The Final Report of the Equalities Review, Equalities Review, February 2007.

¹⁷⁴ Ibid.

¹⁷⁵ NAO Analysis.

¹⁷⁶ NAO Analysis.

¹⁷⁷ NAO Analysis.

¹⁷⁸ Our Shared Future, Commission on Integration and Cohesion, June 2007.

¹⁷⁹ Citizenship Survey 2007.

¹⁸⁰ NAO Analysis.

¹⁸¹ Accession Monitoring Report A8 Counties, May 2004-June 2007, Home Office, 2007.

10.33 Regeneration programmes need to manage their effect on community cohesion carefully. Regeneration schemes that aim to redevelop or improve an area can displace existing communities and businesses and lower income families may not be able to afford increasing house prices. Grant regimes can incentivise the avoidance of hard to reach groups. And the targeting of resources to the most deprived areas may coincidentally focus resources exclusively on one community causing tension with neighbouring communities.¹⁸² The Department therefore tries to mainstream its community cohesion efforts into its other regeneration programmes.

What happens next?

10.34 Machinery of Government changes and the equality agenda mean that as of 26th July 2007, the Department is no longer responsible for taking the lead role on equality. This has moved to the new Government Equalities Office at the Department for Work and Pensions. The Department retains the lead on race and faith where it links strongly with the work on community cohesion and preventing extremism.

10.35 Proposals for a Single Equality Bill were published for consultation in June 2007. The Bill aims to draw together separate laws currently making discrimination unlawful on the grounds of race, sex, disability, sexual orientation, age, religion or belief. It is hoped that providing a streamlined legislative framework will make it easier to understand the rights and responsibilities and make the law more effective.

10.36 The Department published its headline response to the Commission for Integration and Cohesion in October 2007, welcoming the Commission's proposals. The Department announced that it will provide £50 million investment over the next three years to promote community cohesion and support local authorities in preventing and managing community tensions. Its formal response that considers each of the Commission's recommendations in details is due to be published in January 2008.

Matters that the Committee may wish to explore

- Progress in tackling extremism. (paragraphs 10.6-10.11, 10.19)
- The Department's ability to improve its understanding of the complex issues involved and to translate the recommendations of the several recent reports into implementable policies. (paragraph 10.29)
- The ability of the Department to ensure Local Authorities make reducing inequalities a priority under Local Area Agreements. (paragraph 10.30)
- The Department's response to evidence that the rationing of scarce resources is creating tension between ethnic groups. (paragraph 10.31)
- Progress in mainstreaming the consideration of inequality issues with the Department's other programmes. (paragraphs 10.33, 10.28)
- Reasons for the lack of progress in establishing new Gypsy and Traveller pitches (paragraphs 10.11, 10.16-10.18)

¹⁸² Our Shared Future, Commission on Integration and Cohesion, June 2007.