



House of Commons

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

ODPM Annual Report and Accounts 2004

Fourth Report of Session 2004–05

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

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

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

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Andrew Bennett MP (*Labour, Denton and Reddish*) (Chairman)

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

Mr Clive Betts MP (*Labour, Sheffield Attercliffe*)

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

Publications

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

Committee staff

The current staff of the Committee are Lynn Gardner (Joint Committee Clerk), Jessica Mulley (Joint Committee Clerk), Charlotte Littleboy (Second Clerk), Ben Kochan (Committee Specialist), Ian Hook (Committee Assistant), Ian Blair (Chief Office Clerk) and Emma Carey (Secretary).

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Summary

We have considered the second annual report published by the ODPM since its inception in May 2002. During the year the ODPM underwent further changes in the departmental structure and in the number of strategic priorities. We are concerned that this has led to inconsistent management and a lack of focus on projects.

We welcome much of the ODPM Annual Report 2004. However, it does highlight some areas where progress on projects is still to be made.

We commented adversely on the clarity of the presentation of information in last year's departmental report; we are pleased to see this is much improved this year. However, it continues to be a difficult document to read and we once more make recommendations on structure and layout. The ODPM did not wholly follow guidance set out by the HM Treasury on the reporting of targets within departmental annual reports,¹ and we believe that the Report would have been markedly better had this been done.

¹ HM Treasury: Public Expenditure System (2003) 24, 28 November 2003

1 Introduction

1. This inquiry is the latest in a long series of select committee inquiries into their Departments' Annual Report, a procedure which has been recognised as good practice by the Select Committee on the Modernisation of the House of Commons. In its report on Select Committees, the Modernisation Committee recommended that departmental select committees should examine and report on estimates and monitor performance against targets.²

2. In this instance, we examined the Annual Report and Accounts 2004 of the Office of the Deputy Prime Minister.³ It sets out the Office's aims and priorities, reports progress and structural changes throughout 2003-2004 and accounts for the Office's use of resources in its areas of responsibility. In addition to information about the Office itself, the report gives limited details of the work of its agencies and public bodies.⁴

3. We held two oral evidence sessions in public in October 2004. The transcripts of evidence taken, together with an additional memorandum from ODPM, are published alongside this report. Our witnesses on the first occasion were the Permanent Secretary of the ODPM, Dame Mavis MacDonald DCB, and two senior officials: Mr Peter Unwin, Director General, Corporate Strategy and Resources Group and Mr Neil Kinghan, Director General, Local Government and Fire Group. At the subsequent evidence session our witnesses were Rt hon Nick Raynsford MP, Minister of State for Local and Regional Government and Fire and Rt hon Keith Hill MP, Minister of State for Housing and Planning, accompanied by officials representing Lord Rooker, Minister of State for Regeneration and Regional Development: Mr Joe Montgomery, Director General, Tackling Disadvantage Group and Mr Andrew Wells, Director of Sustainable Communities.

² Select Committees: First Report of the Select Committee on Modernisation of the House of Commons, 2001-2002, HC224-1

³ Cm 6206

⁴ Cm 6206, chapter 5

2 Consistent Management

4. We commented in our Report last year that the constant changes in the departmental structure of ODPM could lead to inconsistent policy development, management and reporting.⁵ We were therefore concerned to observe further significant changes in the ODPM departmental structure in the last year.

5. The Permanent Secretary told us that these changes came about because of “in-depth discussion with Ministers about the future strategic priorities of the Office as a whole and the work they wanted us to concentrate on as we went into the Spending Review 2004”.⁶ He added that planned staff changes also “gave us the opportunity to look at the structure that we currently had and to look at the most efficient way of pulling together the areas of activity that were focused by those strategic priorities”.⁷ As a result of the changes, the number of strategic priorities was increased from three to five.

6. Dame Mavis MacDonald assured us that, “we [the Department] have no plans to make changes over the coming twelve months because the Spending Review conclusions gave us the resources to back that set of strategic priorities”.⁸ We hope that this indeed proves to be the case. A significant impact of the change in the number of strategic priorities has been to make it difficult to compare general information, targets and financial data from last year to this. **The 2005 ODPM Annual Report should make clear the nature and reason of any unavoidable changes in structure and strategy. The Report should also give full financial information for the periods before and after such changes, and map old and new targets for comparison.**

7. We put it to the department that the number of inter-departmental changes might have a negative impact on staff morale. The Permanent Secretary assured us that, in fact, they had “spent quite a lot of time talking to staff before we made structural changes” and that the internal feedback was that “we have managed to establish a greater sense of a coherent structure with one Office behind one agenda”.⁹ Dame Mavis also said that she did “not think changing the structure meant we were not concentrating on policy development and delivery”.¹⁰ We remain to be convinced, however, that progress on projects was not delayed as a result of staff uncertainty and look forward to the results of the staff survey which the Office intends to carry out this spring.¹¹

⁵ *ODPM Annual Report and Accounts 2003*, First Report from the ODPM:Housing, Planning, Local Government and the Regions Committee, Session 2003-04, HC 102-I, para 6

⁶ HC 115-I, Q3

⁷ *Ibid*

⁸ HC1115-I (page 4)

⁹ HC1115-I, Q7

¹⁰ HC1115-I, Q4

¹¹ HC1115-I, Q7

3 Public Service Agreement and Service Delivery Agreement Targets

8. The ODPM has seven Public Service Agreement (PSA) targets from the 2002 Spending Review. It also has twenty-six extant targets (PSAs and Service Delivery Agreements [SDAs]) from the 1998 Comprehensive Spending Review and 2000 Spending Review, some of which were subsumed by the 2002 PSA.

9. The layout and presentation of the department's annual report makes it difficult to determine progress against targets during their lifespan. We believe that progress, or lack of it, must be clearly demonstrated and easily identified within the Annual Report.

10. It appears that the department's progress is slower than expected for a significant number of its earlier targets. In oral evidence sessions, the department concentrated on performance against the 2002 PSA targets, rather than the targets set in 2000 and 1998.¹² Indeed, Mr Hill confessed that he was unfamiliar with the 2000 SDA target on tenant satisfaction with social landlords.¹³ We are concerned that these long-standing targets may slip further. In oral evidence officials stated that new methods of assessing target progress are being devised, but we feel that new methods could further complicate assessment of progress.¹⁴ **We recommend that the department use tables in the 2005 annual report to demonstrate progress against targets. It would be useful for each PSA target to be formatted into a table which sets out agreed milestones (for targets that are long term), assesses progress and overall performance to date, provides information about plans to assist failing targets and identifies the programmes contributing to each target.**

¹² Eg HC1115-I, Q138

¹³ HC1115-I, Q337

¹⁴ HC1115-I, Q140

4 Presentation of Annual Report

11. We have already welcomed the improvements to the layout and structure of the 2004 Annual Report, made in response to our recommendations. However, we think that further progress can still be made in improving the report in 2005. In particular, this year's document is too verbose and hard to read owing to its complicated format

12. Currently information about each programme is scattered throughout the document, linked as it is to individual targets and strategic priorities; this makes the report confusing and clear information on programmes difficult to find. The programmes the department operates should be a major part of the annual report in their own right, alongside the progress report on targets which begins the document. **We recommend that programme information should be contained in one dedicated section and contain an outline of the programme, progress towards applicable targets, the budget from which funding is drawn down and spend to date.**

5 Departmental Finances

Spending Review 2004

13. The ODPM received a real terms average annual funding increase of 3.3 per cent over the 2004 Spending Review period (2005/2006 to 2007/2008) with only health, education, transport and international development securing higher awards.

14. Within the ODPM allocation, housing spend will increase at an average annual rate of 4.1 per cent in real terms and administrative expenditure will fall, in common with the rest of Whitehall. By removing these two factors from the overall allocation, the remaining programme budget can be calculated. This shows a real terms average annual decrease in funding of 0.5 per cent over the 2004 Spending Review.

15. We asked both officials and Ministers whether better progress against targets would have resulted in a more generous allocation. The Permanent Secretary argued that it would not have done “because some of the parameters for the Spending Review were set and announced before the final decisions were taken, such as priority for education and health”.¹⁵ She felt “our success in seeing new resources for this agenda for Ministers recognises that the Treasury recognise that we could deliver against targets”.¹⁶ Nick Raynsford MP, Minister for State for Local and Regional Government and Fire, cited housing and local government finance as positive examples which proved that “undoubtedly the Spending Review did take account of the importance of meeting targets in some of the key areas concerned”.¹⁷ We remain to be convinced that better progress against the Office’s other targets would not have been rewarded by a larger share of funding for the department’s activities.

Efficiency Savings

16. In the Spending Review 2004 the ODPM agreed to realise annual efficiency savings of 2.5 per cent, totalling at least £622 million by 2007-2008, of which two-thirds will be cashable.¹⁸ This does not mean a real budgetary reduction in that increased productivity is accepted by the Treasury as savings. The areas to be affected are: reductions and relocations to civil service posts; improved social housing procurement; efficiencies in Regional Development Agencies and the Registered Social Landlord sector; and enhancements to the effectiveness of the Fire and Rescue Service.

17. The Permanent Secretary told us that the department had “some very detailed plans for areas within headquarters where we have agreed that we are going to be saving certain numbers of posts and a quite substantial amount of cash”.¹⁹ However, her colleague, Mr Unwin, emphasised that while they were “confident we can make the 10 per cent figure overall”, the Office “have not yet decided on our business planning round over the next

¹⁵ HC1115-I, Q160

¹⁶ HC1115-I, Q157

¹⁷ HC1115-I, Q339

¹⁸ HC1115-I, p. 46

¹⁹ HC1115-I, Q38

three years”.²⁰ Information was not yet complete from the Non-Departmental Public Bodies, and officials were keen to emphasise the expectation placed on them to play their part.²¹ It is important that the department is seen to lead by example in this area and that it ensures that plans do not affect service delivery, either of its own activities or of those of other bodies.

18. We are particularly concerned by the ODPM’s inability to tell us where the ten per cent reduction in staff posts will occur. It appears that Department has produced this figure before it has worked out how it can be achieved. **It is essential that ODPM clearly outline where all efficiency savings are to be made as soon as possible.**

19. We are apprehensive that the Planning Inspectorate is expected to make savings by increasing productivity for the same level of spend or less. It is unclear whether the department intends to reduce staff numbers to help achieve this target. The Inspectorate currently struggles with its workload, and it is difficult to see how savings can be generated without its output being affected. The Department stated that there may be flexibilities: “if there was additional pressure on the Planning Inspectorate... obviously we will meet as much of that as possible through additional efficiency but it may be at the end of the day that the Planning Inspectorate takes less than the average share of the 10 per cent reduction.”²² **We recommend that the Planning Inspectorate should not receive a ten per cent staff cut, but that the ODPM consider moving extra staff into this area.**

20. By 2007-08, the ODPM expects local authorities to have made efficiency savings of £6.45 billion. We are concerned that such savings may be difficult to achieve, given that more and more aspects of local government expenditure are determined by central Government policy, for example ring-fenced healthcare and education funding. Local authorities will only be able to generate savings if they have greater budgetary control and flexibility than at present.

²⁰ HC1115-I, Q34

²¹ HC1115-I, Qq 19, 25

²² HC 1115-I, Q31

6 Delivering Objectives

Thames Gateway

21. The Thames Gateway programme has made steady progress since its launch, but we still have concerns regarding the infrastructure plans for this scheme, in particular, utilities and transport programmes. **We recommend that the Government publish details of when each infrastructure element of the Thames Gateway scheme is to be in place.**

Northern Way

22. The Northern Way programme was launched in February 2004 by the northern Regional Development Agencies and contains measures to generate economic development in the northern regions. The Deputy Prime Minister has agreed to create an initial £100m Growth Fund to take forward the programme, made up of equal contributions from the ODPM and the three northern RDAs.²³ We are concerned, however, that this investment is likely to be wasted without adequate resources going into transport infrastructure. We note that the Department of Transport's 10-year plan fails to prioritise transport development in the northern region. Furthermore, existing economic regeneration schemes are being threatened by the removal of funding from planned transport schemes, as in Manchester where funding for the light rail transit links has been withdrawn.

23. **We recommend that the ODPM work with the Department of Transport to look again at the transport plan, and work alongside the Regional Development Agencies to ensure adequate transport infrastructure is developed in those regions covered by the Northern Way programme. This must be completed as soon as possible to enable the Regional Development Agencies to implement their proposals.**

Neighbourhood Renewal

24. We are pleased that the funding for the Neighbourhood Renewal Fund was rolled forward in the 2004 Spending Review at a flat rate of £525m. In addition we were particularly glad to hear from Joe Montgomery, Director General: Tackling Disadvantage Group, that Ministers will look at allocation of funding in line with the statistics shown in the Index of Multiple Deprivation:

“Priorities will be decided upon by Ministers in a way which takes account of the new Index of Multiple Deprivation, where, of course, some of the 88 local authorities which had been in receipt of NRF have fallen out of that list of worst authorities, others have come in ... Ministers will want to take account also of the fact that there are more detailed, more refined data sets available to us because we are able to identify smaller pockets of deprivation even below the level of ward boundaries.”²⁴

²³ HC1115-I, p.42

²⁴ HC1115-I, Q317

He stated that account would also be taken “of which Local Strategic Partnerships have made best progress against floor targets”.²⁵ We are aware that in the past local authorities have received insufficient notice of funding changes in the past. This is clearly unacceptable as it prevents adequate planning of both an expansion or reduction of schemes. In order for an authority to take full advantage of funding, it must be able to plan schemes properly.

25. The Committee welcomes the news that Ministers will look at reallocation of funding to areas currently not in receipt of Neighbourhood Renewal Funding, in light of the evidence presented in the Index of Multiple Deprivation. We recommend that the relevant local authorities be informed of their Neighbourhood Renewal Fund entitlement by September 2005 at the latest.

Fire Service

26. In their response to our report on the Modernisation of the Fire Service in 2004, the Government told us that they were conducting a review of the retained service which would report in June 2004. It was made clear in oral evidence that this review has not yet developed any firm proposals for the future of the retained service.²⁶ In their subsequent memorandum the Office informed us that the review had been completed and that “a stakeholder task group will take forward the report’s recommendations” for changes in pay and conditions.²⁷ **We recommend that Government make clear the timetable for implementation of any proposed changes in the retained fire service.**

²⁵ *Ibid*

²⁶ HC1115-I, Q329

²⁷ HC1115-I, p.45

Conclusions and recommendations

Consistent Management

1. The 2005 ODPM Annual Report should make clear the nature and reason of any unavoidable changes in structure and strategy. The Report should also give full financial information for the periods before and after such changes, and map old and new targets for comparison. (Paragraph 6)

Public Service Agreement and Service Delivery Agreement Targets

2. We recommend that the Department use tables in the 2005 annual report to demonstrate progress against targets. It would be useful for each PSA target to be formatted into a table which sets out agreed milestones (for targets that are long term), assesses progress and overall performance to date, provides information about plans to assist failing targets and identifies the programmes contributing to each target. (Paragraph 10)

Presentation of Annual Report

3. We recommend that programme information should be contained in one dedicated section and contain an outline of the programme, progress towards applicable targets, the budget from which funding is drawn down and spend to date. (Paragraph 12)

Departmental Finances

4. It is essential that ODPM clearly outline where all efficiency savings are to be made as soon as possible. (Paragraph 18)
5. We recommend that the Planning Inspectorate should not receive a ten per cent staff cut, but that the ODPM consider moving extra staff into this area. (Paragraph 19)

Delivering Objectives

6. We recommend that the Government publish details of when each infrastructure element of the Thames Gateway scheme is to be in place. (Paragraph 21)
7. We recommend that the ODPM work with the Department of Transport to look again at the transport plan, and work alongside the Regional Development Agencies to ensure adequate transport infrastructure is developed in those regions covered by the Northern Way programme. This must be completed as soon as possible to enable the Regional Development Agencies to implement their proposals. (Paragraph 23)
8. The Committee welcomes the news that Ministers will look at reallocation of funding to areas currently not in receipt of Neighbourhood Renewal Funding, in light of the evidence presented in the Index of Multiple Deprivation. We recommend

that the relevant local authorities be informed of their Neighbourhood Renewal Fund entitlement by September 2005 at the latest. (Paragraph 25)

9. We recommend that Government make clear the timetable for implementation of any proposed changes in the retained fire service. (Paragraph 26)

Formal minutes

Tuesday 18 January 2005

Members present:

Andrew Bennett, in the Chair

Sir Paul Beresford

Chris Mole

Mr Clive Betts

Mr Bill O'Brien

Mr John Cummings

Christine Russell

The Committee deliberated.

Draft Report (*ODPM Annual Report and Accounts 2004*), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 26 agreed to.

Summary agreed to.

Motion made, and Question put, That the Report be the Fourth Report of the Committee to the House.

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

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

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

The Committee deliberated.

[Adjourned till Monday 24th January 2005.]

Witnesses

Tuesday 12 October 2004 [HC 1115-i, Session 2003-04]

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Dame Mavis McDonald DCB, Permanent Secretary; **Mr Peter Unwin**, Director General, Corporate Strategy and Resources Group; and **Mr Neil Kinghan**, Director General, Local Government and Fire Group; Office of the Deputy Prime Minister

Ev 1

Tuesday 19 October 2004 [HC 1115-ii, Session 2003-04]

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

Ev 20

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

Ev 20

Mr Joe Montgomery, Director-General of the ODPM Tackling Disadvantage Group, and **Mr Andrew Wells**, Director of Sustainable Communities, Office of the Deputy Prime Minister

Ev 20

List of written evidence

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

Ev 38

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

Ev 46

Reports from the ODPM Committee since 2003

The following reports have been produced by the Committee since 2003. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2004-05

First Report	The Draft Regional Assemblies Bill	HC 62-I
Second Report	Annual Report to the Liaison Committee	HC 149
Third Report	Homelessness	HC 61-I

Session 2003-04

First Report	ODPM Annual Report and Accounts 2003	HC 102-I (<i>CM 6141</i>)
Second Report	Annual Report to the Liaison Committee	HC 221
Third Report	The Fire Service	HC 43-I (<i>CM 6154</i>)
Fourth Report	Coalfield Communities	HC 44-I (<i>CM 6265</i>)
Fifth Report	Decent Homes	HC 46-I (<i>CM 6266</i>)
Sixth Report	Social Cohesion	HC 45-I (<i>CM 6284</i>)
Seventh Report	Postal Voting	HC 400-I (<i>HC 973</i>)
Eight Report	The Role and Effectiveness of the Housing Corporation	HC 401-I (<i>CM 6351</i>)
Ninth Report	Local Government Revenue	HC 402-I (<i>CM 6328</i>)
Tenth Report	Supporting Vulnerable and Older People: The Supporting People Programme	HC 504-I (<i>CM 6348</i>)
Eleventh Report	The Role of Historic Buildings in Urban Regeneration	HC 47-I (<i>CM 6420</i>)
Twelfth Report	Draft Planning Policy Statement 6: Planning for Town Centres	HC 952
Thirteenth Report	Gypsy and Traveller Sites	HC 633-I

Oral evidence

**Taken before the Office of the Deputy Prime Minister:
Housing, Planning, Local Government and the Regions Committee
Urban Affairs Sub-Committee**

on Tuesday 12 October 2004

Members present:

Andrew F Bennett, Chairman

Sir Paul Beresford
Mr Clive Betts
Mr John Cummings

Mr Bill O'Brien
Christine Russell
Mr Adrian Sanders

Witnesses: **Dame Mavis McDonald DCB**, Permanent Secretary; **Mr Peter Unwin**, Director General, Corporate Strategy and Resources Group; and **Mr Neil Kinghan**, Director General, Local Government and Fire Group; Office of the Deputy Prime Minister, examined.

Q1 Chairman: Can I welcome you to the Committee for our first evidence session on the ODPM's annual report and accounts for 2004. Welcome to the Committee. Would you like to identify yourselves for the record, please?

Dame Mavis McDonald: I am the Permanent Secretary in the Office of the Deputy Prime Minister.

Mr Unwin: Director General of the Corporate Strategy and Resources Group.

Mr Kinghan: Director General of the Local Government and Fire Group at ODPM.

Q2 Chairman: Do you want to say anything by way of introduction or are you happy for us to go straight into questions?

Dame Mavis McDonald: We are happy to go straight into questions.

Chairman: John Cummings?

Q3 Mr Cummings: Good morning. The Committee raised the issue of the lack of consistent management in the Office in our report on the ODPM Annual Report and Accounts last year. The Committee understand that since then your Office has restructured its management board and increased the number of its strategic objectives from three to five. Would you care to tell the Committee when you plan to stop making changes to the Office structure and perhaps concentrate more on policy development, management and delivery?

Dame Mavis McDonald: The changes we made to the Office structure were for two reasons: one is because we had an in-depth discussion with Ministers about the future strategic priorities of the Office as a whole and the work they wanted us to concentrate on as we went into the Spending Review 2004. We also had some staff changes coming up which gave us the opportunity to look at the structure that we currently had and to look at the most efficient way of pulling together the areas of activity that were focused by those strategic priorities. In doing that we reduced the number of groups and we brought some different combinations of work together because we thought there was

better synergy in doing that. For example, we moved the new team responsible for Supporting People, the new grant that we have taken over responsibility for, into a group which is about tackling disadvantage because the groups that that funding is targeted on very much overlap with the groups that the Homelessness Directorate as a whole is looking at, those that are most problematic in most deprived neighbourhoods and which frequently feature in the work that the Social Exclusion Unit does when it does reports on particular problems or particular groups of people. So that was the rationale behind that restructuring. We also managed to get some synergies like sharing research services in different areas in a rather different way and bringing together some services across the Office as a whole, which we believe will be more efficient and will save us money in the longer term in the way in which we will be able to carry the overhead for the management of the Office.

Q4 Mr Cummings: But when do you intend to stop making changes to the Office structure and concentrate perhaps more on policy development, management and delivery?

Dame Mavis McDonald: I do not think changing the structure meant we were not concentrating on policy development and delivery. What we were trying to do was to organise the structure so we could get a real focus behind the priorities and the whole of the staff understood what the cascade of priorities that the Minister set for us was. In terms of future changes then obviously structures are not static for offices. One needs to watch what is happening over time, how those shifts take place, and whether there are any changes you want to make. We have no plans to make any changes over the coming twelve months because the Spending Review conclusions gave us the resources to back that set of strategic priorities, and that is the way we intend to work for the time being.

12 October 2004 Dame Mavis McDonald DCB, Mr Peter Unwin and Mr Neil Kinghan

Q5 Mr Cummings: Could you perhaps tell the Committee how this reorganisation has affected corporate functions?

Dame Mavis McDonald: Part of the activity that we did in the last business planning round was to look very hard at the way in which corporate functions were managed and what we were seeking to do there was to ensure we had the right balance between a delegation to the large groups but the most cost-effective central services we could manage. So we have a programme of change in hand on the corporate services, which Peter can tell you more about if you want, which again is designed to increase our efficiency and reduce the overhead of corporate services in the rest of the Office.

Q6 Mr Cummings: How will you achieve those objectives?

Dame Mavis McDonald: A lot of what we have said to the Committee over time about what we are seeking to do under our PSAs is about focusing on those objectives.

Q7 Mr Cummings: Can you tell the Committee how you have maintained staff morale throughout the constant changes that have taken place in their reporting of the structure and also the focus of their work?

Dame Mavis McDonald: I think we spent quite a lot of time talking to staff before we made structural changes. We explained what we were trying to do while we were trying to do it, and there was a period of time where people were involved in setting up these structures before they came into effect. Because the structures were tied very clearly to a sense of what the Office agenda was going to be and how that had been set by Ministers and they could see how we explained very clearly the interface between the PSAs and their strategic priorities, our sense is that people are very much clearer about what the Office is about as a whole and that having been set up as a relatively new department even though lots of the activities and functions have been together for some time, our internal feedback which is largely from the Board talking to staff on various occasions, and particularly to new people coming in, is that we have managed to establish a greater sense of a coherent structure with one office behind one agenda, and we will see the extent to which we can verify that when we have a repeat of the staff survey that we had done about 18 months ago in the early spring of next year.

Q8 Chairman: In the last 10 years you have had more or less within the department or the core of the department about five reorganisations. Presumably you think that the four previous ones to this one just did not achieve what you wanted?

Dame Mavis McDonald: I tend to think in terms of the Office since we were established as the Office in 2002. Prior to that there were a lot of changes where the Office was made bigger and then smaller which the machinery of government changes which did not necessarily significantly affect the grouping of the functions that we are now responsible for. Some new

responsibilities were brought in that were not there before like the Fire Service which came into the then DTLR at the 2001 election, and of course when the Office was set up we brought the Social Exclusion Unit with us from the Cabinet Office and we also brought responsibility for the Government Offices across government back into the Office.

Q9 Chairman: So all this re-organisation, which was a drag on the department, was the restructuring?

Dame Mavis McDonald: I do not think this restructuring was a drag on the department in any sense whatsoever—

Q10 Chairman: Wait a minute. You said there was lots of consultation. So while you are consulting with people they cannot be getting on with their job, can they?

Dame Mavis McDonald: I think at any point in time there are management changes which good employers need to be explaining to their staff. There are changes which take place to pay structures or pay systems, for example, to pension structures or pension systems which are not necessarily driven by one individual department but might be driven by the Civil Service as a whole, so people are used to the fact that we do talk to them and try and explain what is happening and get their views back.

Q11 Chairman: How much of your time was spent on this re-organisation?

Dame Mavis McDonald: I think over the period in which my Board was collectively talking about it and we were discussing the priorities with Ministers, but that I would view as part of the natural course of business preparing for a Spending Review, probably maybe 15%, but that was over a couple of months.

Q12 Chairman: So 15% of your time was spent on the reorganisation as opposed to developing policy?

Dame Mavis McDonald: 15% of my time was spent on both the articulation of strategic priorities as the base position for the Spending Review, and the restructuring that we did behind that. It was both together.

Q13 Christine Russell: In response to a question from Mr Cummings you explained the rationale behind linking supporting people and homelessness. Why do you appear to need two separate sections to deal with tackling disadvantage and social exclusion and what is the linkage between those two?

Dame Mavis McDonald: Tackling Disadvantage is a bigger group and the Social Exclusion Unit is part of it alongside the Neighbourhood Renewal Unit and the Homelessness Directorate, and the supporting people work was brought into the Homelessness Directorate. So Terrie Alafat who is at the head of that Directorate is responsible for both the homelessness policy and the programmes and the Supporting People Programme.

12 October 2004 Dame Mavis McDonald DCB, Mr Peter Unwin and Mr Neil Kinghan

Q14 Christine Russell: So there is a tackling disadvantage group, and within that you have these separate mini directorates?

Dame Mavis McDonald: That is just a way of getting a handle on structuring functions, other than the Social Exclusion Unit who work in a slightly different way. They do study some project work across issues, across government, but a lot of what they do overlaps with, for example, the responsibilities that the Neighbourhood Renewal Unit have for deprived areas, and also for floor targets which our first PSA, PSA 1, requires us to make sure other departments are on track to meet. The floor targets are health and education, for example, and overlap the interests of both of those two groups.

Q15 Christine Russell: I am still not sure in the structure, excuse me, quite how this relationship works because you seem to have a stand-alone director for the Social Exclusion Unit and a stand-alone director general for the Neighbourhood Renewal Unit. Who tells the director of the Social Exclusion Unit what she or he should be doing?

Dame Mavis McDonald: The Social Exclusion Unit's agenda is set by collective discussion across Whitehall and by Ministers, and is cleared with the Deputy Prime Minister and the Prime Minister. Some of the issues that arise which they would put in that potential programme would come from the work arising from what the Neighbourhood Renewal Unit does. But what we do have in the department is a group of research workers who can service both of them and bring the knowledge they have from the different programmes to bear, and so we share that information and that knowledge and we get more synergy out of it.

Q16 Christine Russell: And who is the final arbitrator if their workload is excessive? If you have the Department of Health, or the Department of Education, who says to the Social Exclusion Unit "We want you to carry out this research"—

Dame Mavis McDonald: The programme is agreed collectively and then they work through that until it is finished.

Q17 Mr Cummings: Can you tell the Committee what role Joan Hammell, Ian McKenzie and Paul Hackett play in the department, please?

Dame Mavis McDonald: That is the Deputy Prime Minister's team of special advisers. Joan Hammell is his chief of staff managing across the whole of his spectrum of activity on the political side; Ian McKenzie and Paul Hackett split the special adviser coverage of the responsibilities of the department between them, so Ian has tended to focus on local government and fire issues, and Paul Hackett has focused on the sustainable communities issues.

Q18 Mr Cummings: And they are known as specialist advisers within the department?

Dame Mavis McDonald: Special advisers, yes.

Q19 Mr Betts: In terms of the efficiency targets, the figures that we have been given show that there has to be a reduction of 400 posts in total, 250 of which are in headquarters and government Offices. Where are the other 150?

Dame Mavis McDonald: The total figure we have been asked to find covers our headquarters, the Government Offices, our agencies, so it includes the Planning Inspectorate and the Fire Service College and the QEII centre and then our main NDPBs.

Q20 Mr Betts: So the 150 are agencies?

Dame Mavis McDonald: Or they could be in our big NDPBs, like the Housing Corporation, for example, or English Partnerships.

Q21 Sir Paul Beresford: What is that as a percentage of the total staffing level?

Dame Mavis McDonald: About 10%.

Q22 Sir Paul Beresford: One of the confusing things for anyone on the outside is the result of the changes internally and the result of the changes of setting staffing out and the changes within departments. It is very hard to get a grip on the total staffing level. Do you do any comparisons between, on a like-for-like basis, '92, '97, 2001 and now?

Dame Mavis McDonald: No.

Q23 Sir Paul Beresford: Is it possible to do it?

Dame Mavis McDonald: I do not know how far we would be able to track back what then would have been the Department of the Environment figures but if the Committee were interested we could try. We would have to piece out the functions that were in that office then, the DOE, that are now replicated in the Office, and I have mentioned Fire but the Neighbourhood Renewal Unit did not exist in 1991 for example.

Q24 Sir Paul Beresford: We would be interested to have the figures, but it would be interesting for you for efficiency purposes, surely? Your 10% reductions on staffing level, what is that as a total of the budget?

Dame Mavis McDonald: If you look at the admin budget—

Mr Unwin: Our admin budget is somewhere over £300 million, and basically we are on a flat cash admin budget for the next three years. So in real terms that is about 8%, about £25 million.

Q25 Mr Betts: Just coming back to the savings in various organisations, the Housing Corporation, the Planning Inspectorate, with a degree of autonomy how do you ensure you get 150 savings out of that, or are you simply going to give more cash reduction and say, "Well, if you can get rid of the statutory volume you can do it in some other way. It is up to you".

Mr Unwin: A combination of both. Their admin budgets are set as part of the grant in aid so it is the level of that budget that we will achieve some of the

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efficiency savings through, but we also ask them for particular plans. As part of the main efficiency management within government we have to produce detailed plans on how the efficiency savings are going to be achieved and that will include our Non Departmental Public Bodies.

Q26 Mr Betts: On the relocation, we have had the impression given that lots of jobs are going to be created out as part of this relocation but it looks from your Department that there will be some jobs moved out but given also there will be a reduction of the number of government office jobs as part of the efficiency savings, in the end there probably will not be any more people employed in government offices outside in the regions than there are now?

Mr Unwin: We will be moving out 240 posts before efficiency savings and about 214 after, mostly to the Government Offices. The Government Offices themselves obviously will be making some efficiencies within their back Office and administration costs, but on top of that they will get the increases relating to the work moving out to the regions. Overall, I would expect there to be a net increase but that depends on the figures to be calculated which will be coming out as we develop our plan, but certainly posts moving out from our office in London will move more front line posts into Government Offices replacing the back office posts which they will be reducing through efficiency savings.

Q27 Chairman: How are the cuts in the Planning Inspectorate going to work because we have a backlog of planning? The Ministers made it clear they wanted to speed up planning; I think most local authorities one way and another have done quite well, but as I understand it there is a considerable backlog with the cases that the Planning Inspectorate have.

Dame Mavis McDonald: As you know, the Planning Inspectorate is effectively a demand-led activity, so we look at the adjustment of the cash all the time that is needed against the targets. What Katrine Sporle, the Chief Planning Inspector, has been doing is a lot of work designed to re-engineer the processes that they use internally to handle the appeals and the different kinds of smaller minor cases that they manage to see if she can get more throughput with the same numbers of staff—

Q28 Chairman: Wait a minute, the same numbers of staff? I thought you were talking about some of this reduction in staff coming from the Planning Inspectorate?

Dame Mavis McDonald: It can do, but that does not mean we cannot offset it with an extra requirement if the planning appeal load has gone up as quickly as it has over the last couple of years, and it is up about 35-40% at the moment.

Q29 Chairman: So we are going to have a cut but actually we are going to have more staff employed there?

Dame Mavis McDonald: Well, I think we are going to have what we hope is a more efficient way of managing some of the processes—

Q30 Chairman: Let's just stick with the staff. What was announced is that there is going to be a saving in the number of staff employed there. That is what is announced, but the reality is that if we get more planning appeals more staff will be employed there.

Mr Unwin: We are reducing by 10% overall across the Office centre—

Q31 Chairman: I understand that but what I am interested in is the Planning Inspectorate which was supposed to be making a contribution to it. What I want to be clear on is whether this contribution from the Planning Inspectorate is actually going to be less people in the desk in Bristol, or is it going to be that because the workload goes up then there will be more staff there?

Mr Unwin: We have not decided that yet because we have not broken down the overall 400 posts, the 10% between headquarters and various agencies and NDPBs, but in each case the point I wanted to make is that we are making a 10% overall cut. There are certain areas in the Office where workload is increasing, on the sustainable communities agenda and on interaction with local government, for example, and that has to be accommodated within this overall 10% reduction which we will be making. So if there was additional pressure on the Planning Inspectorate for the reasons you say, and there is an element of that, obviously we will meet as much of that as possible through additional efficiency but it may be at the end of the day that the Planning Inspectorate takes less than the average share of the 10% reduction.

Q32 Mr Betts: So basically it is a wing and a prayer. You have plucked 10% out of the air, but you have not even got round to thinking about what it is going to involve.

Mr Unwin: No. We are working out at the moment a delivery plan and the technical note—

Q33 Mr Betts: You are working it out, so the commitment to 10% savings comes before you have worked out how to achieve it?

Mr Unwin: No. We have substantial plans already for back office savings at headquarters and we are talking to the agencies about this at the moment.

Q34 Mr Betts: But in terms of the agencies you have not even got to the point of—

Mr Unwin: We are confident we can make the 10% figure overall. We have not yet decided on our business planning round over the next three years. We are about to do it and that will be the point at which we look at how those savings are going to be spread across the Office.

Q35 Sir Paul Beresford: Presumably if the Planning Inspectorate's workload has gone up one of the solutions is to look at the workload and why. Have

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you done that? What have you decided? What are the causes, and what are you going to do about it on the Planning Inspectorate?

Mr Unwin: We are looking at the whole planning delivery chain in the Planning Inspectorate and in Whitehall.

Q36 Sir Paul Beresford: Why are there more inquiries? Is there a cause?

Mr Unwin: Some of the changes that have come through in the recent Planning Bill—

Chairman: So is it the Planning Bill or is it increased prosperity which means that more planning applications are coming in?

Q37 Sir Paul Beresford: Or more inquiries called in? More centralisation?

Mr Unwin: There is certainly a big increase in the number of appeals coming in. I would not like to speculate on the reason for more inquiries.

Q38 Chairman: But surely if you are looking at staffing then you would need to know why you have greater staffing amounts. You have just told us that basically this 10% is a whole rather than anything based. We have picked out one area of planning in which we appear to have evidence that you are going to need more staff rather than less, and you do not know why.

Dame Mavis McDonald: We have. I think it is a mixture. We have some very detailed plans for areas within headquarters where we have agreed that we are going to be saving certain numbers of posts and a quite substantial amount of cash. We have some knowledge from some of the NDPBs about their plans and what they will say. The Planning Inspectorate is particularly difficult because we have to look at the current potential future to plan within this context. We have not taken detailed decisions about the Planning Inspectorate but, within the overall framework of improving the planning system, Katrine Sporle is already working on some business processing engineering internally to try and speed their processes; there are features in the new Planning Act which will help speed up some of the local development plan framework; and we have been having internal discussions with Ministers about other types of planning consent and the way in which we might potentially speed up the handling of those with the Inspectorate and with the local authorities as well, but we have not reached final decisions with Ministers on the whole of that package.

Q39 Chairman: So because the whole of the Planning Bill is unknown, it means you do not know what contribution other parts of the department are going to have to make, do you?

Dame Mavis McDonald: We know what we can do within the defined plans we have currently set out. We have until 2007 and 2008 to make decisions on achieving the whole of the 10%, and we anticipate that we will fine-tune some of that as we get into some of our own business planning round and the

result of some of the work currently in hand at concluding them. But, as Peter said, we are confident that we can meet the 10% as a whole.

Q40 Mr Sanders: Are any of the relocation efficiency savings to come from transferring the Office at 26 Whitehall to within alternative ODPM London accommodation?

Dame Mavis McDonald: That is not a plan at the moment.

Q41 Mr Sanders: So you are not proposing to move from 26 Whitehall?

Dame Mavis McDonald: No.

Q42 Christine Russell: Can I ask you why you appear to have failed to meet your internal targets for the recruitment of women and people from ethnic minorities?

Dame Mavis McDonald: I am not too sure that I recognise we have failed to meet our targets.

Mr Unwin: Our SCS targets have been met.

Q43 Christine Russell: According to the briefing papers we have, you have not.

Mr Unwin: We are slightly below our targets for the disabled, but for women and ethnic minorities we have met our Senior Civil Service targets.

Q44 Chairman: How many people did you recruit in the last twelve months from the ethnic minorities?

Mr Unwin: I have not got the figure to hand. We can let you know.

Q45 Chairman: But you are confident that you met the targets, so it just seems odd that you do not know what the target was.

Mr Unwin: The target is not a flow target but a stock target, and we at the moment are meeting our target on the SCS. You may be thinking of the NDPB appointments where we are slightly below target on that, and we are doing all we can to get up to target.

Q46 Chairman: I think it would help if you spelt out in full, rather than use initials.

Mr Unwin: Non Departmental Public Bodies.

Q47 Christine Russell: Again, it would be helpful if you could come up with an explanation why you feel, with those public governmental bodies, you did not meet the target. It would be useful.

Dame Mavis McDonald: We will.

Q48 Mr Betts: Temporary staff. Do you recruit them to save money or does it cost money?

Dame Mavis McDonald: We recruit them to fill immediate gaps that we need to fill while it takes time to recruit and bring in permanent staff.

Q49 Mr Betts: How much more does it cost per month to employ someone on a temporary basis? Presumably you use agencies, do you?

Mr Unwin: We use agencies which costs more but we use them in areas particularly where we need flexibility.

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Q50 Mr Betts: How much more does it cost to employ somebody from an agency rather than direct?

Mr Unwin: I do not know the precise figure. We can let you have it but it obviously costs more so it is a question of balancing that against short-term flexibility. For example, in areas like human resources, as part of the back office savings we were talking about we are looking at restructuring that and sharing services with Cabinet Office and Treasury, and for the moment we are not taking permanent staff into that area because it would not make sense until we have concluded what the shape of the organisation is going to be, so we will take temporary staff even though, as you imply in the short term, it is more expensive per month but in the longer term it is more efficient.

Q51 Mr Betts: Given the size of the Civil Service overall is there no attempt by departments to think about having a pool of staff who could fill temporary needs rather than agencies? It would be very interesting to see what the extra costs of the agencies are. I bet the agencies charge nearly double what you could get people for by employing them directly.

Mr Unwin: We are looking at that collectively across Whitehall.

Q52 Chairman: How long have you been looking at it for?

Mr Unwin: Cabinet Office have been looking at it for about two months now as part of the follow-up to the efficiency review looking at whether we can reduce these temporary staff by taking on, on a temporary basis, staff whose posts are becoming surplus in other departments.

Dame Mavis McDonald: There is one group of temporary staff which is inward secondees who come in for a short period largely because of their particular expertise or because we have arrangements, particularly with local government, to have an exchange secondment programme to broaden each other's knowledge of the two sectors.

Q53 Mr Betts: But presumably they are paid on the appropriate rates rather than paying extra to an agency?

Dame Mavis McDonald: Yes.

Q54 Mr Sanders: I want to come back to accommodation. The costs of 26 Whitehall are published at something like £2.6 million. Would you not get a better deal elsewhere in the capital? You could certainly get a better deal in my constituency if you moved down there and probably do more to regenerate the economy than anything the department is doing otherwise.

Dame Mavis McDonald: As you probably know, we effectively rent 26 Whitehall from the Cabinet Office and we pay them an agreed fee for most of the services, so we are paying the rate which the Cabinet Office pays across the whole of its estate for 26 Whitehall. It does not compare unfavourably with our costs for our other accommodation.

Q55 Chairman: How much extra work is created just because the department in some areas is pretty inefficient?

Dame Mavis McDonald: There are some areas where we have acknowledged our own capacity to improve, like our procurement activities, for example, where we have a system which have a lot of delegation out to a lot of centres across the Office, whereas we have the capacity with our electronic system to actually do that much more effectively centrally. We change the rules, pull that back in, and will save a lot of cash both through the management of that and also through a more effective professional procurement expertise in terms of the people who are bargaining for our purchases, if I can put it like that.

Q56 Sir Paul Beresford: What do you mean by "a lot of cash"? What do you mean? What is the percentage of the savings you need?

Mr Unwin: We save about £2.7 million on procurement. That is one example. We are looking at rationalising our library services, for example, as people move more on to the use of e-library services rather than physical library services, so we are moving down to one central library. I mentioned the human resource transformation where we are looking to share human resource services with Cabinet Office and Treasury, so there is a range of areas particularly in back office services where we are aiming to rationalise and become more efficient.

Q57 Mr Betts: Is not there a slight degree of scepticism which creeps into these discussions when a lot of it seems to be going in fads? A few years ago everybody seemed to be making efficiency savings by devolving purchasing, and now we are making more efficiency savings by centralising it back again. Are both lots of efficiency savings true?

Dame Mavis McDonald: We have much more powerful tools now to support a centralised system and we have much speedier capacity because we are all working electronically to have that link between a central system and the line specifying the requirement that just speeds the whole process up. Peter quoted the savings; they are quite significant.

Q58 Mr Betts: How much?

Dame Mavis McDonald: £2.7 million.

Q59 Chairman: Are you hoping to see some improvements in the parliamentary unit which you have which liaises obviously with our staff?

Dame Mavis McDonald: We have seen improvements as we manage to introduce a system so that everything went out from the parliamentary team electronically to the staff around the office who provide the advice back to Ministers. If we have more electronic interchange on some of our correspondence then we would get benefits from that, but we have run a system where everything is scanned in basically, and we are also running, with parliamentary, an experiment to look at the way we handle correspondence and see whether running a central core team to deal with the volumes we have

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rather than passing all that out to line is more efficient in terms of speed whilst keeping up the quality of the answers, and we will decide whether to roll that out later this year.

Q60 Chairman: Were you satisfied with the rate at which parliamentary answers were dealt with last year?

Dame Mavis McDonald: No. A lot were good and then we had some really bad ones where we were very slow, and our clerk has put in place a much tighter monitoring and chasing system to try and ensure that does not happen.

Q61 Chairman: Has there been an apology to Parliament on that?

Dame Mavis McDonald: I think we have apologised to individual members where we have been very slow in replying to them and quite often Ministers have sent letters as well to accompany those answers to give a fuller explanation why there has been a delay.

Q62 Mr O'Brien: Pressing you further on the energy efficiency savings that you referred to in the report, the significant proportion of the efficiency savings target is to come from bodies over which you have no direct control. How will the Office ensure that real and sustainable efficiencies, as opposed to reducing service delivery, are achieved with these arm's length organisations?

Dame Mavis McDonald: I think we should split the answer to that in two. One, our non departmental public bodies and, also, our local government and we have two separate efficiency plans, the one covering the Office and our non departmental public bodies and agencies, and another separate one for local government where we will lead on some of the programme and where we are working with the OGC across Whitehall on the remainder of the local government programme. On our non departmental public bodies we do have various exchanges and various levers to work with them to make sure they do achieve the efficiency savings, not least the grant in aid that they get covering their administration budgets.

Q63 Mr O'Brien: But if you cut to reduce the grant in aid then that reduces the services, and I would hope that the exercise of efficiency savings is not to reduce services, so what guarantee do we have?

Dame Mavis McDonald: The aim is not to reduce the services: it is to think about different ways of working which sustain and, in some cases, speed up the service but are not as staff intensive or as expensive as some of the current ways of working or some of the current locations.

Mr Unwin: And in many cases we are working very closely with the bodies concerned to help them develop the savings we can implement, so for example on social housing we are working with the Housing Corporation to get significant savings in that through smarter procurement, through partnering arrangements of procurement, through efficiency in management and maintenance through

capital works consortia. So we are working with them to help develop the tools that will get the savings without reducing services.

Q64 Mr O'Brien: What about Regional Development Agencies?

Mr Unwin: DTI sponsor regional development agencies and they are leading on the overall savings for them, and they are working with the RDAs at the moment to get their efficiency plans developed.

Q65 Mr O'Brien: And the question of Fire? Where can you explain the proposed savings with Fire and the Services?

Mr Kinghan: Most expenditure on Fire is the Fire Authority's expenditure. They are part of the local government programme of efficiency savings and, as you know, we are engaged with the employers, the Fire Authorities, in a modernisation process at the moment which we hope will yield something.

Q66 Mr O'Brien: In my area, in the north of England, the Development Agencies and Fire are very important services. The projected service or saving that you refer to is an annual increase of 73% for RDAs and 104% for social housing and RSL spending and 105% for Fire from 2005 to 2008. Are these targets realistic?

Mr Unwin: Yes.

Q67 Mr O'Brien: Can you give us a little more information as to how you judge them to be realistic, because I found in our area that the RDAs are being pressed, particularly with urban regeneration, for better services for more resources. If that has come out of efficiency, how can it be achieved?

Mr Unwin: The RDAs have had a substantial increase in the Spending Review, so an increase in resources, but we are looking for efficiency savings from them as across all our bodies. You ask about how these will be monitored and reported. At the moment we are developing what is called a technical note to underpin the efficiency delivery plan and we aim to be publishing that next month, so you will see from that how we intend to monitor those and you will be able to monitor those with us to see how we achieve them.

Q68 Sir Paul Beresford: What is the total efficiency saving as a total of your spending?

Mr Unwin: We have efficiency savings over three years of £622 million—

Q69 Sir Paul Beresford: As a percentage?

Mr Unwin:—on a budget of about £7 billion a year. The average percentage is about 2.5% a year.

Mr Kinghan: And for local government the target is £6.45 billion over three years, which is a very large sum of money, but that is about 2.5% of local government expenditure.

Q70 Sir Paul Beresford: It is pitifully small. Any business in this country would look at that and smile and get out the nail files, but you are having a hell of a time doing it and organising all sorts of systems to

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monitor it and so on, and one wonders whether, by the time you have done your efficiency savings, you are going to have lost it in the methods you are devising to produce the savings?

Mr Kinghan: We will be monitoring the savings. One can, on the one hand, say they are very ambitious savings and, on the other hand, say they are pitifully small. £6.5 billion does seem quite a large saving; local government thinks it is an ambitious target but they have not rejected it.

Sir Paul Beresford: Well, there is a well-known saying, “They would say that, wouldn’t they”?

Q71 Mr O’Brien: Pressing you on this question of the regional development agencies, the department have just published their document on the Northern Way, which is a sister project to the regional development agencies, the core cities and the redevelopment and the necessary spending to make sure that the Northern Way can be achieved. Obviously it is not in the report but it is part of the targets. How do you see that new introduction of the Northern Way impacting upon the regional development agencies in the north and their budgets and efficiencies?

Dame Mavis McDonald: The three regional development agencies have agreed together, because they think the benefits of pursuing the proposals in the Northern Way are worth it in the long term, that they will from their existing budgets put together £50 million to help promote that programme, and we have said we will find the same money, but we are not taking it out of the new regional development agencies programme. We can find that within existing resources for the regional development agencies.

Q72 Mr O’Brien: How can you find it within existing resources if you are not taking it out of that?

Dame Mavis McDonald: Because we have some flexibility in the regional development agency programme.

Q73 Mr O’Brien: Without reducing the services?

Dame Mavis McDonald: Yes, and, of course, the regional development agencies in the Spending Review did get more money to spend as a whole, so what we are looking for in some of these efficiency savings is extra output plus the output from the additional cash. Peter mentioned the social housing programme and the Housing Corporation, and we have quoted figures expected output which assume an 8% efficiency saving on the purchasing of new RSL housing which is part of the package, so there is extra money and then the extra output we expect from those improved efficiencies.

Q74 Chairman: But it is smoke and mirrors, is it not, really? You say you are going to get extra efficiency and you are going to get a bit more money, and it is very difficult at the end of the day to work out whether you have actually got more efficiency at the end of the day?

Dame Mavis McDonald: It is not difficult to work out whether we get the output we are targeting—

Q75 Chairman: Yes, but you do not know whether that is as a result of greater efficiency or the extra money, do you?

Dame Mavis McDonald: I think we can monitor the unit costs that the Housing Corporation are getting from the large scale purchases, and we have quite a good tracking of those over time so we can see whether we are getting more housing for the same amount of input.

Q76 Chairman: That may just be that greater volumes tend to produce greater efficiency.

Dame Mavis McDonald: We have not seen that over the last three or four years in the Housing Corporation programme, hence we think there is scope to focus in hard here with additional funding because it has not actually seen as large an increase in output as we might have expected till last year when we put a lot of effort into the way in which the programme was managed with the Housing Corporation to try and maximise the output.

Q77 Sir Paul Beresford: So part of your savings or the reading of the savings comes from a greater output for the same amount of money, is that what you are saying?

Dame Mavis McDonald: Yes.

Q78 Sir Paul Beresford: So the taxpayer does not see a saving?

Dame Mavis McDonald: The taxpayer sees more housing.

Q79 Mr O’Brien: On the question of the regional development agencies and the efficiencies that you are looking for and the introduction of Northern Way, in all those aspects local government is a strong partner with the regional development agencies and the introduction of the Northern Way. Now, local government obviously are looking for additional resources to make sure they can maintain their services in a better programme for local services. How will you monitor, how will you audit the efficiency of the regional development agencies with a background of local government having to call upon them for additional resources and make sure they achieve local government targets, and reduce council tax bills? All this is part of the exercise, and it will be difficult to understand how the regional development agencies can reduce their expenditure without impacting upon the services of local government. Has this been an exercise that you have given serious consideration to?

Dame Mavis McDonald: We are not asking the regional development agencies to reduce their expenditure—

Q80 Mr O’Brien: You said this morning you have taken £50 million out of the budget of regional development agencies to support the Northern Way?

Dame Mavis McDonald: No, we have not taken £50 million out of them. They, the three regional development agencies who did the Northern Way report—and it was their report; they asked Sir

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Graham Hall to do it for them—have collectively agreed they will find £50 million from their existing budgets but they have not taken it off other programmes to do that. They are projecting ahead over the next three year period.

Q81 Mr O'Brien: Are you saying that the £50 million was not earmarked for development in the regions, the £50 million that has been spent on the introduction of the Northern Way?

Dame Mavis McDonald: Not all of their resources over the next three years are committed, by any stretch of the imagination.

Mr Unwin: This was their proposal. The money they are going to spend it on is going to lead to regeneration of those regions. They just think that by working together there are some things they could do—

Q82 Mr O'Brien: They were asked by the Deputy Prime Minister to look at that.

Mr Unwin: Yes, but they proposed the £50 million and we provided them with £50 million extra on top, so they have £100 million altogether of which they have provided £50 million.

Q83 Mr O'Brien: And you say that will not impact upon the work of the regional development agencies in various regions?

Mr Unwin: We hope it will improve it by making it more effective and looking across the three regions at various issues.

Q84 Sir Paul Beresford: Ministers are asking local government to find efficiency savings. What would be the reaction be if they came and said exactly what you have just said to us: “I am sorry, the bill is the same but we are doing more with it”?

Mr Kinghan: That is, in effect, what we expect to happen actually because we are saying to local government that we are not going to take money away from local services because the figures have been set for the next three years but that the more efficient local authorities can be the more money will be available to frontline services and the more money can be recycled into local services.

Q85 Sir Paul Beresford: But Ministers want council tax to come down.

Mr Kinghan: No. They want a lower increase than we had last year but there will still be an increase! I am sure they would be happy if council taxes came down in some places but what they have said is they are looking for a lower increase.

Q86 Chairman: Can I take you back to the housing question? What you are saying is that you expect the Housing Corporation to reduce its cost per unit which appears to be very good, but one of the problems for the Housing Corporation is that it is under a fair amount of criticism for cutting back on the specialist housing, the need for housing from ethnic minority groups, the need for housing from people with disabilities. Is not there a danger that the

Housing Corporation goes for mass build and cuts back on some of those niche markets that it ought to be encouraging?

Dame Mavis McDonald: We have not asked them to do that. We would hope they will manage to keep the balance of those special programmes and, of course, the rural programme but there is no reason why in purchasing that kind of housing they could not be learning some of the lessons from partnering arrangements, for example, to see if they can get the units more cheaply, or more cost effectively.

Q87 Mr Cummings: Of the ODPM's £620 million efficiency savings target, we understand there is £120 million to come from the regional development agencies. Obviously the regional development agencies are funded by DTI, Defra, DfES, United Kingdom Trade International and DCMS. What systems and controls do you have to ensure that the Office reports as coming from the regional development agencies are not being double-counted as efficiency savings by the other funding departments?

Dame Mavis McDonald: Because DTI will take the overall lead in developing the plan, we are all required to produce for the Office of Government Commerce detailed efficiency plans supported by a technical note which will show how we are monitoring and measuring those efficiency plans. DTI will take the lead on the regional development agencies but we will be talking to them about how we track what is happening to the resources we have put into that single pot. But the regional development agencies are free to make choices from the single pot in terms of the balance of the expenditure they make against their main objectives. We do not set that and what we need to know is what the outputs and the outcomes are that they are achieving.

Q88 Mr Cummings: So will you be monitoring the situation or will DTI?

Dame Mavis McDonald: DTI will run the system and we will be party to it.

Mr Unwin: The DTI run a tasking framework for the regional development agencies which agrees their tasks and targets and outputs and we, along with the other departments you mentioned, work with DTI on that. But the overall savings which come out of that exercise, which will be monitored by DTI, will then be split between the departments in accordance with the proportionary budget.

Q89 Mr Cummings: So you are absolutely confident there will be no double-accounting?

Mr Unwin: Absolutely confident, yes.

Q90 Chairman: If I worked in a regional development agency I would be a bit cynical. You have been asked to make significant efficiency savings and yet you have passed on the biggest burden to the regional development agencies. Why do you think the regional development agencies are much more inefficient than the department?

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Mr Unwin: I am not quite sure—I do not think we have passed it on. The target we have given the regional development agencies is the same 2.5% we have taken on ourselves and applied across all our bodies.

Q91 Chairman: And you think that is reasonable on the basis of the evidence of the regional development agencies?

Mr Unwin: Yes.

Q92 Chairman: Why?

Mr Unwin: The regional development agencies we would hope would make the same savings as the rest of us.

Q93 Chairman: But what is logical about asking the regional development agencies to make the same savings? You could argue the regional development agencies have been set up over the last five or six years but they have probably put into place mechanisms for working which were rather more efficient than some which have been going on in the department for perhaps fifty years?

Dame Mavis McDonald: Partly because we have been working with the regional development agencies on re-defining the systems they have in relation to Whitehall and the complex arrangements whereby departments put money into the single pot into a new tasking and targeting regime and a new performance management regime which they think is going to be more efficient and more cost effective in helping them manage themselves, but also they will be able to join in some of the activities going on around improved procurement and purchasing and development, for example; they will be able to have access to various of the other initiatives like regional centres of excellence or procurement on some of the housing work we are doing on procurement—

Q94 Chairman: Yes, but they were set up relatively recently so would you not expect them to have systems in place which were a bit more robust than some parts of your department which have been in existence for a long time and appear to have done things in a traditional way without much change?

Dame Mavis McDonald: I think because they were set up in a way which involved their budgets being created from streams of existing funding from individual departments—

Q95 Chairman: You think they built inefficiency in because of the way they were created?

Dame Mavis McDonald: No, I do not think they built in inefficiency but they had a lot of existing commitments which constrained the choices they could make as to how they manage themselves and the money. As that has worked out as a single pot and has become much more real than they have been working, particularly with DTI but the rest of us as well, to work out systems which they feel are the right ones for the way ahead now and they worked with the National Audit Office on this and the National Audit Office have concluded that the framework that was being put in place and is

effectively just starting was one that ought to be an improvement on the previous one, and enables them to do the kind of tracking that Mr Cummings was asking about.

Q96 Mr Betts: In terms of the total spending of the department, while there are clearly extra resources for housing which most people welcome they are taking those extra resources out and the savings as part of the Gershon efficiency review. If you look at the rest of the expenditure in the department there is actually a reduction in real terms over the period of the Spending Review. Does that mean we are going to see reductions in savings in some areas?

Dame Mavis McDonald: No. There is more money for housing, more money for the regional development agencies and more money for the growth areas programme, and there is a continuing commitment in our housing market renewal pathfinder line. Where we did not have a line in the previous Spending Review, there was a guaranteed baseline. The NRF continues at a flat cash rate so that is in real terms a decrease over the three years, but we would expect to be looking for that programme again to be running with the 2.5% in-built efficiency saving that we are looking for on our other programmes.

Mr Unwin: I think overall we have had an increase in our non-housing programmes. Our overall increase was 3.3% average per year real growth, that is growth on top of inflation; housing was higher than average with a 4.1% increase, but the rest of the department—and I do not know the precise figures—have also had an increase. For example, on Fire and Resilience we have had an increase of £3.4 million.

Q97 Mr Betts: So where are the reductions then? You said housing is 4% but overall it is 3.3%?

Mr Unwin: That means the rest of the department is something of the order of 1 or 2% real growth on top of inflation, so overall there are not large areas of the department that have decreases.

Q98 Mr Betts: But housing is such a big part of the budget anyway, is it not, that presumably that does not mean necessarily an overall increase?

Mr Unwin: I have mentioned Fire and Resilience. Other areas such as Livability have had additional resources of £30 million. The regional development agencies we have spoken about have had—

Q99 Mr Betts: And these are real increases, not cash?

Mr Unwin: Those are cash increases—

Q100 Mr Betts: Well, exactly. You can have a cash increase—

Mr Unwin: On Liveability the actual real increase is 2.7% per year. On Fire and Resilience the average real increase is 23% per year.

Q101 Mr Betts: So would there be any areas where there are service reductions then?

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Dame Mavis McDonald: I think on Neighbourhood Renewal for which £525 million is a flat cashline there is a real terms decrease but that is on quite a significant budget, and it is about the level at which we are looking for efficiency savings.

Q102 Mr Betts: Is that the only area?

Mr Unwin: We have the planning and delivery grant down 2.9% but that is through increased fees rather than a reduction of the grant, so that is a reduction of the net figure, but it is being met by increased fees on planning. The same grant will be available to local authorities.

Q103 Sir Paul Beresford: Is your 2.5% a year in real or cash terms?

Mr Kinghan: For local government, you mean?

Q104 Sir Paul Beresford: No. Overall.

Mr Unwin: That is a real terms decrease, so it is flat cash approximately.

Q105 Sir Paul Beresford: Except when you have done more with a certain amount of money so the taxpayer still does not see a saving.

Mr Unwin: That is an explicit aim of the government's efficiency review overall. The purpose of the efficiency review is to deliver more services and output to the frontline, so the Treasury have been explicit in saying that the efficiency review in some cases will provide savings in actual cash and in other cases will provide additional outputs in the frontline for the same cash.

Sir Paul Beresford: I am not sure the taxpayer will feel great about that when he signs the cheque.

Q106 Mr Betts: Coming back to local government savings, my colleagues in local government do seem to think that the situation is a bit confused, particularly with the passporting issues that go on from other government departments, and there is the feeling around that education gets the money passported straight through and they get their increases, with the same for social services, and therefore local government efficiency savings have to come out of the rest of the areas, and there is enormous pressure on the other services to find savings which sometimes are not there.

Mr Kinghan: I certainly have not heard that argument. In fact, the savings that we are going for, £6.5 billion over three years, do depend on savings across the board. Nobody is exempt from that, so although the education expenditure is increasing the DFES is working out and will be discussing with local government how it is going to achieve savings on education spending—and I do not mean savings reducing expenditure, I mean efficiency gains, so as I said it is across the board. Education expenditure is not exempt from the same ambition.

Q107 Mr Betts: But local authorities have no power to direct schools to make efficiency savings, have they?

Mr Kinghan: They do not have power to direct but they do obviously take part in discussions with schools and the schools will be involved in those discussions as well about how there will be more efficient use of resources in the future.

Q108 Mr Betts: But do we not need new changes with the committed budgets on a three year basis for schools? The LEAs have been almost completely bypassed by the public system, have they not?

Mr Kinghan: The government has decided that it will clarify the relationship between government, local government and schools if there is a dedicated schools budget, as it will be called, but—

Q109 Chairman: When?

Mr Kinghan: When will that be introduced?

Q110 Chairman: No. When will it be clarified?

Mr Kinghan: Well, we are trying to clarify it all the time but—

Q111 Chairman: So it is not going to be an announcement; it is just an on-going process?

Mr Kinghan: Well, as you know, there has been an announcement that there will be a dedicated schools budget. That was part of the DFES's five year plan that was published in—

Q112 Chairman: It did not exactly produce clarity and ease of understanding, though, did it?

Mr Kinghan: Well, you probably need to take that up with the Department for Education and Skills. The intention is to introduce a dedicated schools budget but that will not mean that local education authorities do not have a significant role in future and, indeed, the DFES has been discussing with local education authorities the nature of that role and how they will influence the way in which schools behave, the strategic role they will have in relation to schools.

Q113 Mr Betts: How much detailed consultation was there with your department before the announcement about the change in relation to schools?

Mr Kinghan: I do not think I can comment on internal government discussions but there certainly were discussions between—

Q114 Mr Betts: It did not sound as though you had been involved in any clarification procedure because you are still working on it, are you not?

Mr Kinghan: It is true that the policies are still being developed and when the DfES announced its plan it will be working through those policies with us and local government.

Q115 Sir Paul Beresford: So you and your department are waiting for clarification too, are you?

Mr Kinghan: I do not think I said that!

Mr Betts: We all are, by the sounds of things.

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Q116 Sir Paul Beresford: Can you clarify it for us?

Mr Kinghan: The DfES announced what its plans would be in broad terms but they need to be worked through. I think that is understandable—

Q117 Sir Paul Beresford: So you are waiting for clarification?

Mr Kinghan: No. We are working with them on how the new arrangements will work.

Q118 Mr Betts: We have had an announcement that “In principle this is how it is going to operate”, and now how it is going to operate, but the details are still being worked out?

Mr Kinghan: Yes. Absolutely.

Q119 Mr Betts: Should you not get that right before the announcement?

Mr Kinghan: Well, in order to work out how a new system is going to operate you need to discuss that with the people involved but you need to make a decision in advance that you are going to have a new system and then you work through how the system—

Q120 Mr Betts: Or even work out whether it is feasible before you make an announcement.

Mr Kinghan: I think they are confident that it is feasible.

Q121 Chairman: Are you confident that it is feasible?

Mr Kinghan: Of course, yes.

Q122 Sir Paul Beresford: Do you not feel it is rather difficult that a department that sees itself responsible for local government does suddenly find all these other departments going their own way?

Mr Kinghan: I do not think they are going the wrong way. I think what has changed in the last few years is that a number of departments have developed much stronger relationships with local authorities and front line services in their areas so the Department for Education and Skills has developed a stronger relationship with local authorities and with schools than it had with parts of the Department of Health. It has developed a stronger relationship with the social care services than existed in the past.

Q123 Sir Paul Beresford: And local government feels that is in one direction, centralising.

Mr Kinghan: Some people in local government think that; some people in local government welcome having much closer contact with government departments. Many people in local government do.

Q124 Mr Sanders: The ODPM section in the Spending Review document talks of many new funding streams. How much of this is new money to the Office and how much is simply recycled from other funding streams?

Dame Mavis McDonald: I will ask Peter to answer in detail but basically the Community Infrastructure fund is new money and it is a new programme that is about transport and ourselves working together to choose where that money should go in relation to

supporting the growth area programmes. The safer communities funding programme is about pulling existing streams together across our boundaries and the Home Office boundaries. I am trying to bring a bigger pot there and working alongside our proposals for Local Area Agreements to give local government more flexibility and more choice about its priorities than the streams that have gone into that single pot.

Q125 Mr Sanders: Could you explain what you just said about the Community Infrastructure Fund. Who accesses that?

Dame Mavis McDonald: Ourselves and the Department for Transport. It is in the Department for Transport’s baseline but the decision to release funding from that fund is for transport Ministers and our Ministers together.

Q126 Mr Sanders: So it is a fund for the civil service. It is a civil service internal fund.

Dame Mavis McDonald: No, it is a fund for investment in transport infrastructure in the growth areas, for particular kinds of projects which help unlock the growth areas which would not necessarily feature in the main national programmes of some of the Department for Transport’s mainline service provisions.

Q127 Chairman: How much is it?

Mr Unwin: £50 million in the second year of the spending review and £150 million in the third year—so £200 million in total over the period of the spending review.

Q128 Chairman: It would just about pay for the interchange that is needed at Ashford to make that housing possible, is that right?

Mr Unwin: The interchange at Ashford is mostly being paid for within the Highways Agency’s budget.

Q129 Chairman: The roundabout, that is in the Highways Agency’s budget?

Mr Unwin: The major part of it, yes. There is still some money to be got from developers, but . . .

Q130 Chairman: Could you give us one or two “for instances” where this money might go?

Mr Unwin: The purpose of the fund is to provide additional transport infrastructure that is beyond the main transport infrastructure system which will unlock housing growth. The sort of thing one might be talking about would not necessarily be the interchange at Ashford but the spur road from that interchange to wherever the development might take place.

Q131 Chairman: How much would that spur road cost? I am just trying to get some idea. Is this a significant amount of money or not?

Mr Unwin: It is a significant amount of money for what one would expect to see in the growth areas over the next two years. It is additional to mainstream transport expenditure and mainstream

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transport expenditure in the Thames Gateway and other growth areas is of the order of about £2 billion. So it is to unlock additional schemes to that which will bring in and enable new housing growth.

Q132 Christine Russell: I would like to seek some clarification on the Neighbourhood Renewal Fund. I believe the Chancellor in the 2004 spending review rolled forward £525 million.

Mr Unwin: Yes.

Dame Mavis McDonald: Yes.

Q133 Christine Russell: Yet you said a few moments ago that the one budget that was going to be hit was the Neighbourhood Renewal budget.

Mr Unwin: Neighbourhood renewal, first of all, was due to come to an end in 2006 and, in the sense that it has been rolled forward, it is additional money. But the reason we were talking about it reducing over the period is because it is £525 million in cash for the three years of the Spending Review. If you look at that in real terms over the period of the Spending Review, as the other figures we have been quoting to you are real increases, then, clearly, if you have the same cash budget over three years, that is a small “real terms” decrease over that period.

Q134 Christine Russell: What grains of comfort would you give to the existing successful programmes that are benefiting from that funding, like the Neighbourhood Community Warden Schemes, where there is a reluctance or inability on the part of local authorities to mainstream those services?

Mr Unwin: I think they all have welcomed, first of all, that the Neighbourhood Renewal Fund has been extended for the period of the Spending Review, because, as I say, the original proposal was for it to finish in 2005–06, and you have to see it alongside the other funding streams we have talked about, the regional development agencies and other bodies that are available for regeneration. Taking that picture as whole, I would hope they would welcome it.

Dame Mavis McDonald: I referred to the new Safer Communities Fund which has pooled together some of our existing funding streams which were not in the Neighbourhood Renewal Fund but could be spent on wardens, which has been pooled with some of the Home Office funding which—

Q135 Christine Russell: What exactly will happen with the existing schemes that will come to an end in 2006? They have proved immensely popular with local people. Where you have a local authority which says, “Our budgets are so hard-pressed, we do not have the resources to continue the funding,” what will happen to those schemes?

Dame Mavis McDonald: Ministers have yet to take a decision about how they are going to allocate the Neighbourhood Renewal Fund in years two and three of the Spending Review. They have already announced resources to those authorities who receive Neighbourhood Renewal Fund up to the end of 2005–06. Some authorities have already said they will mainstream warden services and some have

accessed some of the Home Office funding streams, so there will be some authorities which will continue to have access to Neighbourhood Renewal Funding and there will be some who want to try and access the Safer Communities Fund, possibly through the Local Area Agreements that we are piloting, but possibly through the current local Public Service Agreements’ programmes as well. So there are alternative routes potentially to take a choice to give priority to that activity.

Mr Kinghan: Some of the anxieties you have heard were probably about the fact that people thought the Neighbourhood Renewal Fund was going to come to an end in 2005–06. Because the Chancellor has announced that it will go forward for another two years, I think that will actually reduce some of those anxieties.

Q136 Christine Russell: But no assurance has been given that there will be an automatic continuation of the money.

Mr Unwin: No.

Mr Kinghan: Not for every organisation, no.

Q137 Mr Cummings: Could I take you on to the PSA targets. Would you not agree that the Office’s overall performance against all extant targets up to the date of the 2004 Annual Report was generally poor? For instance, progress has slipped on the majority of the 2000 SDA targets; the 2002 SDA target on fire-related deaths and arson has had to be revised as the original deadlines could not be met; and performance against the majority of the 2002 PSA targets cannot yet be assessed or indeed show slippage. Have you not really got to grips with this particular issue at the present time?

Dame Mavis McDonald: If I may answer the general point and then perhaps pick up on fire. I do not recognise that we have significantly slipped against all the targets. I think it is fair to say that when we published the annual report, particularly on PSA 1, we did not have readily accessible data that would show and track progress. We now have really very much better data about performance against PSA 1, performance against the floor targets, and improvement and inclusion—

Q138 Chairman: This is not answering the question, is it? You were asked why the performance was so bad. You are telling us that, since you had such a bad performance last year, you have done things to get better measurement. Why was the performance so bad last year?

Dame Mavis McDonald: I did not acknowledge, I think, that we recognised that our performance had been so bad against all the targets. I said that with some we had better data which showed now that the performance was improving significantly in some of the poorest neighbourhoods against the floor targets.

Q139 Mr Cummings: Are you saying that the information in the data and the targets up to the date of the 2004 Annual Report is not correct?

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Dame Mavis McDonald: No, I am saying that it was correct at the time but since we published the report we have had data that will enable us to track over time, at local area level, changes which we were not able to track in that same detail when we published the report. And that is just on PSA1.

Q140 Mr Cummings: If I am confused, goodness only knows what the members of the public are.

Dame Mavis McDonald: I am sorry, this is because we have been back to the bodies we are dealing with and collected much better data on a much more consistent basis. We can provide you with some examples of that. Some of it is on our Neighbourhood Renewal website now, but we can give you examples of where the gap is closing in certain areas against the national average: in neighbourhood renewal areas, on robberies but not on burglary; and where it is improving on education but it is not improving significantly on health. In most of these, it is against a general improvement in standards, but we are now tracking where the gap is closing. We have started to be able to collect and have available that data, tracking over time what is happening on that PSA. There are various other indicators we have against the other PSAs, where we can show that we have improved and are on track to meet our targets.

Mr Kinghan: On the target to do with fire deaths, my information is that actually we are on track to reach the target. The average number of deaths in the base period, the period we were comparing, was 349 per year. We have said we want to reduce by 20% in the period up to 2010. For the period 1999 to 2003 the average was 294, so we are on track to achieve that target.

Q141 Mr Cummings: On track with the revised figures?

Mr Unwin: I think you are referring to the previous target which was reported at the back of the report.

Q142 Mr Cummings: I am just referring to targets, because, quite frankly, if you keep moving targets, on what basis do we move forward? What credence can you put on the information obtained in the 2004 Annual Report? Will you qualify this, with perhaps a note attached to the 2004 report?

Mr Unwin: Could I just say, the original target you are referring to, which is in the report, is the only one of our previous targets which is recorded as not met, and that target has been inherited from the Home Office.

Q143 Mr Cummings: Looking at the list I have here, we have: "Not yet assessed"; "Slippage"; "Not met"; "Not known/not met"; "Not yet assessed" and then a string of slippages. Do we put any credence upon this at all now?

Mr Unwin: As I said, the Annual Report target that was not met was the fire target to which you referred, which sometime ago was revised, and, as Neil has said, against the revised target we are on track.

Q144 Chairman: As far as the fire service is concerned, then, what about the employment of women and people from the ethnic minorities? The target is not met, is that right?

Mr Kinghan: I think that is right. We have been very committed to increased diversity in the Fire Service. We are not making as much progress as we would like, but we do remain committed to that objective.

Q145 Chairman: Could I take you on to the Public Service Agreement as far as local government is concerned. You have changed the target, have you not? You have moved it forward and changed it. The original target had two% of improvement in the efficiency of local government, and two%, I think it was, coming from the Comprehensive Performance Assessments. Why did you change the target?

Mr Kinghan: We have changed the target mainly to simplify it. We did so in consultation with local government. In relation to the cost effectiveness aspect of the target, of the SRO2 target, that has proved very difficult to assess, to assess the progress on it, and we decided to replace—

Q146 Chairman: Why would you set a target that is difficult to assess? Surely, if you are going to set a target that is worthwhile, you want people to know what they are aiming at and have a clear understanding of what has to be done to achieve it. You are saying that you set a target that was virtually impossible to assess.

Mr Kinghan: I said it was difficult. We learn as we go along. The fact that we have changed the target—we have changed the way we express it—is because we think we have a more sensible way of expressing it now. We are now expressing it in terms of the efficiency savings that we aim to achieve in local government—which we talked about earlier—and we think that is a more sensible target. As far as the Comprehensive Performance Assessment is concerned, I think the target was to secure improvements across the board, and that we are doing—or rather local authorities are doing with our help and the help of other bodies.

Q147 Chairman: You had a target which involved cost-efficiency and I would have thought that was relatively easy to measure. You have replaced it with one which is based on the Comprehensive Performance Assessment, which is pretty subjective, is it not?

Mr Kinghan: There are two points there, I think. One is that we have replaced the cost-effectiveness aspect of the target with the efficiency target—which is the one we discussed earlier, which is £6.45 billion over three years. That is where we replaced that. As far as the CPA is concerned, I think the CPA has generally been regarded as a good way both of assessing local authorities—

Q148 Chairman: It has been seen as a good process but it is not something where it is easy to look at a target, is it?

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Mr Kinghan: No, but we have said that in the new Spending Review 04 target we will set ourselves the objective that none of the authorities that were rated as “poor” in 2002, the year CPA started, should still be poor by 2008. I think that is quite an ambitious target and a very specific one.

Q149 Chairman: That is concentrating on the poor ones. Why concentrate just on the poor ones? Surely, if you are trying to improve performance, you should try to do that across all of them.

Mr Kinghan: Absolutely. Indeed, that is another part of the target; that we should see performance improve across the board. And it has been improving. The figures show that the number of “good” and “excellent” authorities (as assessed by the Audit Commission) has increased from just over 50% in 2002 to 56% now; the number of “fair” authorities has remained much the same, although the authorities within that group have changed; and the number of “poor” and “weak” have been reduced. So we are on course to see improvement across the board, but I think it is also important that we focus on those authorities that give most cause for concern. I think it was right that both the Government and the Audit Commission, and indeed local government, put a lot of effort into helping the authorities that were rated as “poor”, because in those cases the authorities needed help in order to improve the services they were providing for local people.

Q150 Sir Paul Beresford: Some local authorities . . . perhaps I can look at Torbay, since we have an MP with an interest there. I think everyone accepts that it is inefficient, incompetent and so forth, but you have landed it with, I think, 15 extra CPAs. These all cost money for the local authorities, they take time and are likely to reduce the efficiency of the service of that particular authority.

Mr Kinghan: I think in Torbay’s case it has already been re-assessed as “weak”—which is not where they would like to get to but is an improvement.

Q151 Sir Paul Beresford: It is an improvement.

Mr Kinghan: If you have these categories, then “weak” is better than “poor” in these terms. Of course they want to do better.

Q152 Sir Paul Beresford: But landing them with all these inspections is going to impinge on their ability to be efficient.

Mr Kinghan: There is always a tension between providing inspections as a way of identifying things to do to improve and making sure that you are not imposing too much of a burden on the authority. I think, as the Chairman recognised a minute ago, the CPA has been seen, on the whole, as a process which has been delivering improvement, and that includes some of the work that has been done on inspecting and re-inspecting individual authorities.

Q153 Sir Paul Beresford: I think it has been seen as a process. How big is the CPA unit within your department and what is it costing?

Mr Kinghan: The CPA unit within ODPM is very small—because most of the work is done in the Audit Commission, of course.

Q154 Sir Paul Beresford: Which has gone up four-fold—the Audit Commission.

Mr Kinghan: The costs of the Audit Commission? I do not recognise that figure.

Sir Paul Beresford: I looked at their figures and their starting level has certainly gone up four-fold.

Q155 Mr Cummings: Do you believe the Office’s performance against its targets affected its 2004 Spending Review allocations?

Dame Mavis McDonald: Yes. I think that is why we got 3.3% real increase on the Spending Review, because we—

Q156 Chairman: You would have got a lot more money if you had met all your targets, would you not?

Dame Mavis McDonald:—were able to demonstrate that we were making progress against our PSA targets and that we had plans in place to take them forward. We worked closely with colleagues in the Treasury during the Spending Review to try to minimise the number of changes there were in the targets and to ensure that we had consistent underpinning, so that, as we measure, we are tracking against the same performance indicators as we move into the next spending review period.

Q157 Mr Cummings: Would you have received a larger slice of the pie if you had been on course to achieve the desired performance outcomes more often?

Dame Mavis McDonald: This is a judgment on our part: we feel our success in securing new resources for this agenda for Ministers recognises that the Treasury recognise we could deliver against targets. If you look across Whitehall, we did relatively well.

Q158 Mr Cummings: Would you have received a larger slice of the pie?

Dame Mavis McDonald: No, I think it is on—

Q159 Chairman: You must get better rewards for more success, must you not?

Dame Mavis McDonald: Yes, but I do not think—

Q160 Mr Cummings: This is a very straightforward question in very simple terms.

Dame Mavis McDonald: This is a question of judgment on our part. The answer is no, I do not think we would have done, because some of the parameters for the Spending Review were set and announced before the final decisions were taken, such as priority for education and health.

Mr Unwin: Taking those two areas aside, as Mavis McDonald has said, within the Whitehall league of increases we were fairly high up in that league. Although of course on each target—and these are complex targets—there are areas where we need to monitor and have a chance to do better, overall

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against the targets I think we are progressing well. And that is a view that Treasury would share, I think.

Q161 Christine Russell: We would all agree that the presentation of the report, following some of the comments we made last year, has been better this year, but do you not agree that the report could be more accessible to readers? There could be more clarity if you perhaps had a summary table, where you could quite clearly see where there had been good performance and perhaps not as good performance, rather than, as at the moment, having to dig around a little bit in search of the bad news—not that there is a lot of bad news, but there is some bad news in the report.

Dame Mavis McDonald: The answer to your question is yes, we do agree there could be greater clarity. We think ourselves it was an improvement on the previous one, but we recognise we have some way to go and we are very happy to work with the Committee and talk through any ideas with the clerk and with members as to how you think we could improve for next year's annual report.

Q162 Chairman: How many copies of the Annual Report were sold?

Dame Mavis McDonald: I do not know the answer to that.

Q163 Chairman: Is it a best-seller?

Dame Mavis McDonald: We find significant uptake of our publications from our website now rather than in hard copy, but we can let you have that information.

Q164 Mr Betts: This is a question about attitudes, looking at the future. Would it be possible to have in the report a consolidated, precise section of narrative and a budgetary summary about the things you intend to do, if you have planned activities for the future? They seem to be a bit spread out and you have to do a lot of searching to collect all the information and put it together.

Mr Unwin: We can certainly look at that. Reporting exists in lots of different ways and reporting in one particular way you can lose some of the benefits of the alternatives. We would be very happy to have a dialogue with you through the clerk about how you would find it more helpful to have this presented. We recognise that we can always make improvements.

Q165 Chairman: How many people outside Parliament criticise the way in which the report is put together?

Mr Unwin: I am not aware of any.

Q166 Chairman: They all either do not read it or think it is great.

Mr Unwin: As I say, I am certainly not aware of criticism of the structure.

Q167 Mr O'Brien: When the Committee considered the report last year, we found that: "The financial information in the report does not compare

spending with targets and objectives. There are no tables in the main body of the report to show how the ODPM's total funding is spent." This year we have the same problem. The 2004 Annual Report does not seem to resolve that matter to which we drew attention. When can we expect to see an annual report that actually gives useful financial information on your activities?

Mr Unwin: Taking account of your comments last year, we tried to meet that with page 95, where we set out our expenditure against the PSA targets, and in the pie-chart on page 96, where we set out the expenditure against programmes. But, again, we can talk to you about how you think we could do that better.

Q168 Mr O'Brien: Obviously we would like to see something that is more transparent. Comments have been made that people, particularly members of the public, cannot understand how the targets and objectives are being achieved. If that could be addressed, then obviously the Committee would be more appreciative of the way the report is presented. If that could be part of the programme, that would be acceptable.

Mr Unwin: We will certainly look at that, yes.

Q169 Chairman: Could I take you on to statutory instruments. Do you know how many the Department turns out each year?

Dame Mavis McDonald: Peter is just showing me a very detailed table which says that in the last financial year it was 84, and I think we are up to 77 in the current year. We are conscious of the heavy programme of SIs ourselves. We have asked our lawyers to look at the way in which the requirements are articulated for SIs. There are different kinds of groupings: there are some which are about implementing new legislation; there are some which are regular (like putting the Revenue Support Grant into effect); and there are some which are updating (like the right-to-buy changes, for example). We have asked our senior staff, with the material they are pulling together for the current business planning round, to try actively to plan better and to consolidate where possible the requirement for these. But we think this is a very heavy burden on both ourselves and the House as well, and we need to see whether we can reduce it.

Q170 Chairman: On both the Planning Bill and the Housing Bill you actually produced some drafts of the instruments while they were going through the committee stage. As I understand it, quite significant changes then had to be made, so they are only illustrative. Would it be better to get the statutory instruments right while Parliament was considering legislation, rather than have to go away and redo it? Parliament is left with the view, "Well, anything will do for an illustrative statutory instrument as opposed to one that you are actually going to make."

Dame Mavis McDonald: I do think we try to give the best definition we can at the time. With current legislation we are finding quite a lot of last-minute

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changes coming through before the bill has become law and we have picked up quite a number of significant changes to some of the actual proposals in the bills which require a change to the SIs or, indeed, on some occasions, more statutory instruments than we planned when the bill was first introduced.

Q171 Sir Paul Beresford: Is this because Ministers changed their minds or because you got the drafting wrong in the first place?

Dame Mavis McDonald: Sometimes it is because there is pressure to put more into the bill than was the original intention and sometimes it is changes made in the passage through both this House and the House of Lords that requires that.

Q172 Chairman: The statutory instruments that were involved in the European and local authority elections were a disgrace, were they not? They were published in an awful lot of cases a few hours before local authorities had to put up notices of poll. In effect, local authorities had to guess what was going to be in the regulations. How was that the case?

Dame Mavis McDonald: It is my understanding that that was because it took longer to get the bill through Parliament than was originally anticipated. That was a very tight timetable against the election dates.

Q173 Chairman: Would it not have been sensible, about Christmas time, when it was clear that there was going to be all-postal voting in one region if not more, to have done all the work on drafting? Is it a sort of principle that you never draft statutory instruments until after the legislation has actually got royal assent?

Dame Mavis McDonald: Sometimes it is about the clarity on what the statutory instrument will cover. Quite frequently it is about the extent of the resource available, both in ourselves and with the parliamentary draftsmen, while you are actually dealing with the bill at the same time as you are preparing the statutory instruments. I think that is a legitimate point for us to take forward, in trying to get better planning ahead and better use of the resources we have, if we can, in future forward programmes.

Q174 Mr Cummings: Could you tell the Committee why the ODPM's Ordnance Survey Framework was published over 18 months late.

Mr Unwin: The framework covered a number of things, including the freedoms and flexibilities that Ordnance Survey would have as a trading fund and those issues and others took considerable time to discuss in government.

Q175 Mr Cummings: Considerable time. Eighteen months?

Mr Unwin: Yes. I think Ministers recognise that it is regrettable that it took us a long time to bring out—

Q176 Mr Cummings: If you were working on piecework, you would be taking nothing home in your pay packets! Do you not learn anything from this?

Mr Unwin: There are big issues to consider which have come up through this Committee's report and other representations that have been received, and those discussions took the time they took. Obviously we want to publish all such documents as soon as we can, but one cannot publish them until we have taken decisions on them.

Q177 Chairman: In response to this Committee you told us that it was going to be published at the end of 2002. Why did you suddenly move to an 18 months' gap? Was the information you gave to this Committee totally wrong? Did you not understand what was going to be in the framework document?

Mr Unwin: We knew the issues that were going to be covered—the three issues in particular that were referred to by this Committee—and those issues took longer to resolve obviously then we thought at that time.

Q178 Chairman: You did not think it was reasonable to either tell this Committee or Parliament that there were going to be these delays?

Mr Unwin: From memory, we answered a number of parliamentary questions during that period.

Q179 Chairman: Yes, you answered quite a few to me, and all of them kept implying that you were just about there.

Mr Unwin: That is what we hoped to be, but one is not there until one is there, and we were just about there for some time, as you imply.

Q180 Chairman: Do you think that was fair to all the groups outside who wanted to come up with contracts with you on the survey, to compete in some areas and to cooperate in others?

Mr Unwin: Clearly we would have preferred to have come out much earlier, in line with our original expectation, but I think what is fair is that we have come out with something that is considered and now gives those groups clarity.

Q181 Chairman: Has it been well received?

Mr Unwin: Certainly the correspondence we have had has in some cases sought clarification but has generally welcomed the fact that it has come out, albeit late, and has not seen any problems with the major issues that have come out of it.

Q182 Christine Russell: Could I ask you about the funding for ENCAMS. I have always thought ODPM were the principal funders for ENCAMS, yet there is no mention in the report. Do you fund those?

Mr Unwin: No.

Dame Mavis McDonald: Defra fund ENCAMS.

Q183 Christine Russell: As far as you are aware, did your Department have any input whatsoever into their chewing gum campaign?

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Mr Unwin: We work closely with Defra across “liveability”, and obviously ENCAMS is extremely relevant to that, so we have close links with them across a whole range of liveability issues.

Q184 Chairman: They have been a spectacular failure, have they not? We have been going on about keeping Britain tidy for 50 years and I cannot see any reduction in the litter in most local authority areas.

Dame Mavis McDonald: I honestly do not think we are competent to talk about “Keep Britain Tidy” and ENCAMS, because we do not really have the sponsorship role. On your more general point, that is one of the reasons behind our PSA on liveability, which is about improving the management of the public realm, and we have a kind of cross-cutting lead across Whitehall on that PSA.

Q185 Chairman: You have a cross-cutting lead on trying to reduce the amount of litter in public spaces but another department puts up the money for it.

Dame Mavis McDonald: The PSA on liveability is a new one for the next spending review. We have been involved, in terms of pulling together across Whitehall, in some of the thinking on the agenda that is described as “liveability” but it includes things like anti-social behaviour as well as physical environmental hazards like chewing gum and graffiti and litter.

Q186 Mr Betts: We were talking earlier about the Neighbourhood Renewal Fund continuing, and clearly it has been of benefit to quite a lot of deprived areas where you are able to identify which areas are deprived. That is dead easy where there is a large area of deprivation, but we all know that there are small pockets within slightly more affluent or more average wards. The Office of National Statistics has been promising for some time to give us more accurate data about these smaller areas, so we can pick these issues up and get something targeted to them as well. Where are we up to?

Dame Mavis McDonald: The new Index of Multiple Deprivation Analysis that we published earlier this year is based on something called “small areas”, which are a new capacity that the Office of National Statistics has had using the geographic information database to get below ward level. The maps that we publish there actually do highlight more clearly some of those small pockets within more affluent areas rather than just the big concentrations at local authority and ward area.

Q187 Mr Betts: Is all the work finished on that now?

Dame Mavis McDonald: I think there is a lot of work to do to populate some of these “small areas” with statistics, but the work that was done for us using that as the underpinning in itself is complete. We have published the new index.

Q188 Mr Betts: I do not quite understand that.

Dame Mavis McDonald: The small output area has lots of uses and we have, in the Index of Multiple Deprivation, been the first user of that underpinning tool to fine-tune existing data. The Index of Multiple

Deprivation has been running for some time but in the latest version, published earlier this year, the map looks rather different because it is not based just on local authority ward areas but is based on a fine-tuned definition which goes below ward level, and the map is more sensitive in terms of picking out areas of relative deprivation in wealthier local authorities.

Q189 Mr Betts: What more can we do to be more precise about targeting the funding that is available?

Dame Mavis McDonald: You could graphically read it off basically. The question is what do you do with it when you have got it? Do you use it to distribute money differently against different kinds of criteria?

Q190 Mr Betts: As regards the data, there is nothing more to be done. That is all done now, is it?

Dame Mavis McDonald: For the Index of Multiple Deprivation? To the best of my knowledge the ONS are still looking at the capacity of that “small area” unit to be populated with other data and they have not necessarily finished all that work.

Q191 Mr Betts: Do we have a time scale there?

Dame Mavis McDonald: No. We can ask them for an update.

Q192 Mr Betts: I think there is a real sense of grievance around, that these areas miss out on every single grant going. Even though they have extreme poverty, that is lost amongst the more affluent areas.

Dame Mavis McDonald: If you have not seen it, we can let you have the material on the Index of Multiple Deprivation itself and the maps that go with that which do show this quite clearly.

Q193 Chairman: You are going to start allocating a bit more money on the basis of this information.

Dame Mavis McDonald: I have already said, Ministers have not made any decisions yet about how they will or will not make use of it.

Q194 Chairman: In Manchester, there was very clear concern that the 2001 census was, shall we say, politely, a “bit of a shambles”. It was not much better in Sheffield. How do we know that the information that was collected from that census, when it goes down into these small neighbourhoods, is actually going to be accurate?

Dame Mavis McDonald: I do not think we can know that the data they collected in the census is going to be accurate within those small neighbourhoods. Neil can talk about the work that ONS have done to revisit those populations’ statistics.

Q195 Chairman: In revisiting those statistics, how far is the revised figure going to go into this “small area” information or how far is the original figure going to go in? Because it is obviously quite crucial if you think that the population of Manchester was underestimated by 25,000 people. That means that almost all the “small area” within Manchester is going to be short of a certain number of people, and

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the fact that it is short of those people is going to make a considerable difference to the deprivation in that area.

Dame Mavis McDonald: Could I ask Neil to explain to you what the ONS did when they published the revised population data and then I think we need to ask them to tell you how they will use the revised population data in the “small areas”.

Q196 Chairman: I am not interested in how they use it; I am interested in the way in which you will be using it or the Ministers will decide to use it in allocating resources. Because if those figures were suspect, you are still going to be allocating money to neighbourhoods on the basis of dodgy information.
Mr Kinghan: I could say that we will use the new figures in the Revenue Support Grant calculations. I know that is not the point you have raised and I do not know how far they have been—

Q197 Chairman: I can understand that that satisfied people like Manchester or Kensington and Chelsea, that those figures are finding their way through there, but if, as people have been arguing for some time, “small area” information should have an influence, it is very important that that “small area” information is accurate, otherwise you are going to be dishing money out on false information.

Dame Mavis McDonald: If I could go back to the answer I have given before, I honestly do not know whether the ONS have populated the “small areas” with the updated population data or whether indeed they have populated it with detailed population data. For the Index of Multiple Deprivation we use a set of other indicators which are about things like crime levels, educational attainment—the kind of things we are measuring in the floor targets—and there were one or two changes, but those are the kind of indicators that have been consistently used in all our Indices of Multiple Deprivation over time.

Q198 Chairman: Perhaps you could give us a note on that.

Dame Mavis McDonald: Yes, we can certainly do that.

Q199 Mr O’Brien: Considering the report of last year, this Committee made some observations as to the failure to deliver on commitments to reform the planning system by issuing revised guidance notes,

which had led to some uncertainty and delay in planning decisions. Could you give us a timetable of the revisions to the Policy and Planning Guidance?

Dame Mavis McDonald: I believe the position is still as the minister announced to the House earlier this year when he explained that there was going to be a revision to the programme because of the priority Ministers wanted to give to the roll out of the new Local Development Framework System. He made a ministerial statement on 17 June which gave that revised timetable. I can read it out if you would like, but we can make sure you have that.

Q200 Mr O’Brien: Are we on target with that? Will there be any slippage, do you assume?

Dame Mavis McDonald: To the best of my knowledge we are on target with it.

Q201 Sir Paul Beresford: When does this PPG3 revision come out?

Dame Mavis McDonald: We are working to the timetable that we produced then. We have consulted—

Q202 Sir Paul Beresford: I am getting old, my memory is going, could you remind me when it is due?

Dame Mavis McDonald: I will double-check this for you, but, to the best of my knowledge, we said that we would publish the revised PPG3 before the end of the year.

Q203 Mr Betts: Are you able to give any indication as to the possibility that the local planning authorities will be at the level required to give greater direction to the mix of housing types within any planning approval?—in terms of affordability.

Dame Mavis McDonald: One of the issues is about how far the PPG or PPS—I am sorry, I should use the new terminology—goes in doing that. It is an issue that has come up quite a lot during the consultation and there have been discussions going on, including ongoing discussions with the House Builders’ Federation—

Q204 Mr Betts: Who are not very happy about it.

Dame Mavis McDonald: Who are not very happy about it, no, but they are seeing the Minister this week to discuss their concerns.

Chairman: On that note, could I thank you very much for giving evidence.

Tuesday 19 October 2004

Members present:

Andrew Bennett, in the Chair

Sir Paul Beresford
Mr Clive Betts
Mr David Clelland

Christine Russell
Mr Adrian Sanders

Witnesses: **Rt Hon Keith Hill**, a Member of the House, Minister of State, **Rt Hon Nick Raynsford**, a Member of the House, Minister for Local and Regional Government, **Mr Joe Montgomery**, Director-General of the ODPM Tackling Disadvantage Group, and **Mr Andrew Wells**, Director of Sustainable Communities, Office of the Deputy Prime Minister, examined.

Q205 Chairman: Can I welcome you to the second session of the Committee on the Annual Report and Accounts of the Department and ask you to identify yourselves, for the record, please?

Mr Raynsford: Good morning. I am Nick Raynsford, the Minister for Local and Regional Government, and I am accompanied by Keith Hill, Minister for Housing and Planning. Jeff Rooker, the Minister responsible for regeneration, unfortunately is not able to be with us today, for reasons I think you understand, and we have two officials here who will deal with questions relating to his area of responsibility, Andrew Wells and Joe Montgomery. That is our team.

Chairman: Thank you very much. If you do not want to say anything by way of introduction and are happy for us to go straight to questions, I will ask David Clelland to start.

Q206 Mr Clelland: Just before I start, Chairman, could I draw attention to my entry in the Members' Register of Interests relating to housing issues, which might come up later on. Good morning, gentlemen. Could you summarise the Delivery Plans agreed for the projects under the Thames Gateway programme and perhaps say something about their progress so far, in terms of their spend and the timescales, and how much of an underspend there was on the programme?

Mr Hill: As you know, in the Sustainable Communities Plan announcement of July of last year, we announced a total package for the spending period of £446 million for the Thames Gateway. That package has been rolled over into the next spending round with an initial spend, I estimate, of something of the order of £394 million by 2007–08. The spending programme, which is devoted to a range of sustainability issues, clearly investment in the physical infrastructure by way of land remediation, flood defences, transport links as well as investment in education and health facilities, is going forward. Last year we spent our £40 million objective in full. This year we are continuing with those projects and new projects. I think that our expected expenditure in total this year is about £190 million, subject to correction on that. We have announced that there is a current underspend of

£50 million and we have invited further bids to dispose of that, but we do expect to be on target for our spending plans over the period.

Q207 Chairman: I am sorry, "dispose of" implies that you are going to put it in the waste-paper basket, does it not?

Mr Hill: I can assure you it does not imply that, Chairman. These are on a whole range of valuable projects which go really to the heart of the concept of sustainability, as you know. We have said, certainly I have said repeatedly, that there is no question of our repeating the errors of the past, in terms of the construction of soulless housing estates. Sustainability is about more than bricks and mortar, it is about providing the essential public services and infrastructure which go to make communities in which people positively want to live, where they have children, where they want to bring up their families and which will renew themselves into the future.

Q208 Mr Clelland: How will the London 2012 Olympics bid impact on the Thames Gateway?

Mr Hill: Of course, we are strongly supportive of the Olympics bid and have been working very closely to deliver the initial stages of the bid, not least in terms of the support we give to the London Development Agency for land assembly and the support that we have given to the very successful initial stages of dealing with planning permissions to facilitate the development of the Olympics site in the lower Lea Valley. Certainly we will continue actively on that programme, but we do not expect that to divert resources from other main ODPM programmes.

Q209 Mr Clelland: It will not affect the regeneration programmes of ODPM, there will not be any funding diverted from that?

Mr Hill: No.

Q210 Mr Clelland: It will not have any impact, as far as the ODPM is concerned, on spending in the regions and still in London?

Mr Hill: Certainly not.

Q211 Chairman: Can I just be clear, on this £50 million underspend, what was supposed to be bought with that £50 million?

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Mr Hill: Chairman, it can be a range of interventions, support for educational facilities, support for community facilities, support for environmental improvement, we are open to the whole range of bids within the main themes of investment that we have identified for the Gateway.

Q212 Chairman: We were supposed to be quite clear that all these things had to be done in advance, before the houses were built. What you are saying is that there was a slippage of £50 million in that programme, so what effect does it have on the delivery of the houses, are they going to be able to catch up, all that stuff which should have been done last year and still has not been done?

Mr Hill: Our experience is that, at least at these early stages of the programme, because you will understand that, quite clearly, projects need to be worked up and for a proper evaluation that takes some time and resource and certainly we will not support projects which are not well founded, but both last year and I think certainly for this year the major commitment will take place towards the end of the annual spending round.

Q213 Sir Paul Beresford: Would you not agree that the focus which was announced is on inputs not outputs and that really we ought to be looking at what you have produced for it? For example, it is possible, and I think it is doubtful that it has happened, that actually £50 million could be efficiency savings which a department is required to make. In other words, you may have met the programme for less?

Mr Hill: You will be pleased to know, Sir Paul, that, as a conscientious Minister, I took the trouble to read the transcript of your previous meeting with officials from the Department and I think you will recall that the main thrust of the argument is that, in terms of efficiency, we are looking not necessarily to achieve actual savings but rather to improve outputs for a given and increasing level of investment. I think we are beginning to see that, with housing completions 20% up this year in the Thames Gateway.

Q214 Sir Paul Beresford: What would your Department say to a local authority which said, "Yes, we're required to make savings, we're required to keep a council tax rise down; we've actually spent more but we've got more for it"?

Mr Raynsford: This is a constant challenge to ensure that we are looking for efficiency savings, both in our own programmes and indeed through local authority programmes. I think most people would accept that it is possible, particularly when in fields like procurement and construction there is very considerable evidence that significant savings can be made through adopting best practice to square that circle. We do want to see improved performance, but also we want to see a very, very relentless pursuit of economy.

Q215 Sir Paul Beresford: If the local authority you were threatening to cap came along and said, "Well, actually, Minister, we've adopted your mode on efficiency savings, we haven't saved any money, we're spending the same amount, or more, but we're getting more for it," would that be acceptable?

Mr Raynsford: With respect, they would not be adopting dual mode, they would be operating on a single mode of seeking simply to achieve greater outputs. We think they should be looking for both.

Q216 Christine Russell: How well are you getting on in reaching the target of 60% new development on brownfield sites by 2008 and are there any marked regional differences anywhere which give you cause for concern?

Mr Hill: On the last point, I do not think I am aware of marked regional differences which give us cause for concern. There is no complacency but we are very happy with our record on brownfield. As you know, we announced a target of 60% for, I think, 2006 for new-build on brownfield sites and in 2002 we achieved 66%, in other words, more than our stated objective, and I have no reason to believe that is likely to reduce as time goes by.

Q217 Christine Russell: Are you likely to change the targets, increase them to 75%, 80%?

Mr Hill: I do not think we are contemplating that. I think it is worth remembering that, both in terms of the growth areas and the market renewal programme, where it is important to remember that we are looking at new-build as well as demolition and clearance, we anticipate that high levels of new-build will be on brownfield sites. Indeed, it is estimated that in the Thames Gateway, for example, something like 80% of the new-build will be on brownfield.

Q218 Christine Russell: Can I ask you about an aspect of planning policy which does cause quite a lot of concern. That is where, usually in suburban areas, you get a very large house, with very generous, landscaped gardens and an application comes in to the local authority to demolish that house and replace it with blocks of flats and in fact fill up the whole site. Whereas, I am sure you will agree, high density housing has become acceptable in town and city centres, I think you do get this resentment when it happens in more suburban settings?

Mr Hill: I am very well aware, Ms Russell, of those concerns. Indeed, I have had many representations from parliamentary colleagues on the subject and have dealt with a couple of debates on the floor of the House of Commons on the same subject. If I might say so, as a Member of Parliament representing a constituency which is, at least in part, of a suburban character, I recognise those issues myself. I think the answer lies with the issue of design, and I think what we expect local planning authorities to take into account are the quality of the new building which is proposed and, of course, its relationship to its environment. Therefore, I think I can say that we would be anxious about an excessively dense or massive development in those

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circumstances. Let me point out also that parliamentary colleagues and local planning authorities complain about a somewhat aggressive style on the part of some developers in terms of applications, and you will know that as part and parcel of the new planning legislation we have limited the possibilities for repeat applications.

Q219 Christine Russell: At the moment you have no intention to review planning law which, at the moment, deems that gardens technically are previously-used development of brownfield?

Mr Hill: No, we have not, subject to the qualifications which I have just mentioned. In that respect, there is seamless continuity of policy between the previous administration's 1996 White Paper on urban and rural development and our own policies.

Q220 Sir Paul Beresford: How do you define a garden for these purposes?

Mr Hill: I think, Sir Paul, that you are rather stretching my powers of definition and precision at this point to offer a definition of a garden, but we all know what we mean by a garden. There are gardens and gardens, quite clearly, Sir Paul.

Q221 Sir Paul Beresford: I think that has to be one of the best definitions I have ever heard of for many, many months. Can we try again then. In a semi-rural area, where you have a house with a few trees and a paddock next-door, which is commonly called the orchard but is not really, does that count as a garden for planning purposes?

Mr Hill: I am not sure. To be serious, I will look at this and come back to you on that matter if you think it is important. At the same time, such an application would be influenced by issues around green belt, if that consideration were to impinge, and the general and proper environmental concern which we expect planning authorities to observe.

Q222 Sir Paul Beresford: I would be quite interested, because, as you did say, there can be some quite aggressive developers and when they go to my local authority and say, "But it's a garden, it's got a few fruit trees in it and I'm going to put five, 10, 15 houses on it, and if you don't agree we'll go and see the Minister," the definition could be very helpful?

Mr Hill: I am sure it could and I am not going to offer one *ex cathedra* and in the light of my quasi-judicial responsibilities, but I will look at this matter and I will come back to the Committee.

Q223 Chairman: While you are coming back to the Committee, could you tell us whether allotments count as brownfield sites or not?

Mr Hill: You know that the Government has a policy of sustaining allotments.

Q224 Chairman: We had a report some time back in which you made promises, but I think you will find that the allotments have been disappearing in this

country at about the same rate over the last few years as they were before. Perhaps you would tell us what is happening about allotments?

Mr Hill: Yes.

Q225 Mr Betts: On the issue of housing supply, Minister, is the problem of housing supply really one of the supply of affordable housing due to the collapse of the construction levels of affordable housing, and of course the rise of prices of housing which might have been affordable five or 10 years ago and certainly are not for many people now?

Mr Hill: I think, actually, Mr Betts, it is both, is it not? There is quite clearly an appetite for more private sector building for people on, if I might put it like this, more than average earnings. The real dilemma is, of course, if you look at the relationship which is part of our Public Service Agreement concept of lower quartile house prices and lower quartile earnings, there you see really huge disparities. I think it is arguable that there are areas of the market which people might access if the market were a little more responsive to people's needs and their capacity to pay. The fact of the matter is that we still have a housing market in which the single largest offer is for four-bedroom houses and still the proportion of flats on offer is 38% of new-build. I make the point that it is arguable that if there were a different mix of size of houses actually more of those desiring to make a house purchase would be able to do so. Having said that, it remains the case that we are still not building houses at sub-market value, that is to say, houses for social renting and low-cost home ownership, on the scale that we would desire. Nevertheless, we are now engaging in significant new investments which will deliver large new volumes of houses for social renting and low-cost home ownership. Over the period up to 2007-08 we expect to deliver 75,000 new homes for social renting and 40,000 low-cost home ownership properties, and that will make a difference.

Q226 Mr Betts: Just to come back to those figures, the Barker review said we should be building 17,000 more units of social housing a year. Could you explain precisely how much more money there is now, as a result of the Spending Review, yearly for social housing and how many more units that is going to produce? Will it get us to the 17,000 or only part of the way there?

Mr Hill: In the next Spending Review we are doubling our investment in social housing and at the end of the period that will mean we will have a 50% increase in the number of homes for social renting which are delivered, an extra 10,000.

Q227 Mr Betts: We are still 7,000 short?

Mr Hill: Short of the Barker figures, yes.

Q228 Chairman: Are you saying those figures were wrong or are you saying you could not get enough money to get to those figures?

Mr Hill: We have accepted the broad thrust of Kate Barker's argument, which is that we need to deliver more homes in total and, within that total, more

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affordable homes. I will make two points about that. First of all, Kate herself said that although these were targets which could serve to stabilise house prices and make homes more affordable, at the same time she recognised that Government would have to take into account certain environmental implications of a new and higher level of build along those lines. What we have to take into account also, of course, quite clearly, are the expenditure implications of increasing investment in social and intermediate housing.

Q229 Mr Betts: The 10,000 presumably is achieved only if inflation does not run away with the expenditure?

Mr Hill: You will know that in recent times we have been focusing on the issue of construction costs and we note with some alarm that in a period of low and relatively stable inflation since 1997 the overall construction costs of housing have risen by 50% and in social housing by 60%. It is a challenge, there is no doubt about it. Particularly in the areas where the demand for new housing and affordable housing is at its most intense, namely in the wider South East, we do face issues of increasing development costs. Which is why we are not only investing more in social housing but also seeking to improve the efficiency with which housing is delivered, not least through modern methods of construction.

Q230 Mr Betts: Probably we will not go down that road this morning. To pick up just one more point on affordable housing. One of the ways of providing affordable housing is through some initial discount to buyers and that can come within often the planning approvals specifying a site, that a certain number of properties are being delivered in that way. I just wonder whether you might have thought of changing that definition to ensure that where a discount is given initially the property is classified as affordable only if the discount is continued in perpetuity. It is one of the concerns I have that the initial purchaser may get the discount but actually then the property simply goes back to market prices afterwards. The Committee were down at Imperial Wharf last week, at the St George's development, which I think you are aware of, Minister, where they have got an interesting idea of, through covenants, locking in that discount in perpetuity. I just wonder whether the Department might start promoting that as an example of good practice to be followed in other areas?

Mr Hill: Certainly we are very much open to exploring those options. I suppose it is arguable that the proposals which the Deputy Prime Minister announced for our first-time buyers initiative, which is the concept really of land being held in trust, is a contribution to that approach.

Q231 Christine Russell: Can I ask you about the publicly-owned land which is being transferred from the Department of Health and the MoD to ODPM. One of the main deterrents for the provision of

affordable housing is simply higher land costs, is it not, in hot spots, which you have in the North as well as the South East?

Mr Hill: Would Chester be such an example?

Q232 Christine Russell: Absolutely; yes. What assurances can you give that land which has now come into your ownership will be used to meet local housing need, which, you are right, in constituencies like mine is for affordable housing?

Mr Hill: I think the assurance lies in the fact that the receiver of that land, be it the National Health Service estates or MoD properties, where they become available, will be English Partnerships, the Government's national regeneration agency, and of course it is the purpose of EP to deliver affordable housing. Such as it is doing, for example, in conjunction with the Housing Corporation in the current London-wide initiative, in which EP delivers land to the RSAs. The result of that, over the next two or three years, will be that we will see 2,000 homes built for social renting and 1,500 for low-cost home ownership, mainly for key workers.

Q233 Mr Betts: Can you tell us a bit more about the Community Infrastructure Fund and what are the criteria for using this fund?

Mr Hill: It is a £200 million fund in total, announced in the Spending Review. It is administered jointly by the Department for Transport and ODPM. It will be delivered in 2006-07, £50 million, and then 2007-08 at £150 million, and its purpose is to unlock housing development through investment in transport links in the growth areas.

Q234 Mr Betts: That is the South East?

Mr Hill: Yes.

Q235 Chairman: Can you give us a couple of 'for instances' as to how you hope the money will be spent?

Mr Hill: Let me draw on current experience. For example, we have invested in improvements to, I think it is, the A12 in Bexley, in order to facilitate housing growth plans in that part of East London. Elsewhere, of course, we are contributing through existing funding streams to various bus schemes and rapid transit schemes as well. It is that kind of investment.

Q236 Chairman: Should not the developer be putting up the money for those sorts of improvements to access to his sites?

Mr Hill: We think so, where that is possible, but you will know very well that the kind of margin for delivery through planning gain depends very much on the costs of the development. I think it is worth bearing in mind, certainly for the area for which I have primary responsibility, Thames Gateway, that you are looking there very often at quite significant land remediation costs, so we have to be sensible about this. To give another example, where my understanding is that there are developer contributions in an area in which I know, Chairman, that you have taken some interest, namely, the

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Ashford growth area, there the junction improvements to the M20 will receive some developer contributions.

Q237 Mr Sanders: You mentioned earlier the ratio between incomes and house prices. They are greatest now in the far South West of England rather than in London and the South East. Where are the programmes for the far South West of England?

Mr Hill: To be entirely accurate, the ratio of lower quartile earnings to lower quartile house prices in the South West is eight. In London actually it is $8\frac{1}{2}$, so it is not quite true to say that the South West has the highest ratio.

Q238 Mr Sanders: Actually, I disagree. I think, if you look at the Joseph Rowntree Foundation study, you will find that the averages are higher. You have just chosen the lowest of those. The average mean is actually higher in the far South West; 20 least-affordable areas are in the far South West?

Mr Hill: I somewhat regret showing off at that particular point and provoking this response from Mr Sanders. I accept that certainly there are intense housing pressures in the South West. The fact of the matter is that if you look at the 40 local districts where those ratios, those disparities, are at their greatest, 16 of them are in the South West. We recognise absolutely that there are intense pressures as more equity comes into the South West. Because it is a nice place to live in and retire to, etc, etc, it drives up house prices and it is very difficult for an area where you have relatively low earnings.

Q239 Chairman: We understand the problem. What are you doing about it?

Mr Hill: Our response has been, for example, that in the regional housing settlement, which we announced last year, we have increased the housing pot for investment in social housing in the South West by 30%, and the South West was the only region outside London and the wider South East which benefited from the key worker schemes, to the tune of £10 million. We have recognised that there are serious pressures there and we have responded and certainly we intend to continue to respond to the problems faced by so many people in the South West.

Q240 Mr Sanders: The Kate Barker review recommended that the regional housing boards should be merged with regional planning bodies, but do you think this will lead to a potentially damaging loss of prominence in those regions for housing policies?

Mr Hill: No, we do not. As you know, frankly we accepted that recommendation and now we are consulting on our proposals for that merger. I think, on the contrary, we accept Kate Barker's logic, which is that by combining those functions actually we facilitate the delivery of housing and as part and parcel, of course, of our facilitating the delivery of housing. You have a combined expertise and

combined commitment, so certainly it seems to us that it will lead to a more efficient delivery of new housing in the regions.

Q241 Mr Sanders: Do you see any change in the constitution of the regional housing boards?

Mr Hill: Yes, there will be, and I think we have made it clear that, for example, in those mergers the more obviously elective and representative element, namely the regional planning board, takes priority, but we would expect the chair of the regional planning board to be the chair of the merged housing and planning body.

Q242 Mr Clelland: As one who is normally a great admirer of the Deputy Prime Minister and his Ministers and the work of his Department, I regret to say that there are exceptions to that. One is this plan to build thousands and thousands of new homes in the South East, which I believe will do nothing to assist in the better distribution of wealth and power in this country and actually will be detrimental to regions like mine. However, having said that, this is a policy which the Government appears determined to pursue. There has been some criticism, however, that there is not sufficient, if any, detail as to how the infrastructure for the substantial, new numbers of houses will be achieved. Can you say something about the thinking behind how this infrastructure is going to be provided? Can you ensure that it will be done?

Mr Hill: I hear and recognise the issue which you raised as a trailer to your question, Mr Clelland. The only thing I would say is that I think you have to recognise that our economies across the regions are absolutely interlocked. The London economy generates four million jobs outside London and around the country and the fact of the matter is that at the present time the dynamism in the national economy is located primarily in the South East. Of course, there are massively changing trends elsewhere in the country and obviously we have to accommodate that and seek to spread the benefits of that economic growth nationally. As far as the infrastructure is concerned, yes, it is a commonly-raised issue, but let me avert to what I was saying about the packages for growth, the infrastructure investment that we have in the growth areas, a total of £610 million under the present Spending Review and to be sustained into the next spending round. Investment in infrastructure in the growth areas increases by an annual real 13.7%. So we have a commitment to delivering on that physical infrastructure, which is about land remediation, it is about flood defence, it is about investment in transport, it is about investment in essential public services. Remember as well that, again, in support of the growth areas and in the wider South East, earlier this year the Secretary of State for Transport, in response to the multimodal studies in the South East, announced a massive £2.7 billion programme of investment in transport and transport development. We have talked also about the Community Infrastructure Fund, which is geared primarily to investment in the growth areas.

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Q243 Chairman: We understand this, but we want something a bit more specific. Let us take the Thames Gateway for which you are responsible. Could you provide us with a flow chart which actually shows us when the key elements in that are going to be put into place, the transport links, the flood schemes, the water supply, the electricity scheme? It is at least two years, is it not, since this grand scheme was announced, so have you got or could you provide to the Committee a flow chart, setting out when each of the key decisions has to be made in order to get this infrastructure into place?

Mr Hill: Certainly I can do that, Chairman, with pleasure, but let me assure you, and if you like I will give you some examples right now, of the actual investments which are going into the growth areas. You will want me to stop after a very short time, I dare say, but £10.6 million for a major new road and bridge at Wellingborough, the A206 Thames Road in Bexley. I could go on and on and on with examples of actual investments.

Q244 Chairman: Let us have the Wellingborough one and tell me exactly when it is going to be built?

Mr Hill: We will let you have that.

Q245 Chairman: No. You have got a list there. Surely you have got the money and you have got the dates?

Mr Hill: It is going in, I tell you, Chairman, it is going in. A major new road and bridge at Wellingborough and £5 million towards progressing the Bedford Western Bypass, with the intention of potentially unlocking a combined total of nearly 7,000 new homes. That is actual investment which is going forward right now.

Q246 Chairman: When?

Mr Hill: The announcement has been made. You know that it takes some time to develop these programmes in detail and that is not an unreasonable proposition, but of course we have to announce agreement in principle before the detailed work can go forward. I will give you a practical example, if you would like, of investment. On Thursday of last week I had the pleasure of announcing the nearly £50 million that we are investing in the so-called Universities at Medway project at Chatham Maritime in Gillingham. This is a very significant project for an area which is lacking in skills and educational attainment, combining HE and FE functions on the same campus, and I literally saw the JCBs on site, in fact I sat in one. The work is progressing already, I assure you, Chairman.

Q247 Mr Clelland: What about water supplies? We have had some concern, particularly at Ashford in Kent, about the management of water supplies, given this new development. Are you satisfied that is going to be able to be provided, and where will the money come from, who is going to fund the new infrastructure?

Mr Hill: On water, it is an issue which personally I am extremely conscious of, and let me assure you that the Department as well as the local delivery

vehicles are in very close co-operation with the Environment Agency and with the water utilities on these issues. It is perfectly clear that there is a challenge here. It is worth bearing in mind, of course, that if you build sustainably then that in itself is a way of using water in a highly efficient way. For example, the Greenwich Millennium Village has excellent recycling facilities of so-called grey water and the homes there use 30% less water than the average. You will know as well that recently we received the report of the Sustainable Buildings Task Force, chaired by Sir John Harman, and we have announced that out of that we will develop a Sustainable Buildings Code with sustainable buildings projects to be built in specifically the Thames Gateway.

Q248 Mr Clelland: The matters you have raised obviously are welcome but, having said that, substantial new water supplies will still need to be provided for this extra housing. Are you satisfied that can be done on time and who is going to pay for the work?

Mr Hill: We are satisfied that we can deliver the housing growth on a sustainable basis in relation to water supplies. We will expect the utilities to be the primary investors and deliverers of that water supply.

Q249 Chairman: Has Ofwat approved the suggestion from Southern Water that it might have to put up its bills by 45% to pay for all this expansion?

Mr Hill: I cannot comment on that. I have not even seen that report.

Q250 Sir Paul Beresford: Can I just follow on David Clelland's opening remarks, a couple of questions back, expressing concern over the effect of all this development in the South East on some of the northern areas. There is an argument, which obviously you are aware of, that, by stoking the fire of demand by putting lots and lots of properties in the South East, actually we are accentuating the difficulties drawing from the North and pumping it into the South. Is it possible, however, that this huge investment going into the Thames Gateway, which actually I support and think is a very good idea, and in fact we started it a little before you arrived on the scene, actually therefore is going to be able to ease some of the demands on other areas in the South East where there are few, if any, brownfield sites and where the demand, if the numbers continue, is going to impinge on many greenfield sites in other areas in the South East?

Mr Raynsford: We will split this answer between us. The first thing to say is, going back to David Clelland's earlier question, that we are absolutely committed to encouraging economic development in the northern regions. There is a whole series of programmes in place, I will not outline them in detail, whether that is to do with the Lyons Review, in terms of relocation of jobs in the Civil Service to locations outside London and the South East, whether it is to do with the work of the Regional

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Development Agencies, a significant proportion of whose budgets is going into the northern regions, whether it is to do with the Northern Way, the growth corridor proposals which were launched by the Deputy Prime Minister only a few months ago, whether it is to do with the encouragement of more effective regional planning in order to boost the economies in the northern regions. All of that is very much part of our commitment. I do have to say that the view that somehow you can boost the North simply by restraining growth artificially in areas of the South, where clearly there is a thriving economy, is a very simplistic and dangerous argument because the investment might well not go north, it might go to North Rhein-Westphalia or the Pas de Calais instead, which would not be to this country's advantage. We have to take a balanced view, and, I must say, I am very much of Paul Beresford's view that concentrating development in those areas which can accommodate it with good planning, such as Thames Gateway, does make sense to avoid some of the problems of indiscriminate sprawl which characterised some past development in the South East.

Mr Hill: Having said that, of course, I accept absolutely that we are fundamentally opposed to indiscriminate sprawl because of our commitments around density, amongst other things, which are also moving in the right direction, and of course we are seeking to secure major development in the growth areas. Nevertheless, the fact of the matter is that there are indigenous housing pressures all over the South East which need to be responded to. If you look at the Kent Structure Plan of two or three years ago, you find that Kent recognises that something in the order of 70% of the anticipated housing growth in Kent will arise from household formation amongst its existing residents. It is a matter of necessity to accommodate the sons and daughters of families already existing in the wider South East that we will have to see growth outside the growth areas, but we expect that growth to be carried out in a sensible and sensitive way, maintaining our commitment to brownfield development and our fierce resistance to encroachments on the green belt.

Q251 Sir Paul Beresford: An interesting answer. The difficulty for some counties is that when their figures for allocation of housing were put forward the basis of them was the growth rate of previous years. The difficulty with that is that the more houses you build the less land you have available, and in some of the South East counties there are few or no brownfield sites available. Consequently, there was hope, and you did not quite answer this, the splurge of housing that will be available in the Thames Gateway region could take the pressure off some of the other regions which at present are having difficulty if not finding it impossible to meet the demands without encroaching on the green belt?

Mr Hill: I am grateful to you, Sir Paul, for not descending, and I would not expect you to do so, into the vulgarisms of some of the phraseology that we hear about the relationship between concrete and the countryside. Nevertheless, I think we need to be

clear that even if you look at the total programme up to 2016 for the RPG9 area, which let us remember envisages growth in the growth areas of an extra 200,000 homes, but in the rest of the area and including the growth areas an additional growth of 930,000, that will see something of the order of a take from greenfields of about only 2%. The land take implied in these growth programmes ought not to be exaggerated.

Q252 Christine Russell: Recently the Prime Minister described Crossrail as the investment we cannot afford not to make. What is your Department doing to make it happen?

Mr Hill: To be brief, following the discussion with sympathetic interest.

Q253 Mr Betts: The Northern Way. I think most of us would say, great idea, good bit of vision, ODPM clearly is very committed, but is anyone else in Government really interested?

Mr Hill: Now you have got us basically on a Lord Rooker issue. I wonder if either of our colleagues would like to say something on the issue of the Northern Way: Andrew?

Mr Wells: I think the Northern Way definitely fits within the second PSA target we have got, which looks at trying to close the gap in growth rates with the North. So, yes, that is a joint target between the Treasury, the DTI and the ODPM and those departments certainly have bought into the Northern Way.

Q254 Chairman: It is not a successful target, is it?

Mr Wells: The Northern Way is a large part of making it successful, I think.

Q255 Chairman: In the last 12 months actually we slipped back, did we not, in the northern regions?

Mr Wells: It has always been a long-term target and the action programme is to understand the drivers behind the relative economic decline of the North over a very large number of years, indeed decades, and the Northern Way is an innovative and exciting way of trying to make a reality of that target. The Deputy Prime Minister asked the northern RDAs to come together to try to produce a vision for the Northern Way and they have done that. It covers a lot of issues from a range of government departments. They are engaged but, you are quite right, the job now is to make sure they are even more engaged and engaged in making that a reality.

Q256 Mr Betts: Can I draw a comparison. It was interesting a few minutes ago that we talked about the Community Infrastructure Fund and the fact this was shared between ODPM and the Department for Transport to make things happen in the growth areas in the South East. When we are looking to try to regenerate and rejuvenate and grow some of the key areas in the North, I do not see one penny of Department for Transport money being committed to any schemes to make that happen. Can you name one?

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Mr Wells: There is investment from the Department for Transport in the North as well.

Q257 Mr Betts: I am talking about schemes which have been developed specifically to make the Northern Way happen?

Mr Wells: It is a very new programme, and so far the Government have just taken delivery of that RDA programme.

Q258 Mr Betts: The Department for Transport has got a 10-year plan, has it not?

Mr Wells: We have put some money into making it a reality, a relatively small sum of money, £50 million, for the RDAs.

Q259 Mr Betts: The Department for Transport has got a 10-year transport plan for infrastructure improvements. Apart from the West Coast Main Line, which is about connecting London with the North West, virtually all the rest of the funding is in the South East. There is nothing to connect Sheffield with Manchester, Sheffield with Leeds, the train times still take an hour, the passes between Sheffield and Manchester close when it snows, this is the age we are living in. I just do not see that there is any redirection of funding and a commitment by the Department for Transport, in particular, to make this happen?

Mr Wells: It is a very new programme. Some of the things we have been describing in the South East we have gone and negotiated since the communities plan produced those proposals, and they themselves had a very long life before that, arising out of the last RPG9 process which identified them as growth areas you could look at. They go back at least five years now, in concept. The Northern Way is a new prospect, actually it was announced only in February in the document the Deputy Prime Minister published called "Making it Happen: the Northern Way". We have got the RDA proposals, now we need to move forward into implementation and we have made some money available to help that process, a bit like we did with the growth areas in providing seed-corn funding.

Q260 Mr Betts: We were talking about a time period for developments in the South East. Have you got a time period when we might actually see some more concrete proposals to bring about this regeneration, including commitments from other departments?

Mr Wells: I do not think we have that timetable yet, but we have not yet responded to the Northern Way. The Deputy Prime Minister has taken delivery of it and we are preparing our response to it, which may give you more of that.

Q261 Chairman: When do you expect to respond?

Mr Wells: I am sorry, I cannot say. I cannot remember when the Deputy Prime Minister has said he will respond.

Q262 Chairman: Could you let us have a note with the date?

Mr Wells: Yes. He has announced that we are doing a strategic plan and I think he will make the essence of his response in that strategic plan, which he is producing before the end of the year, either next month or December.

Q263 Mr Clelland: Are you saying that because of the introduction of the Northern Way departmental programmes such as the Department for Transport's 10-year programme are up for amendment now?

Mr Wells: I think we need to negotiate what can be done to put the Northern Way in place. I think it is fair to say that the beginning of the Northern Way, and it comes out of quite a lot of academic work, was to say there are very large transport infrastructure existing investments in the North, particularly the M62 corridor, and can those be used as the glue, if you like, to tie together a better economic offer from the North. That was partly the concept behind it and I think that needs to be explored, as well as the question of whether more investment is required. As you mentioned, the West Coast Main Line, the East Coast Main Line, also provides very fast travel between cities like York, Newcastle and London and other parts of the North, so there is a lot of transport investment there. In many ways, it provides freer access in those parts of the country, in my experience, than in the South East, where there is a lot more congestion.

Q264 Mr Clelland: There are within the regions, and certainly within my region, different priorities for transport infrastructure and transport improvements than appear in the 10-year programme. Are we saying that because of the Northern Way there is a possibility to revisit these issues?

Mr Wells: I think there is always the possibility to revisit them. I think, in fact, the 10-year programme is being revisited. Also there are other developments which were announced in the Spending Review to look at regional spending and to see whether you could provide more guidance regionally about the amount of money which might be available to allow people to form their priorities in different regions better. That is being worked up as well, which will put the regions more in the driving-seat in terms of transport expenditure among other pots of expenditure.

Mr Raynsford: Can I just add to that and I have to be rather careful about what I say here because we are in a purdah period. The current referendum taking place in the North East is about whether or not people want a new framework which would allow greater regional ownership of planning for transportation and other infrastructure needs that underpin economic improvement. This is very much an issue which is current and where there could well be change.

Q265 Mr Betts: You could go on to say that the draft Regional Assemblies Bill does not actually give any powers to the regional assemblies to make decisions on transport matters, does it, in terms of spending?

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Mr Raynsford: It does. It specifically enables them to develop a regional transport strategy. That is exactly the point David Clelland was highlighting, the importance of each region being able to define its priorities and to have a more effective base for presenting those.

Q266 Mr Betts: Unlike housing, which is an ODPM responsibility, where the assemblies would have responsibility for allocating funding, that does not happen on transport under the Bill, does it?

Mr Raynsford: The precise powers are as I have described but, as you well know, this is a subject where there has been considerable discussion and there is continuing discussion about how we ensure an effective regional input into the definition of transport priorities.

Q267 Mr Betts: Can I just follow on then on this issue of co-operation with other departments into the Pathfinder areas and some of the other ways of regenerating and rejuvenating areas in the North. Again, it has my full support, I think it is an excellent concept. I was having a briefing yesterday from the Chief Executive of the local Pathfinder in South Yorkshire and I am impressed by what they are trying to do. If you start talking to them about "How are we going to deal with towns in the Dearne Valley?", which probably are not going to have their own sustainable employment initiatives, they are going to have to rely on getting jobs in the bigger conurbations, in Leeds and Sheffield and elsewhere, yet again there is no evidence of any extra transport money coming in to provide those particular links and the Department for Transport working in with ODPM's excellent initiative?

Mr Wells: We run the Pathfinder programme and I am grateful for your support for it. The aim of that is to tie in all the players locally, so we have insisted that people form cross-boundary partnerships to look at housing markets as a whole and form partnerships with the other players there. I think we have seen it more as a question of how you can build successful economies for those areas for the future, so more how you can tie in the Regional Development Agencies, the Learning and Skills Councils to ensure that you rebuild employment opportunities in there. The areas do vary. Some of them are very close to very hot economic spots in their regions. If you take, say, Manchester-Salford or Birmingham-Sandwell, and you think, well, surely it is possible there to rebuild the offer, it is a question of getting the housing stock modernised, getting it and making an attractive offer. That may involve some replacement, it may involve some complete renovation, but you can do it. In other areas it may be just that those conurbations, and this is accepted by some Pathfinders, no longer have a living at the size they are and maybe they do need to shrink. I am sure transport is also an issue. I must say, when I go round the country it is not one that people have put to me as a very major issue, but certainly it is one where we would seek to tie in the Department for Transport if it emerges as a key issue in the strategies people develop.

Q268 Mr Clelland: Coming on to the delivery of sustainable communities and the skills and training necessary to achieve that, could you give us perhaps a brief synopsis of how the Department is taking forward Sir John Egan's recommendations?

Mr Hill: We now have a group of officials working specifically on developing the National College for Sustainability Skills. We are in discussions with the Local Government Association about possible synergies with their own work on local government leadership and we expect to be making announcements at the Sustainable Communities Summit in Manchester at the end of January.

Q269 Chairman: Can I just go through the low-demand areas. Are there any plans to designate any other places as low-demand other than the Pathfinders which have been announced?

Mr Hill: Obviously, in the very generous settlement that we had from the Chancellor on low-demand areas, a trebling of funding to deliver the existing Pathfinders, we anticipate that there will be a certain amount of investment available to tackle low demand in others.

Q270 Chairman: If we go through. The Manchester and Salford one, they have got a plan which is up and running. How much money have they got?

Mr Wells: We allocated them £125 million over the present three-year period. We need now to go back to them and agree how much they get for the next two-year period.

Q271 Chairman: You are expecting them to get significantly more money?

Mr Wells: In the next two years, but they were one of the first and that is why they got such a large allocation in the first year. I hope you will not press me on the budgets for all the rest because I cannot remember.

Q272 Chairman: I was thinking of pressing you on all the rest but I will accept a note on that. Let us take the Manchester one. The whole of the area of East Manchester has two metro tramlines going through it. A whole series of people were prepared to make investment decisions in those areas on the basis that those two tramlines were going to be built. The Department for Transport has now put the veto on those tramlines. What discussions are you having with the Department to point out that things like the Manchester business parks' whole viability depends on people from these low-demand areas being able to get to and from work?

Mr Wells: As you might expect, there have been discussions between Ministers on these decisions. The Department for Transport took that decision because of very large cost overruns on that project, like some other light rail projects elsewhere in the country, and it is understandable that they cannot write a blank cheque for projects which show hundreds of millions of pounds' increase in the cost as they go forward, even after quite serious efforts to look at them again and restrain those costs. I think we have to work from where we are, but I know

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discussions are going on, not least between the partners in Manchester and the Department for Transport, and I think we will have to wait to see what the outcome is of those discussions.

Q273 Chairman: The Hull and East Riding one, that is the last of the Pathfinders which have been announced, is it not? When do you expect to receive their strategic plan?

Mr Wells: We expect to receive it very soon, either this month or very early next. We are now confident that one will come forward and we hope to be able to sign it off by the end of the financial year so that it can start spending in the next financial year.

Q274 Mr Betts: Do you rule out absolutely and totally the fourth way for decent homes?

Mr Hill: Back to the battle of the ALMO. There is no fourth option.

Q275 Mr Betts: Even though local authorities borrow with prudential guidelines against the future rental stream, this has no more effect on the public accounts and public borrowing than the question of (- inaudible -)?

Mr Hill: Mr Betts, we recognise obviously that the new prudential borrowing regime does offer some scope for local authorities to borrow for the purposes of social housing investment and we are looking constantly at the ways in which financial arrangements relating to local authorities can assist them in their social housing programmes. One of the ways in which local authorities have been assisted has been by increases in the maintenance and management grants, which you know were increased significantly this year, and it is our hope that we can deliver another satisfactory settlement in the next year, which we believe may assist certain authorities in these areas. I think the truth is that we do not anticipate that there will be major changes in the financial regimes of local authorities to assist them in delivering on the Decent Homes programmes simply out of those changes.

Q276 Mr Betts: So tenants decide that they do not want an ALMO, they do not want a PFI, they do not want a stock transfer; does that mean, Minister, you are content simply to say you will not reach the Decent Homes standards in those local authorities?

Mr Hill: No. I think what we would want to do is what occurred, as you know very well, in Sheffield, what I believe is occurring in Stockport and what is occurring in Birmingham and what we expect to occur in Camden, and also Stroud, which is that local authorities re-engage with tenants to find a way forward in a renewed options appraisal process.

Q277 Chairman: If people vote the wrong way you keep going on at them until they vote the right way?

Mr Hill: We have to respect people's decisions, but, like tenants, we are anxious to deliver on Decent Homes and the evidence is that ways forward can be found which are very satisfactory. It is not for me to presume on the sentiments of Mr Betts about the Sheffield experience, but I think, on the whole, the

feeling is that return to a somewhat reformulated structure, I believe it was initially a wholesale stock transfer and now it takes the shape primarily of a series of ALMOs, 10 ALMOs, I think, which obviously are responding to tenants' needs, seems to be working really rather satisfactorily. I think we take encouragement out of the experience of local authorities who have failed in these ballots in going back and working with tenants to find a way forward.

Q278 Mr Betts: On a different issue, when we had the balance of funding review, we talked about education funding and it was a general view from the Minister and people on the Committee that education would not be separated from local government funding. Then very shortly afterwards we had an announcement from the Secretary of State for Education which meant effectively that education funding goes from the Department for Education to schools with a guarantee of three years and almost bypasses local authorities, except that they pass it on. Is not that a pretty fundamental change and how much discussion was there with the Minister at the ODPM before that was announced?

Mr Raynsford: I can say that there was very considerable discussion.

Q279 Mr Betts: And agreement?

Mr Raynsford: I think you must put this in the proper context. Throughout the lifetime of this Government there has been a presumption that all additional finance which has been raised by Government to encourage performance in schools should be passported through local authorities to schools. That presumption has been there. As I have said on many other occasions, it is not a very large move in real-world terms from a passporting regime as rigorous as the one that has been operated to one where there is a total ring-fence. In real-world terms, the effect is not going to be that different for local authorities. I accept that there are, should we say, theological issues which those who are great aficionados of the niceties of local government finance will go on arguing about, but I want simply to emphasise the fact that in real-world terms there is not that much difference between a ring-fence and a presumption of 100% passporting.

Q280 Sir Paul Beresford: It can be seen as a sleight of hand, because, of course, the local authorities will not have a say. The money goes through them so they pick up the blame, where there is blame, and there will be plenty of that, I suspect, but actually the fault lies at the Department?

Mr Raynsford: In practice, under the passporting regime, there have been repeated debates between individual local authorities and Government about the extent to which passporting is desirable, possible and compatible with other responsibilities. In practice, a very, very high percentage of the sums allocated by the Department for Education and Skills has been passported in recent years, in fact in

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some years the amount has exceeded 100% because authorities themselves have gone beyond the formal passporting requirement.

Q281 Sir Paul Beresford: Why did not the Department just become open about it and take it out completely?

Mr Raynsford: Because there is a real benefit in local authority engagement, and that is where I do disagree with Clive Betts's point that the Department for Education and Skills is going to be funding schools directly, as the money does pass through local authorities. There is an important relationship between local authorities and schools. Local authorities provide a large number of services, whether that is in relation to special educational needs, school transport, pupil withdrawal units and other arrangements which are organised by the education authority on behalf of a range of different schools. Those relationships continue and they are important relationships.

Q282 Mr Betts: In terms of previous discussions, Minister, and I am about to reflect back on them, the Government seemed to have two positions. One was that passporting was not the same as ring-fencing and, secondly, the Government was committed to reduce the amount of ring-fencing. There has been a significant change of policy, has there not, in this term?

Mr Raynsford: In relation to schools funding, yes, there has been. There will now be ring-fencing and that is a change of policy. In relation to the rest of local government finance, we remain on course to reduce the proportion of funding that is ring-fenced to below 10% in the coming year. The schools ring-fence does not come into effect until the year after that. I accept there will be a change of policy at that point, but in the meantime we are still working to reduce the overall proportion of Revenue Support Grant that is ring-fenced, and we are succeeding, we are reducing that.

Q283 Mr Betts: I am sure you are aware of the concerns, I think in many local authorities, that education is now ring-fenced, social services expenditure is passported and there are restrictions on how that can be spent, at least the extra funding there, which is welcome, but there are restrictions on how it can be spent. The rest of local authority funding therefore has been squeezed, in some cases the housing function has gone and there is very little room for manoeuvre, in terms of the built environment, in cleansing and all those sorts of services, actually to do anything significant to improve them. Is that a feeling which comes back fairly strongly from local government to you?

Mr Raynsford: No. I think I would put a very different gloss on this. The context you have got to remember is that over the last seven years we have increased funding for local authorities by 30% in real terms. That followed a period of time under the previous Government when local authorities saw real-term cuts in their overall grant, and that is a very different environment. I accept entirely that the

pressures to put additional funding into specific services, whether that be education, social care or other services, does create tensions for local authorities. I do not in any way resile from that. We believe it is possible for local authorities to budget prudently, to ensure that there are improvements in services and that they can meet their wider obligations, and we are working to ensure that happens.

Q284 Mr Sanders: This Committee was very pleased that the Government amended the Housing Bill in relation to empty homes and allowing local authorities the right to issue compulsory management orders on long-term empty homes. How will this system operate and how many homes are likely to be affected?

Mr Hill: Of course, I was also pleased to be able to respond to a variety of representations to lay the amendments in relation to empty homes, which certainly has been widely welcomed. I think you will understand that the detail of implementation needs to be worked out very carefully with local government, and that work is going forward along with our work with the Empty Homes Agency as well. In terms of the numbers, we calculate that there are potentially 300,000 empty homes which may fall within the ambit of the scheme, 60,000 of them in London. Quite clearly, this is a programme which will take some time to implement but we are confident that over time it will make a helpful contribution to deal with issues of homelessness in London and elsewhere.

Q285 Mr Sanders: What about the structure of the financing of the empty home management orders?

Mr Hill: I am simply not in a position to answer in detail on those issues at this stage.

Q286 Mr Sanders: Are you able to give an indication as to whether the measure will be cost-neutral for local authorities when they issue those orders?

Mr Hill: I am afraid that I am simply not in a position to assist you on those detailed questions of this sort. I will certainly happily supply you with a note which updates you on the development of our thinking so far.

Q287 Chairman: Could you tell us perhaps in that note, or now, when you expect the first orders to be possible?

Mr Hill: Yes, certainly, I will attempt to do that.

Q288 Chairman: There are obvious advantages if you announce publicly that you expect them to be available in 12 months' time. Quite a few people who may be wondering whether they are going to be subject to those orders may decide actually they do not want to be subject to those orders and get on and do the leasing themselves, may they not?

Mr Hill: As usual, Chairman, you are absolutely right.

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Q289 Christine Russell: The Starter Home Initiative. Have you met your targets for the Starter Home Initiative for housing key workers?

Mr Hill: Yes. In fact, we have more than hit our target. The target was 9,000 and we have delivered 10,000, so we are pretty happy with that and so are the key workers concerned.

Q290 Christine Russell: Have you done any analysis as to whether really it has been effective in helping to recruit and retain staff? I am not saying it has not worked as far as housing key workers, but have you done any analysis?

Mr Hill: That analysis we would expect to be carried out by the other government departments with whom we are working on that. It is not an evasion on our part, but, in a sense, ODPM's housing function essentially is a delivery mechanism on the key worker programme, but we have left it to other government departments obviously to identify where the challenges are, in terms of recruitment and retention. The fact that they have been very happy to continue to work with us suggests that they have identified it as a successful programme, and of course we have widened some of the categories of key worker who can be embraced in the programme now.

Q291 Christine Russell: That was going to be my next question, whether or not you have received any representations along the lines of, for instance, perhaps in the Health Service, maybe you should be including people like hospital porters as much as nurses, and in schools classroom assistants. Have you had those representations from the Department of Health or the DfES?

Mr Hill: I do not think we have had those representations from the DoH. Certainly we have had representations about the need to broaden the categories, which we have done, but I do not believe that we have received representations about such auxiliary workers. I can only presume that is because the Department does not identify key issues of retention and recruitment in those particular occupations.

Q292 Christine Russell: What about rolling out the key worker initiative to other parts of the country?

Mr Hill: Again, you will recall that, in addition to London and the wider South East, in response to Mr Sanders, I pointed out that the programme applied to the South West to the tune of £10 million. We have not rolled it out to other parts of the country because other government departments have not identified key issues around recruitment and retention in other parts of the country.

Q293 Christine Russell: Could you tell us perhaps more about the new scheme which the Deputy Prime Minister has announced for £60,000 mortgages to enable first-time buyers to get on the first rung of the housing ladder?

Mr Hill: Yes, we were very pleased to be able to make that announcement at the Party Conference on 26 September. It was the product of a good deal

of intensive work with English Partnerships, with the Housing Corporation, with developers as well. The principle, as you know, is the principle of maintaining, as it were, community land in trust and we would expect English Partnerships and local authorities to come forward with offers of land. We are confident that the £60,000 target can be met in terms of construction costs, and we are expecting English Partnerships to announce shortly a competition to developers both here and abroad to offer new homes on that basis.

Q294 Christine Russell: The development of these proposals will not be restricted to London and the South East, it will be across the country?

Mr Hill: Yes, wherever it seems appropriate.

Q295 Chairman: What is the target date for the first person moving into one of these properties?

Mr Hill: As soon as possible, Chairman.

Q296 Chairman: Nothing more specific?

Mr Hill: As my esteemed ministerial colleague points out, it is only a month, actually it is only three weeks since we announced the scheme, so give us a break. More seriously, let me say that, of course, we recognise the importance and urgency of this scheme, and I am anxious personally to offer some tangible results on this, genuinely, at the earliest opportunity.

Q297 Mr Betts: Tenancy deposits. The Committee is extremely pleased that the Government have decided to bring in a scheme. Could the Minister explain just a little bit where we are up to with this now and say whether a decision has been taken yet as to the precise nature of the scheme?

Mr Hill: On that one, we have made a good deal of progress. This was an area where already very great detailed work had gone on. Again, the detail of the scheme will be a matter for regulation in due course. I cannot actually identify a date at which we expect to be able to bring in those regulations but I think we are looking really at a very early start. My notes actually say: "Tenancy deposit schemes to follow." It is one of those cases of, "You're on your own now, Minister." I cannot tell you that but I will write to you. Genuinely, we are very keen on doing this. Twenty per cent of tenants identify problems with the withholding of deposits. We recognise that this affects literally tens of thousands of our fellow citizens each year and we are anxious to move and we believe we can move on this at a very early point.

Q298 Chairman: A note to follow, is that it?

Mr Hill: A note to follow, absolutely.

Q299 Mr Betts: Has a decision been made yet on the format of the scheme, whether it is going to be a deposit held by a third party or a requirement for landlords to be insured to make sure that tenants get their deposits back if there is a failure? They would seem to be the two main ways to proceed with those.

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I wonder whether the Government have reached a view on that yet, following consultation, on when it will happen?

Mr Hill: You are absolutely right. We are looking at a kind of ABTA-like scheme whereby landlords are required to register and to put monies into a fund held by a third party, so that the delivery to tenants upon judgment will be as immediate as possible.

Q300 Mr Betts: That is going to be the format, is it?

Mr Hill: That is the sort of idea, yes.

Q301 Mr Betts: I think generally that will be welcomed. There is some concern that you might not go as far as that, so I think that will be welcomed by the many people who have been campaigning on that. Could I go on to the issue of estate agents. It is something else which the Committee considered in the past and made recommendations about, the licensing of estate agents. I understand that at this stage the Government may not be prepared to go that far, but certainly it is looking for some form of improved regulation. I wonder if you could tell us where we have got to with that one?

Mr Hill: Intrinsicly, of course, this is associated with our proposals to bring in the home information packs and we looked at the other players involved in house purchase and sale, and quite clearly solicitors and conveyancers have their own indemnity arrangements. We expect that the home certification officers will have an indemnity scheme. I know that is an issue about which you have been particularly concerned in the past. Because estate agents, as you will know, having served on the Committee, will play an absolutely central role in the transaction, it is absolutely vital, in our view, that there should be an indemnity scheme with which estate agents will be required to register in order to protect sellers and purchasers in the process. I am very pleased to say that we have the support of the National Association of Estate Agents in this regard, the enthusiastic support of the Consumers' Association too.

Q302 Mr Betts: Will estate agents have to become members of the National Association?

Mr Hill: That is not my understanding, but they will be required to sign up to the indemnity scheme.

Q303 Mr Betts: Will there be an independent disputes resolution procedure?

Mr Hill: I believe that we are looking at actual or potential ombudsman-like arrangements for the scheme.

Q304 Mr Betts: Which will not be run by the industry themselves, these will be independent of the industry, will they?

Mr Hill: I think that is the idea, yes.

Q305 Mr Clelland: Those of us who are called upon from time to time to sit on statutory instrument committees are finding that it is becoming a more regular practice. Your own Department has produced something like 77 statutory instruments so far this year. Would it not be easier on Ministers and

on Members if the work on these could be done in advance and put directly into the Bills, rather than have all these statutory instruments?

Mr Raynsford: This is always a tension, as you will know, between a wish to define as much as possible in primary legislation but the need to make use of the more flexible framework of secondary legislation, particularly for subjects where there is likely to be a change over a relatively short timescale and therefore the process of updating legislation would become burdensome. We are looking at this and we are keen to avoid proliferation of statutory instruments. However, one factor you have got to bear in mind is that we have been responsible for some quite important legislation, particularly the Local Government Act, which made a very large number of significant changes to local authority powers, many of which depended on secondary legislation. The fact that there has been rather a lot in the last year might be seen as a good process, because actually it has extended freedoms and flexibilities to local government through items such as the prudential borrowing regime and other items like that.

Q306 Mr Clelland: When might we see the outcome of your deliberations on this issue?

Mr Raynsford: I have not got a specific date, but we are conscious of the need to avoid the proliferation of statutory instruments.

Q307 Chairman: It was particularly unfortunate, was it not, as far as the European elections and the all-postal ballots were concerned, that the regulations only were published virtually the day that returning officers had to publish notices of ballots?

Mr Raynsford: It was, indeed, and that, of course, was the subject of considerable debate in Westminster Hall in the debate which you initiated a few weeks ago. I do not wish to rake over old problems there, but there was no question but that the way in which the processing of the legislation through the other place went on far longer than we had hoped did leave a very tight timetable for the completion of the secondary legislation.

Q308 Chairman: I understand that with the Housing Bill as it is at the moment in the House of Lords you published illustrative statutory instruments for almost all the things that you are going to do via statutory instruments. Would it not be logical always to make sure that those illustrative statutory instruments basically are correct, so that as soon as the legislation goes through you do not have to set draftsmen in your Department drafting the new instruments but that actually you have instruments that more or less you can sign your names to, as Ministers, straightaway?

Mr Raynsford: My colleagues may well wish to say something about the Housing Bill, but just in general if I can make the observation that it has been our policy to try to ensure that draft statutory instruments or a statement setting out the precise purpose of those statutory instruments are available,

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in committee, by the time the committee comes to consider the relevant legislation. That is what we have done in the past and what we intend to continue to do. I have to say, a lot of these statutory instruments are very complex indeed and it is not a question of just a few pages, some of them are extremely lengthy. Therefore, it is almost inevitable that individual glitches can occur from time to time.

Q309 Chairman: I understand that, and I welcome very much the fact that the Department is publishing the illustrative ones. It just worries me that having done all that work for Parliament at that stage then there seems to be a time lag between actually publishing the real statutory instrument as opposed to the illustrative one?

Mr Raynsford: If I can give an illustration just from the field of my own responsibility, which is the Business Improvement Districts, that scheme depended on a statutory instrument to give effect to the primary legislation, which was the 2003 Local Government Act. We consulted extensively with interests, both local authority and business interests, who were particularly keen to ensure that the regulations did enable the whole BIDs programme to proceed in an efficient and expeditious way. Out of that consultation came changes, and I think you would feel that it was wrong of us not to pay heed to the views of the stakeholders who were engaged in the consultation. That was one of the explanations of why there were changes in the statutory instrument compared with the drafts that had been prepared as illustrations for committee. That process I think is right, though often it does lead to a lengthier timescale than perhaps some people would like.

Q310 Chairman: Do you think you have got enough lawyers in the Department to draw up these instruments?

Mr Raynsford: I would hate to think we were going to employ more lawyers in the Department. I am well satisfied that we have a good group of lawyers who do the work very efficiently for us, and the comments I made earlier about the need to be efficient and to avoid increasing costs applies to government departments as much as to local authorities.

Q311 Christine Russell: I would like to ask some questions about neighbourhood renewal, which will be to Mr Montgomery. I am sure we all welcome the fact that in the Spending Review, I think it was, £525 million was rolled forward for the next three years for neighbourhood renewal. Can I ask you a series of questions, the first of which is what lessons have you learned from the existing Neighbourhood Renewal programmes?

Mr Montgomery: Firstly, we have learned that, through devolving the responsibility for specific decision-making to local authorities and their partners, we are able to allow them to be flexible enough to respond to their local circumstances in ways which are more accurate than would be decided from the centre. Secondly, we have learned

that there are very powerful ways in which Local Strategic Partnerships have been able to narrow the gap between the poorest areas and the national average. In fact we are seeing a consistent narrowing of the gap on burglary, vehicle crime, education, employment, child pedestrian accidents and a range of other areas. We have learned also that it takes some time for the gestation of these partnerships to run through, and so some LSPs are delivering truly outstanding performance whilst others are still struggling to make a fist of this.

Q312 Christine Russell: Is the principal reason the lack of ability to work together, joined-up working, is that the principal cause of where there has been slippage of programmes or partnerships just not working?

Mr Montgomery: I think most problems of programme slippage have now been overcome. The NRF spend is coming through, the activity rate has rocketed even as the amount of money given over to LSPs has increased, so I do not think that remains a difficulty for LSPs.

Q313 Sir Paul Beresford: Is your area subject to efficiency savings?

Mr Montgomery: It is subject to efficiencies in terms of getting more productivity and better outcomes from an increasing amount of money. What we have seen in the most recent Spending Review is a sharpened and more demanding set of floor targets applied to the agreed amounts of resource, so greater expectations in exchange for greater resource.

Q314 Christine Russell: One of the principles behind neighbourhood renewal is that once programmes have proved successful then local authorities should mainstream their services, that is correct, is it not?

Mr Montgomery: Yes, it is.

Q315 Christine Russell: What are you going to do if, despite all the evidence that something like, for instance, a community warden service has been incredibly successful, a local authority shows no signs of mainstreaming that service?

Mr Montgomery: Firstly, I should amend my last answer. It does not simply fall solely to local authorities to take mainstreaming responsibilities, we are equally demanding of primary care and the police, RDAs and other services.

Q316 Chairman: You have more people to punish if they do not actually mainstream these activities?

Mr Montgomery: To respond to the specific question, with the first wave of wardens funding, so far we have found that upwards of 85% of the schemes in fact have been taken on either by local authorities or housing associations, or in fact sometimes even by the police. They have also contributed to the continuation of these schemes because they have been able clearly to identify that the costs they would have had to incur in making good vandalism, graffiti and other problems actually are outweighed by the savings they make in acting

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preventatively through continuing support for wardens schemes. Mainstreaming there plainly has been effective.

Q317 Christine Russell: How do you see the Neighbourhood Renewal programme being rolled out over the next three years? Do you see it focusing more perhaps on extending the areas and perhaps moving into areas of deprivation which have not benefited to date, or do you see where you have got the existing Pathfinders the extent of the programmes they are running perhaps being broadened? Where do you see the priorities?

Mr Montgomery: Priorities will be decided upon by Ministers in a way which takes account of the new Index of Multiple Deprivation, where, of course, some of the 88 local authorities which had been in receipt of NRF have fallen out of that list of worst authorities, others have come in, so Ministers will want to take account of that. Ministers will want to take account also of the fact that there are more detailed, more refined data sets available to us because we are able to identify smaller pockets of deprivation even below the level of ward boundaries. Also they will want to take account of which LSPs have made best progress against floor targets, and consider whether you want to reward those that are making a great effort and doing very well; Ministers will want to take account of that.

Q318 Christine Russell: Are Ministers going to take up account? When are we going to know what the priorities are for this £525 million, when are we going to know where that money is going to be spent?

Mr Montgomery: The LSPs currently in receipt of Neighbourhood Renewal Fund have their resourcing clear for the coming financial year, the year 2005–06 is already settled, so Ministers have well in excess of a year to make the considerations that I have described previously and give local authorities clear allocations with more than sufficient time for them to make their plans.

Q319 Christine Russell: I do not want you to point the finger particularly, but, as you have made clear, this is very much a programme which involves many, many partners. In the experience of all the Pathfinders to date, is there any government department which is not really putting its full backing behind neighbourhood renewal? We do not mind if you tell tales.

Mr Montgomery: We have engaged in some detail with each department and we have found them to be responsive and they have pressed their local services delivery agencies to pull their weight at the local level. What we have seen though is differential results. The most intractable inequalities are around health, especially with regard to life expectancy, and we are looking forward to the Public Health White Paper which the Department of Health will publish specifically to address some of these issues.

Q320 Chairman: Can I press you on this Index of Multiple Deprivation. It is based on the most recent Census figures, is it not?

Mr Montgomery: In fact, it was published too quickly after the Census results to take full account of the Census figures. We are trying to take proper account of any significant changes that came out of the Census, because you will understand that this is a gargantuan piece of work undertaken for and with us by Oxford University.

Q321 Chairman: Yes, but quite a few of the Census figures turned out to be wrong, did they not? For instance, the city of Manchester ended up with an additional 25,000 population being added in when the Census figures were reviewed. As far as these small areas of deprivation are concerned, relatively small omissions perhaps of single households or those sorts of groups could have quite a significant impact on whether an area meets the criteria for being deprived or not. Are you happy that the statistics really are strong enough to build up the whole of this allocation of resources on that basis?

Mr Montgomery: There is no complacency about the adequacy of the data streams here. Speaking specifically about the instance you have mentioned there, Manchester, Manchester is in any case by far and away the largest recipient of NRF, by itself it gets the single largest allocation and might continue to get support. If there is any refinement required to our understanding of the nature of the deprivation in Manchester, certainly we will work on that with and through ONS. We will be vigilant about any amendments at the margin.

Q322 Mr Sanders: Turning to the Fire Service, can you tell the Committee the difference that has been made by the establishment of the Civil Resilience Directorate which was established in June 2003?

Mr Raynsford: The purpose of the Civil Resilience Directorate is to ensure a co-ordinated approach to our responsibilities both in respect of the Fire and Rescue Service and the wider issues of resilience, where we have a responsibility for regional resilience planning in each of the English regions. Clearly it is important that those two are planned and co-ordinated together because many of the issues which are important to resilience regionally and locally are equally relevant to the Fire Service. Much of the new investment going into the Fire Service under the New Dimensions programme, new mass decontamination equipment and urban search and rescue equipment, is absolutely crucial to meeting our resilience obligations. Really it was just a rationalisation within our Department to ensure that we were operating in a joined-up way.

Q323 Mr Sanders: You have failed to meet some of your targets for Fire and Rescue for the past year. What difference are Government initiatives, such as funding the Arson Reduction programme, making in assisting you to reach those targets?

Mr Raynsford: You are quite right and I think you should put it into context, that over the last two years the Fire Service has seen an extremely troubled

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period with a very bitter industrial dispute. Against that background, I think it is not surprising that some of the objectives and targets have not been met. There were other issues relating to non-accidental fires and deaths through fires in domestic premises where we changed the targets, and that has been the subject of very detailed discussion between us on a previous occasion. We are confident that the new arrangements in place will be met. We are doing a lot to try to ensure, through the Arson Control Forum and other similar arrangements, that action is taken to reduce the number of non-accidental fires. There are real problems associated with, for example, the huge increase in the number of abandoned vehicles, which are a natural target for vandalism and for fire-raisers if they choose to seize that opportunity. That is where a lot of our focus is, on trying to take action on specifics where we can reduce the number of non-accidental fires.

Q324 Christine Russell: Can I ask you about three particular targets that you failed to meet, which were the recruitment of women, recruitment of ethnic minorities and a reduction in the number of retirements on the grounds of ill-health. What are you doing to address those three?

Mr Raynsford: Yes, you are absolutely right, and my earlier response again I think is relevant, that against the background of the industrial dispute over 2002–03, 2003–04 and even into this year, 2004–05, it is hardly surprising that we have not made as much progress as we would have liked on matters to do with diversity and attracting new recruits into the industry. We are making good progress. There has been a specific recruitment initiative which we undertook this summer to try to ensure that we were doing our bit to help Fire and Rescue authorities to attract more women and ethnic minorities into the Service.

Q325 Christine Russell: Did it work?

Mr Raynsford: It is too early to say because it has only just been launched, but I am hopeful that we can turn around an industry which traditionally has had a very white, very male characteristic.

Q326 Christine Russell: Would you agree, and a very macho culture too?

Mr Raynsford: Yes, and a very macho culture. There needs to be a change and I think that is entirely compatible with the much greater degree of community involvement which is implicit in the policy set out in our White Paper, “Our Fire and Rescue Service”, and which now very much drives the reform programme in the Fire Service. The greater the degree of community involvement the more one will see the need for the Fire and Rescue Service to be more representative of the community it serves. To give just one illustration, I was terribly heartened on a visit to Merseyside a year or so ago to see the very effective work that they are doing in community fire safety in getting smoke alarms into a much larger number of houses than otherwise would have them, in particular, focusing on ethnic minority groups. An officer of Chinese ethnic origin in the

Merseyside Fire and Rescue Service was playing a critical role in ensuring that community was reached, and there are other examples of a similar nature. There is good work. We need to spread the exemplars, we need to get that culture throughout the whole Fire and Rescue Service rather than just individual examples of good practice in isolated locations.

Q327 Christine Russell: What about the physical requirements, because, particularly in the case of women, that is where many fail; are you looking at the entry requirements?

Mr Raynsford: There are changes, yes, to recruitment and training arrangements and other, more practical programmes. For example, the integrated clothing scheme, designed to ensure that the kit which fire-fighters wear is designed in such a way that it is appropriate for women as well as for male fire-fighters. There are a number of initiatives of that nature ongoing, to try to ensure that there are no barriers which would prevent women and others whom we might want to attract into the Service becoming fire-fighters, also to perform other functions in the Service.

Q328 Christine Russell: You do accept that there are some people in the Fire Service who still believe you have to be a weight-lifter in order to put in a smoke alarm?

Mr Raynsford: I have never been convinced of that logic.

Q329 Chairman: All the targets which you have just been talking about for the Fire Service are all things that you are dependent on other people doing to meet your targets, but the review of the Retained Fire Service, that was one of the things that you were doing. Where are we up to with this review of the Retained Service?

Mr Raynsford: The Retained Service is still below par, no question. We have been putting a lot of focus on how we can give greater support to retained fire-fighters. The terms of the settlement that was reached to bring an end to the dispute, as you know, do involve a number of measures designed to improve both the pay and the conditions of retained fire-fighters. We are exploring the scope for pension arrangements for retained fire-fighters as part of the reform of the pension scheme. Also we are looking closely at the experience of some areas which have had better success than others in attracting more retained fire-fighters into the Service. There is a lot of work going on. I would not pretend at this stage that we have cracked the problem, we have not, but there is a real commitment to bring more retained fire-fighters into the Service.

Q330 Chairman: Could we have a note perhaps on the progress you have made on all of those things?

Mr Raynsford: I am more than happy to give a note, but what I have said has broadly encompassed the position.

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Q331 Mr Betts: Planning Delivery Grants: is there evidence that we are employing more planners now and training more planners as a result?

Mr Hill: Certainly we are training more planners. You will recall that earlier this year I was pleased to announce a bursary scheme for 144 postgraduate planners and that has proved immensely successful, and the full uptake for this year, which is half that number, has been used. A number of universities with planning departments are reporting a significant increase in the number of postgraduate planners, a doubling in some cases, so we feel that there is some evidence that the number of planners being trained is rising. I would not ascribe that simply to the bursary scheme, I think it is actually because people recognise increasingly, perhaps particularly in geography departments, that now we are in the midst of what is virtually a housing and regeneration revolution in this country. As far as PDG is concerned, recently we received the report of Andersen into the working of PDG. That confirmed our belief that although not ring-fenced the overwhelming amount of grant had been ploughed back into the planning system, 98%, which we very much welcome, of the reinvestment in the planning service. The Andersen survey revealed that 46% went into staffing, so I think our expectation is that both salaries and the numbers of planners have been rising. There is an issue about status, as you know, in the planning profession as well, and 26% was being invested in IT with the residue going to other planning purposes. We think that actually this scheme is working and it is worth observing that in the last two years the proportion of planning departments meeting their targets has doubled, it has gone up from 20% to 40%. I do not think we should be entirely over the moon but we believe that we are on target to meet our development control targets for the year 2006.

Q332 Mr Betts: What is presented to me is that while some authorities may play the game absolutely and will try to improve their performance by genuinely turning round planning applications more quickly, others might take the view that if you have got a particularly tricky application it will take longer than the target time to deal with that particular application, so the best way to hit the target is to refuse it and let somebody else deal with it. Some developers will say there is evidence that is happening in some authorities?

Mr Hill: I believe that is quite correct and we are on the case and in some cases we have withdrawn grant.

Q333 Chairman: Can you give an example? You have withdrawn grant from whom?

Mr Hill: I will give you a note on that.

Q334 Chairman: We have just spent quite a long time going over the PSA targets. Do you think they are fair on the Department?

Mr Raynsford: A general comment. We take responsibility for them. We recognise that some of them are extremely challenging. I think PSA 2, Regional Economic Performance, everyone would

recognise is an incredibly challenging target. We are committed to those targets, we have signed up to them and we are working to ensure that we deliver them.

Q335 Chairman: Do you think perhaps C – or a D + would be a reasonable assessment of your performance against those targets?

Mr Raynsford: No, I do not at all. I think we have made very good progress on a number of the targets. Others, as I say, are particularly challenging and under PSA 2 we are not expected to be seeing results until 2006. That is the first point of time in which we are beginning to measure progress, and that is a measure of just how difficult and challenging that is.

Q336 Chairman: We have just been through all the Fire ones and you have missed almost every single one of those. If we take things like tenant satisfaction with landlords, we have slipped there, have we not?

Mr Hill: Tenant satisfaction with landlords, we have slipped there; that is a new one on me. Where have you got that from, Chairman?

Q337 Chairman: The 2000 SDA target: “To maintain or improve the proportion of customers who tell the Survey of English Housing that they are very, or fairly, satisfied with the service provided by their social landlord.” The satisfaction rate went down from 69 to 68%?

Mr Hill: Actually, it is the first time I have ever seen that, I have to confess, and I will certainly follow up on that.

Q338 Chairman: We have had all these stock transfers, with all these promises about how performance was going to be improved and yet actually satisfaction rates went down?

Mr Hill: Chairman, I can assure you that, without exception, where you have transfers and ALMOs in place satisfaction ratings increase. Far be it from me to point the finger, but I can only presume this is the performance of the local authorities.

Mr Raynsford: Could I highlight perhaps just one or two other PSAs, lest the impression be given that we are not meeting PSA targets. On PSA 3, Elected Regional Assemblies, we are in the process of meeting that target, a referendum is taking place at the moment. On PSA 4, we have successfully introduced Comprehensive Performance Assessment; there is clear evidence that is helping to drive progressive improvement in local authority performance. E-local government has been rolled out, with 99% of authorities now telling us that the target will be met. There are a number of success stories there and it would be quite wrong to suggest that generally we are not meeting our PSA targets. Equally, we have had difficulties. I have been quite open about the particular difficulties with the Fire and Rescue Service, following a particularly difficult industrial dispute. Also I have acknowledged the very challenging nature of PSA 2 in relation to Regional Economic Performance.

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Mr Hill: On my targets, Chairman, if I might draw your attention to the good progress that we have been making on PSA 5, Housing Markets, where I think we could be allocated a beta-plus. On Decent Homes, we are on track broadly to meet that target for 2010, beta-double plus. On PSA 6, Planning, we are on course to meet the targets, so I think that is an alpha.

Q339 Chairman: No doubt you are pleased with yourselves. Do you think these targets had any influence on the Spending Review?

Mr Raynsford: It is an interesting question. I think, undoubtedly, the Spending Review did take account of the importance of meeting targets in some of the key areas concerned. Keith has referred already to the substantial additional investment which has been guaranteed in relation to both the Pathfinders, to tackle the areas of low demand, and investment in the growth areas. I could refer to the commitment to continuing to resource local government with above-inflation settlements in the Spending Review period to continue to drive forward that process of improvement of local government performance.

Q340 Chairman: Apart from housing and some of the administration, actually the Department is going to have less money to spend, is it not, over the next period?

Mr Raynsford: Housing is a very important part of the Department's budget.

Q341 Chairman: I accept that housing plays a part, so the other is not important at all?

Mr Raynsford: The local government side technically is not ours, but there has been provision for a real-terms growth of 2.7% above inflation in the Spending Review period. That is growth in a huge budget, significantly larger than the housing one. As I say, it does not count as ODPM because the individual elements score against separate responsible departments.

Q342 Sir Paul Beresford: Can I take a slightly different approach. In the 2½% per year real-terms efficiency savings, is there any part of your Department which is actually making money savings, in those terms?

Mr Raynsford: Yes. We have ourselves made very significant efficiency savings and I have no doubt that Mavis McDonald and Peter Unwin would have been able to give you considerable details about that when they appeared before you.

Q343 Chairman: They did not convince us, may we say?

Mr Raynsford: Certainly I will ask the Permanent Secretary to write, because we have given a very close look indeed at the administrative expenditure within our own Department and apply very much the same rules to ourselves as we do to others.

Q344 Sir Paul Beresford: Would it be fair to say that, at the end of the day, the net budget will not show anything like a 2½% reduction?

Mr Raynsford: The overall budget will not show a 2½% reduction because there has been substantial additional investment in key services such as housing, and, quite rightly, that is providing more homes for people in need, and improving the quality of homes, but our administrative expenditure has been very, very carefully pruned to ensure that we do meet our efficiency savings expectations.

Q345 Sir Paul Beresford: At the end of the day, the net effect is going to be an increase in expenditure?

Mr Raynsford: Unlike the period when your Party was in Government, we believe that there is merit in increasing investment in housing and other public services in order to improve the infrastructure of the country and to improve the lives of people who depend on public services.

Q346 Sir Paul Beresford: Some of us also have respect for the taxpayer.

Mr Raynsford: Indeed, so do we. That is why we have taken an extremely robust line in relation to those areas of expenditure, whether it is our own expenditure or local government expenditure, where there does not appear to have been a proper concern about efficiency savings.

Q347 Sir Paul Beresford: Will we be able to get a note on the total net savings in various areas within your budget?

Mr Raynsford: Within the ODPM budget, we have been absolutely rigorous in cutting back on unnecessary administrative spending to meet our efficiency targets. We apply a similar logic towards local government, where we are promoting improved services but against a background of a 2½% efficiency saving expectation.

Q348 Sir Paul Beresford: We can expect a note on that, can we?

Mr Raynsford: I did undertake to ask the Permanent Secretary to let you have a note on the efficiency savings we have achieved within our own Department, yes.

Q349 Chairman: Mr Hill, when you came before us about gypsies in the summer, you told us that the review the Department was carrying out on gypsy and traveller accommodation was expected to report in the summer of 2004. I am not quite sure whether the summer of 2004 has finished yet but can you tell us where we are up to with the review?

Mr Hill: We expect to conclude and publish the review now in a matter of a very few weeks, but you will have noticed in the meantime that we have been able to lay amendments to the Housing Bill in the House of Lords on the subject of gypsies and travellers.

Q350 Chairman: That is very welcome, but it would be very nice if also you were to add a statutory duty to local authorities to provide sites, would it not?

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Mr Hill: We have debated this, as you know, Chairman, and it is the Government's view that, in fact, the old requirement to provide gypsy sites was not universally observed, and where observed was often defective. We believe that our new approach, which is to seek to mainstream the provision of gypsy and traveller accommodation, to place it firmly within the context of the local housing needs assessment of local authorities which will feed into

the regional spatial strategy, is likely, along with other provisions, to produce the sorts of results that I think we all wish to see.

Q351 Chairman: Do you expect the review to recommend that?

Mr Hill: I think the fact that we have made these moves with regard to the Housing Bill kind of implies that is the finding it will come up with.

Chairman: On that note, can I thank you very much for your evidence.

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

Request for further information:

Further to your letter of 20 October detailing the additional information Ministers undertook to provide, the information is attached. For ease of reference each response is numbered in accordance with your original letter.

Mavis McDonald

1. *A definition of garden in the context of its designation as brownfield land*

Answer:

Brownfield land, which is known as "previously developed", is land "which is or was occupied by a permanent structure . . . and fixed surface infrastructure". The full definition is set out in Annex C, of Planning Policy Guidance Note 3: *Housing*, and is based on the Office of the Deputy Prime Minister's Land Use Change Statistics (LUCS) Guidance, established in 1985.

The definition of previously developed land includes all LUCS urban land uses (except "vacant land within urban areas not previously developed").

"Residential" is defined as an urban land use, and is defined as "houses, flats, sheltered accommodation where residences have separate front entrances and adjoining garages, gardens, estate roads and pathways".

It is ultimately for the Courts to decide on specific cases whether something is brownfield or not, taking into account the LUCS/PPG3 definition. Due to the SoS quasi judicial role in the planning system it is not appropriate to comment on a particular case.

2. A flow chart of when the key infrastructure projects in the Thames Gateway will be in place

Answer:

THAMES GATEWAY TRANSPORT PROGRAMME—KEY PROJECTS										
	2002		2003		2004		2005		2006	
	Project	Area of benefit	Project	Area of benefit	Project	Area of benefit	Project	Area of benefit	Project	Area of benefit
<i>Strategic Intervention</i>	C2C route modernisation and new rolling stock						A2 Bean—Cobham			
<i>Regional Intervention</i>	A13—M25 Extension (completed)	Barking—Thurrock			A13 DBFO (nearing completion)	Royal Docks—Barking/Dagenham	DLR City Airport Extension	Royal Docks (Silvertown Quays)	Fastrack phase 1	North Kent Thameside
<i>Major development Intervention</i>					W Thurrock Regeneration Ring Road Phase 1 (completed)	Thurrock & Grays Town centre			Second Swale Crossing	Sheerness Port regeneration

THAMES GATEWAY TRANSPORT PROGRAMME—KEY PROJECTS

	2008		2009		2010		2011		2012	
	Project	Area of benefit	Project	Area of benefit	Project	Area of benefit	Project	Area of benefit	Project	Area of benefit
<i>Strategic Intervention</i>			CTRL (Domestic)						Thames Gateway Bridge	
<i>Regional Intervention</i>	Thames Gateway Transits (Greenwich) Phase 1	Barking Reach & Woolwich/Thamesmead/Greenwich	DLR 3 car upgrade	Stratford/Lower Lea	Stratford Interchange	Stratford/Lower Lea	Fastrack phase II	North Kent Thameside	DLR Barking Reach *	Barking Reach/Dagenham
<i>Major development Intervention</i>			DLR Stratford/Royal Docks	Stratford/Lower Lea						
			A13 Renwick Road Interchange	Barking Reach						

3. *The date the ODPM expects to respond to the strategic plans developed for the Northern Way*

Answer:

The Government is carefully considering how best to take forward the proposals in the Northern Way, and will provide a detailed response in due course. Nevertheless, the Deputy Prime Minister has already shown his commitment to the Northern Way by agreeing to the creation of an initial £100 million Northern Way Growth Fund. The Fund is made up of £50 million from the three Northern RDAs and £50 million from ODPM and will kick-start the strategy into practical action and help maximise the impact and effect of more than £7 billion investment already earmarked for the North in the Government's Sustainable Communities Plan.

4. *The budgets allocated to each of the Market Renewal Pathfinders*

Answer:

The budget allocations to Market Renewal pathfinders was as follows:

<i>Pathfinder</i>	<i>Allocation (£ million)</i>
Manchester Salford	125.00
Merseyside	90.00
Newcastle Gateshead	73.00
East Lancs	72.00
South Yorks	75.00
Oldham Rochdale	57.50
Birmingham Sandwell	54.00
North Staffs	34.00
Hull and East Riding	TBC

In addition to the above, each pathfinder received £2.64 million from the Capital Modernisation Fund for preparation of their market restructuring scheme.

5. *Details on how the compulsory management orders on long-term empty homes will operate and the associated costs for the ODPM and local authorities*

Answer:

EDMOs are intended to apply to dwellings that are *genuinely* vacant for long periods of time where the owner cannot offer a justification for the vacancy to continue.

EMPTY DWELLING MANAGEMENT ORDERS

Outline of Housing Bill Provisions

The provisions in the Housing Bill provide that:

- A local authority may apply to a Residential Property Tribunal for approval to make an Interim Empty Dwelling Management Order (“interim EDMO”) where the dwelling has been vacant for at least six months and it considers the owner has no intention to secure occupation of it.
- A Residential Property Tribunal must be satisfied on a number of matters before it can give approval.
- Once approved, an interim EDMO can last for up to 12 months.
- A local authority assumes management responsibility for the dwelling but cannot create a tenancy without the consent of the owner.
- Where consent is not given, a local authority may revoke the interim EDMO and make a final Empty Dwelling Management Order (“final EDMO”).
- A final EDMO can last for a maximum of seven years.
- A local authority may secure occupation (eg by granting a tenancy) without the consent of the owner.
- A management scheme must be set out to keep track of income and expenditure.
- The owner is entitled to any surplus income after deduction by the local authority of its reasonable expenditure (including the cost of renovation works).

- The local authority cannot pursue the owner for a deficit remaining at the end of the order (but it may seek to “make good” a deficit if a subsequent order is made).
- Owners can appeal to a Residential Property Tribunal against a wide range of matters relating to the making and operation of EDMOs.

KEY ISSUES IN MORE DETAIL

Exceptions

The Bill provides for a general exception of six months and allows for certain category of dwelling to be exempt indefinitely. Homes become empty for many varied reasons and most come back into use without the need for intervention—ie “transactional” vacant dwellings. Also, homes may be unoccupied for a period of time but not generally regarded as “vacant”—ie where the owner is temporarily absent from their principal home or it is a second home or holiday home used from time to time.

The exceptions will be prescribed by secondary legislation, but we have set out on the face of the Bill the category of exception which, in particular, may be prescribed. These cover:

- the principal homes of absent owners;
- second homes and holiday homes;
- homes undergoing repairs or renovation or awaiting planning or building regulations approval;
- homes on the market for sale or letting; and
- homes where the relevant proprietor died less than a specified period of time before the application for an order was made.

Compensation

An EDMO is a control on use of property rather than a deprivation. As such it does not give rise to an automatic right to compensation. The person against whom the order is made (“the relevant proprietor”) is not entitled to compensation but is entitled to any surplus income from the EDMO following deduction of the local authority’s relevant expenditure in managing and maintaining the property. As no income would have been generated had the property remained vacant, it is reasonable to allow an authority to deduct its costs from the income it has secured.

Compensation may be payable to a “*third party*” (someone with an interest in the dwelling but not the relevant proprietor) for any interference with his rights as a result of the EDMO. Where compensation is payable, a local authority would be entitled to deduct such payments from any surplus they make prior to paying the balance to the relevant proprietor. We consider it is right that an authority should be able to use any surplus it has managed to generate in order to meet obligations to pay compensation. Had the order not been made there would be no income to make payments to the relevant proprietor.

Deficit of income to meet relevant expenditure

If a local authority fails to generate sufficient income (from rental and other payments) to meet its relevant expenditure plus any compensation that may be payable, it cannot recover the difference from the relevant proprietor, unless:

- the relevant proprietor has agreed to meet the difference; or
- in the case of an interim EDMO, the relevant proprietor refused to give consent to allow the property to be occupied.

But if a subsequent final EDMO is made, a local authority may seek to make up any deficit relating to the previous order.

If an EDMO ceases to have effect and is not replaced with a subsequent order, any deficit will have to be met by the authority.

A local authority must therefore be confident that it can generate sufficient rental income under the EDMO or it may have to bear the risk of meeting a deficit. This provides local authorities with an incentive to ensure that the level of expenditure is commensurate with the income they expect to achieve.

Repairs and Improvements

There are no restrictions on the works a local authority can undertake to make a dwelling habitable under an EDMO. However, the work should be commensurate with the income the local authority is likely to receive during the lifetime of the order. As an interim EDMO must end within 12 months, it is unlikely that an authority would seek to expend larger sums of money. Indeed, because it must obtain consent from the relevant proprietor before a letting can be granted it is more likely that an authority would only expend

money for work of an immediate nature to secure the property or make it safe. Under a final EDMO, an authority is more likely to consider doing significant work as it would have up to seven years to recoup the cost from rental income.

Duration of Final EDMOs

The maximum duration of a final EDMO is seven years (as opposed to five years for other Final Management Orders under the Bill). The additional time is necessary to allow a local authority to recover the cost of works that might be necessary to bring an empty property up to a habitable standard. If a property is in a poor condition it is likely that it would require significant investment to make it habitable. Such investment is likely to mean the property cannot be occupied immediately an EDMO is made. So it is important that a local authority is given additional time under a final EDMO to recoup its relevant expenditure.

Further information is contained in Housing Bill Factsheet 13 which can be downloaded from the ODPM website:

http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_031914.hcsp

COST OF EMPTY DWELLING MANAGEMENT ORDERS

Information on costs and benefits were set out in ODPM's Regulatory Impact Assessment which can be downloaded from the ODPM website.

http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_031041.hcsp

It is not possible to accurately predict costs, which would depend on the number of EDMOs made and what level of expenditure on repairs and renovation is undertaken. However, the RIA assumes that the average cost of bringing back into use an empty dwelling via a management order is in the region of £7,000 (most of which would fall in the first year). It also assumes that local authorities would have capacity to make no more than 1,000 EDMOs per year. Therefore, the average annual cost to local authorities could be in the region of £7 million.

The intention of the legislation is that Empty Dwelling Management Orders should be largely cost-neutral over the lifetime of the order in that relevant expenditure incurred by local authorities would be recovered from rental income, with any surplus paid to the owner. Expenditure not met from rental income would not be recoverable from the owner. It is recognised that where a property required significant expenditure to make it habitable, a local authority would have to make a judgement as to whether it would be able to recover all of its relevant expenditure under the management order prior to proceeding.

6. *Details of when the tenancy deposit scheme is due to be implemented*

Answer:

Since May policy and legal officials in ODPM have been heavily engaged in instructing Parliamentary Counsel on provisions that were introduced in the House of Lords at Committee Stage mid-September, with amendments to those provisions being required at Report and Third Reading in the Lords on 20 October and 3 November.

A particular aspect of that drafting process has been the need, on legal advice, to re-visit the approach to the safeguarding of tenancy deposits reflected in the Consultation Paper of November 2002 and as reflected in ministerial statements up to, and after Commons Report this year. A key departure is that the approval of existing tenancy deposit schemes is no longer on the agenda. Instead tenancy deposit schemes (and there may be more than one) may be subject to a process of government procurement.

What may be required of a procurement process will need to be the subject of a feasibility study preceded by a research project. The first step will need to be to draw up the specifications for that research project, having regard to internal advice on contracting, legal, financial and insurance issues. The views of external stakeholders, especially those involved in existing voluntary schemes will be relevant. We will need to have regard to the management of similar arrangements in other countries, data collection and protection issues. That process could take at least three months.

Setting up and carrying out the feasibility study could take at least nine months and the contracting process a further six months at least. There will then need to be a period of at least three months in which the tenancy deposit scheme(s) so procured have to establish themselves. Only then could we bring in those parts of the Housing Bill that would make it a legal requirement that landlords and agents taking deposits had to safeguard the deposits through membership of a scheme. We estimate that this process would take a further three months to become established.

7. *A note on the progress of improvements to the pay and conditions of the retained fire service*

Answer:

Pay and conditions of service are matters for the National Joint Council for Local Authorities Fire Brigades.

A detailed review of the recruitment and retention challenges affecting the retained duty system, involving key stakeholders including ODPM, has recently been completed. Although it was outside the remit of the review to recommend or negotiate pay for personnel employed on the retained duty system, nonetheless the review team acknowledged how influential remuneration packages can be in attracting and keeping staff and that traditional remuneration arrangements, where earnings potential is directly linked to emergency response, may not be attractive enough.

The review team has recommended that detailed examination is required of the alternative remuneration systems adopted, or being trialled, by various fire and rescue services to tackle the recruitment and retention problems. A stakeholder task group will take forward the report's recommendations.

8. *The names of local authorities that have had their Planning Delivery Grants withdrawn*

Answer:

No local authority has had Planning Delivery Grant permanently withdrawn. However, we are withholding, pending further investigation, 10% of any development control allocation to authorities whose 2002–03 best value performance indicator (BVPI) 109 return was qualified by the auditor. The authorities in question are:

Breckland
Chesterfield
Crewe & Nantwich
Dacorum
East Dorset
Harlow
Isle of Wight
Macclesfield
Mid Suffolk
Norwich
Rossendale
South Lakeland
St Albans
Teignbridge
Thurrock
Waltham Forest
Welwyn Hatfield
West Somerset
Weymouth & Portland

These authorities have been asked to revise and resubmit returns for BVPI 109, or to risk losing another 40% of their Planning Delivery Grant allocation for 2004–05 on account of development control. The conditions of payment of Planning Delivery Grant also provide that, where statistical data or other information on which grant was allocated or payments made is subsequently shown to be fraudulent, erroneous, incomplete or compiled in error, for whatever cause, Ministers may require the repayment of all or part of the grant paid.

It is essential that Planning Delivery Grant is distributed on a fair and equitable basis, and allocated on the basis of accurate information, and that is why we make this condition. As well as asking for further information from qualified authorities, ODPM officials have written to all other authorities asking them to look again at their data returns, and if they think that they have made errors, to resubmit returns.

Planning Delivery Grant contains, in addition, another condition relating to performance on appeal. If the level of appeals upheld was more than 50% higher than the national average in the year end September 2003 authorities are abated by 10% of their initial development control and plan-making allocations. This is intended to deter authorities from making poor quality decisions in order to meet targets and qualify for more grant. For 2005–06 we are proposing to strengthen this mechanism to send out the message that speed must not be achieved at the expense of quality in planning decisions.

9. *The progress to date on 2000 SDA Target—“To give people better housing via investment by local authorities and registered social landlords”*

Answer:

This target is measured through the English House Condition Survey (EHCS).

Detailed analysis from the 2003 EHCS will be available in the New Year, which will give us information on our progress from 2000 to 2003.

The 2004 ECHS, published in Winter 2005, will enable us to give a final assessment on whether we have achieved these strands of the SDA targets.

10. *The total net efficiency savings within the ODPM budget*

Answer:

In SR04, ODPM agreed to make 2.5% pa efficiency gains, equating to at least £622 million by 2007–08.

We are seeking efficiencies that do not compromise delivery; many of the efficiencies proposed are key to helping us achieve our objectives by delivering more and better outputs. Almost 70% of ODPM’s efficiency gains are cash-releasing, ie with the potential to release gains in cash for other areas of programme spend. In most cases, we currently intend for the gains to be recycled within the same areas to deliver more outputs.

On our administration spending, we will be living within a broadly flat cash administration cost limit whilst continuing to deliver against our Public Service Agreement targets. That means achieving efficiency gains of at least 2.5% pa. Attached is a copy of our ETN, published on 29 October 2004 which sets out in more detail what our efficiency gains are and how we are going to achieve them.

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

REQUEST FOR FURTHER INFORMATION

Further to your letter of 14 October detailing the additional information Mavis and her Officials undertook to provide, the information is attached. For ease of reference each response is numbered in accordance with your original letter.

1. *With reference to the efficiency savings and reductions of 400 posts, please provide the Committee with the numbers of staff (if any) who will be cut from the Planning Inspectorate*

Answer:

The Planning Inspectorate is currently reviewing its staffing requirements as part of a Restructuring and Cultural Change programme, and in the light of current and predicted workload increases. Our efficiency saving implies an average 10% reduction in staff by 2007–08 across the ODPM and Non Departmental Public Bodies and agencies. Within this some units will decrease by more than 10% and others by less and some with increases in workloads may increase.

2. *The Department makes a considerable number of appointments to executive and non-departmental public bodies. Please provide details of the initiatives you are developing to meet your targets on recruiting women, ethnic minorities and disabled people*

Answer:

We are continuing to implement our action plan aimed at increasing appointments held by under-represented groups to Non-Departmental Public Bodies (NDPBs). For example; since the Annual Report was published the central appointments team (based in our Equality and Diversity Unit), have made contact with additional special interest groups who now receive all ODPM vacancies to circulate amongst their members. These are The European Federation of Black Women Business Owners, Society of Asian Lawyers and African Caribbean Diversity organisation. Copies of our vacancies already go to the Disability Rights Commission, the Ethnic Minority Foundation, the Women’s National Commission and the TUC. Sponsor teams who carry out the appointments process are encouraged to attract a diverse pool of applicants as possible by contacting professional bodies in the particular field covered by the NDPB.

Additionally, ODPM is one of the departments who volunteered to support the Cabinet Office in piloting a shadowing and mentoring scheme for disabled people who might be interested in serving on a public body operating at national level. The scheme is being launched on the 27 October and will run until March 2005. ODPM NDPBs who have volunteered to take part include:

Advisory Panel on Beacon Councils
The Audit Commission

Housing Corporation
Valuation Tribunal Service
English Partnerships

Finally, a number of our senior officials involved in the public appointments process, are attending Cabinet Office pilot briefing sessions on public appointments taking place during October to January 2005. The sessions are designed to provide an overview of the public appointments process and enable participants to undertake a fair appointments process fully compliant with the Commissioner for Public Appointment's Code of Practice and equality legislation.

Implementation of the Action Plan is ongoing and we continue to monitor progress towards diversity targets.

3. Please provide the Committee with precise figures on agency costs of employing temporary staff

Answer:

The average costs for Agency and Permanent ODPM staff are:

- Agency rate per hour in London: £13.90
- Agency rate per hour in the regions: £11.69
- ODPM rate per hour in London: £13.05
- ODPM rate per hour in the regions: £11.45
- ODPM rate with on costs in London £16.64
- ODPM rate with on costs in the regions £14.60

These costs are aggregated from the three agencies used by ODPM and across the grades AO to SEO in order to protect information which is commercial in confidence.

These figures show that ODPM staff rates are slightly lower than agency rates on an hourly basis although this is no longer the case when taking into account the on-costs of pensions and National Insurance contributions. Agency staff are, however, not as familiar with the Department's business and thus need more supervision and management time. ODPM has therefore adopted the policy of using permanent employees whenever possible whilst using Agency staff to fill short-term needs and to provide flexibility as necessary.

4. Please inform the Committee on the number of copies of the Annual Report that have been purchased and how many have been distributed in total

Answer:

In common with other House papers, the ODPM Annual Report is printed and published by The Stationery Office Ltd. The number of copies they printed and sold is commercial in confidence and hence the Office does not know these details however the Office did take 500 copies for distribution to senior managers within the department and its stakeholders.

5. In liaison with the Office of National Statistics, please inform the Committee of the timetable in place to develop comprehensive neighbourhood statistics

Answer:

The timetable has three stages.

The website was launched in February 2001 and now contains around 150 datasets, including data from the 2001 census, the Index of Multiple Deprivation 2004, and data related to housing and receipt of benefits. Some datasets are available at Output Area level (blocks of 125 households and 250 people), and some are still only available at ward level and above, but the main building block for Neighbourhood Statistics is Super Output Area level (around 1,000 households and 1–3,000 people). The roll out of SOAs earlier this year completed the first stage.

The second development stage runs to March 2006. During this stage the range, timeliness and consistency of the data will be substantially improved, and data related to progress on neighbourhood renewal floor targets such as educational performance and crime reduction will be available at SOA level. Users will be able to analyse, compare and contrast local level statistics consistently and over time, and so measure success in improving outcomes at neighbourhood level.

From 2006 to 2008 and beyond the system will continue to be enhanced with further improvements to the range of statistics plus the provision of additional analytical tools and user support mechanisms which will make the system more easily used by a wide range of customers at national and local level.

6. *Please provide the Committee with a timetable for the revision of the PPG3*

Answer:

ODPM consulted on proposed updates to Planning Policy Guidance Note 3: Housing (PPG3) last year entitled “Influencing the Size, Type and Affordability of Housing”, and “Supporting the Delivery of New Housing”. The intention is to publish the PPG3 updates by the end of the year. A further PPG3 update is planned for 2005 to take forward the recommendations in the Barker Review of Housing Supply.
