

Performance of the Department for Communities and Local Government 2006-07



This brief was prepared by:

Joshua Reddaway and Victoria Caffyn
under the direction of David Corner

This review can be found on the National
Audit Office web site at www.nao.org.uk

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Sir John Bourn, is an Officer of the House of Commons. He is the head of the National Audit Office, which employs some 850 staff. He, and the National Audit Office, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work saves the taxpayer millions of pounds every year. At least £8 for every £1 spent running the Office.

**For further information about the
National Audit Office please contact:**

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

Performance of the Department for Communities and Local Government 2006-07

Contents

Summary	4
Part One	
Introduction to the Department for Communities and Local Government (the Department)	9
Summary Timeline of 2006-07	9
Part Two	
Financial Overview	11
Part Three	
Capability and Organisation	12
Part Four	
Tackling disadvantage	17
Part Five	
Regional Economic Performance	22
Part Six	
Better Local Services	28

Part Seven

Fire and Rescue Service 35

Part Eight

Balancing Supply and Demand for Housing 41

Part Nine

Decent Homes and Neighbourhoods 50

Part Ten

Reducing Inequalities 56

Summary

Scope

- 1** This briefing is prepared for the Communities and Local Government Committee of the House of Commons to provide an overview of the work and performance of the Department for Communities and Local Government (the Department) in the financial year 2006-07 and subsequent months.
- 2** The briefing takes as its basis the Department's Annual Report 2007 Community, opportunity, prosperity, and also draws on additional evidence published over the last 18 months. It raises some of the topical issues and challenges that face the Department.
- 3** The contents of the briefing have been shared with the Department to ensure that the evidence presented is factually accurate. Conclusions on the matters that the Committee may wish to explore are the sole responsibility of the National Audit Office.

Overall performance

- 4** The Department's priorities are ambitious and address difficult challenges that it cannot tackle alone. The Department is at its best when it works in partnership with its stakeholders to establish a clear strategy and implementation plan, based on robust evidence, and puts incentives in place for others to deliver it. Its programme to tackle homelessness and the neighbourhood renewal programme are good examples.
- 5** The Department is moving more in this direction, reducing the number of programmes managed in-house, reducing the number of one-off initiatives and diffuse spending streams and devolving more to Local Government through Local Area Agreements. This presents the Department with the opportunity to concentrate on what it does best, but presents it with the major challenges of redefining its whole relationship with Local Government and developing new ways of working.
- 6** 2006-07 saw the Department support major reviews of the Planning System, Housing, Equalities and more. These will help it to understand the complex policy levers it must use. The Department's response to its Capability Review aims to increase its internal analytical function and ensure that all its delivery models are based on robust evidence.
- 7** The Department's Capability Review and the recent Thames Gateway Public Accounts Committee hearing highlighted the fact that the Department has yet to gain the strategic influence it needs across Whitehall.

Key events since the Committee hearing on the 2005-06 Annual Report

- 8** Since November 2006 the Department has:
- changed Secretary of State and Ministers;
 - had a Departmental Capability Review;
 - published a White Paper on Local Government [setting out its agenda for the devolution of responsibilities];
 - published a White Paper on the reform of the Planning System setting out its agenda for establishing a more strategically focused planning system;
 - published a Green Paper on Housing setting out its agenda of increasing housing supply;
 - transferred the lead role for equalities to the new Government Equalities Office at the Department for Work and Pensions and the lead role for regional economic performance to Business, Enterprise and Regulatory Reform;
 - implemented regulations on Sexual Orientation and duties on public services;
 - introduced Home Information Packs; and
 - managed the cross-government recovery from the 2007 Summer Floods.

Key issues

Capability and organisation

9 The Department's capability report highlighted weaknesses in the Department's ability to deliver and its use of a robust evidence base. The Department has focused on tackling these issues within its Transformation Programme and appears to be making good progress. Fully addressing the issues will take time. (Paragraphs 3.1–3.12)

10 The Committee's last report highlighted the level of bullying and discrimination within the Department according to its internal staff surveys. The Department has since made efforts to tackle this including better training and a stronger internal communication of its staffing policies. Recent staff surveys show it remains an issue for a small but significant number of staff. (Paragraphs 3.13–3.15)

Tackling disadvantage

11 The Department is tackling disadvantage in the most deprived areas of England. Its floor targets set minimum standards to be achieved in Local Authority areas and the gap between the most deprived areas and the rest of England is closing. The Department plans to incorporate its efforts to tackle disadvantage within its devolved funding to Local Authorities and Local Area Agreements, marking a change from its previous area-based initiative approach. (Paragraphs 4.5–4.20)

Regional economic development

12 The Department has had a hands off approach to regional bodies. The Capability Review pointed to the ambiguous relationship between the Department and regional bodies such as the Government offices and the Regional Development Agencies. The Department has transferred responsibility for the Regional Economic Development PSA target, but the Department will continue to provide the lion's share of funding. (Paragraphs 3.2, 5.16–5.17)

13 Influencing economic growth is a long-term complex and challenging target. It is too early to say whether the Government is on track to achieve its target, and early signs are mixed. The recent Review of Sub-National Economic Development and Regeneration sets out proposals to reform regional government and strengthen the role of Local Authorities in economic development. (Paragraphs 5.6–5.9, 5.13–5.15, 5.21–5.25, 5.29)

Better Local Services

14 The Department is attempting to adjust the relationship between central and local government. Local Area Agreements give Local Authorities autonomy over the use of funding in return for agreeing a set of priorities. Managing the new relationship and delivering the Department's priorities is perhaps the greatest challenge the Department faces. (Paragraphs 6.5, 6.12, 6.17, 6.23)

15 The Department has been successful at improving the internal processes of Local Authorities as assessed by the Audit Commission's Comprehensive Performance Assessment. (Paragraphs 6.8–6.11, 6.25)

Modernising the Fire and Rescue Services

16 The Department continues to make progress in reforming the Fire and Rescue Services against the context of local opposition and difficult industrial relations. The Department is on track against its target to reduce the decline in fire-related deaths, but response times are increasing, and targets do not include the Fire and Rescue Services' wider remit. (Paragraphs 7.10–7.25)

Balancing supply and demand for housing

17 The Government has recently increased its ambitions for new housing. The rate of home building continued to increase in 2006-07 from its recent low point. The number of affordable homes built in 2006-07 is now the same as it was in 1997. But Regional and Local spatial plans do not yet allow for the increased level of building the Department wants. Affordability problems are predicted to get worse at current rates of building. The Department's recent Housing Green Paper promises measures to enable the rate of home building to increase further. (Paragraphs 8.6–8.9, 8.30)

18 The introduction of new local spatial plans has been slower than expected. There is now greater expectation from the planning system to deliver more and better quality sustainable homes and communities. But local spatial plans do not yet reflect national priorities and up to date guidance. (Paragraphs 8.18–8.19, 8.29)

Decent homes and neighbourhoods

19 At the current pace of refurbishment the Department would miss the 2010 Decent Homes target. The Department has announced that Local Authorities may bring their housing up to decent standard after the 2010 deadline if that will deliver better value for money or achieve wider community objectives. (Paragraphs 9.11–9.14)

20 The Department has increased the local prioritisation of cleaner greener safer neighbourhoods. A major challenge in delivering against the Department's liveability agenda is to maintain the profile of these issues in Local Authority agendas after devolution of funding through Local Area Agreements. (Paragraphs 9.10, 9.15–9.18, 9.23)

21 The Department is also responsible for improving the environmental sustainability of new housing. This is not captured by Public Service Agreement targets. The Department uses a mixture of regulation and investment in exemplar developments to improve the sustainability of housing. (Paragraphs 9.2–9.5)

Reducing inequalities

22 The Department has improved its evidence base through commissions and reviews. The consensus from these views appears to be that current measurement processes and methods need to be improved. The challenge for the Department is to convert the findings from these commissions and reviews into implementable policies. (Paragraphs 10.8, 10.14, 10.26–10.27)

23 The Department's main role in reducing inequalities is to coordinate cross-public service efforts to tackle inequalities and to mainstream efforts to reduce inequality within other programmes. It is not necessarily helpful to throw money at tackling inequalities, and as a strategic area it accounts for a very small proportion of the Department's expenditure. (Paragraphs 10.2–10.11)

Key matters that the Committee may wish to explore

Matters that the Committee may wish to pursue are set out at the end of Parts 3 to 10. The main of these are:

- The extent to which the Department is ready to change the way it interacts with Local Authorities. (Part 6)
- How the Department will ensure the national objectives of its former area based initiatives are delivered when the funding of these initiatives will be devolved through Local Area Agreements. (Parts 4 and 6)
- Whether the Department can get a rounded picture of the state of the most deprived areas using their existing targets and indicators. (Part 4)
- The rationale for retaining the project and programme management of a few programmes when devolving others to local government and arm's length bodies. (Part 3)
- The strength of staff morale and attitudes towards the Department according to the staff surveys. (Part 3)
- The ability of the Department to influence regional economic performance. (Part 5)
- The Department's responsibilities and role in respect of regional bodies following transfer of full responsibility for PSA 2 to Business, Enterprise and Regulatory Reform. (Part 5)
- The level of assurance provided by improved Comprehensive Performance Assessment scores when a high proportion of citizens are still unsatisfied with the quality of services delivered by their Local Authority. (Part 6)
- The extent to which improvements in fire related deaths in the home (PSA 3) are due to improvements in the way that Fire and Rescue Services operate. (Part 7)
- The extent to which the Fire and Rescue Services are modernising. (Part 7)
- The dependence on private developers to increase housing supply when the Department has few levers over them. (Part 8)
- The impact of the lack of up-to-date spatial plans and the slow development of Local Development Frameworks. (Part 8)
- The reasons that the Decent Homes Standard will not be achieved for all social housing by 2010, and the implications of the announcement that Local Authorities can extend the deadline. (Part 9)
- The ability of the Department to improve the environmental sustainability of existing housing. (Part 9)
- Progress in mainstreaming the consideration of inequality issues within the Department's other programmes. (Part 10)
- The Department's ability to improve its understanding of the complex issues involved in reducing inequalities and to translate the recommendations of several recent reports into implementable policies. (Part 10)

Introduction to the Department for Communities and Local Government (the Department)

1.1 The Department was established in May 2006, incorporating responsibilities from the former Office of the Deputy Prime Minister, the Home Office and the Department for Trade and Industry.

1.2 The Department has a vision of prosperous and cohesive communities, offering a safe, healthy and sustainable environment for all. In 2006-07 the Department took a strategic lead across government on:

- equal opportunities and social justice;
- better homes and neighbourhoods;
- strong and accountable local government and leadership;
- better local services and environment;
- regeneration and investment in our towns, cities and regions; and
- safe, tolerant and inclusive communities.

1.3 In June 2007, the Prime Minister appointed Rt Hon Hazel Blears MP Secretary of State for Communities and Local Government and the Department's responsibilities were modified.

It transferred lead responsibilities for equalities to the new Government Equalities Office at the Department for Work and Pensions and the lead role for regional economic performance to Business, Enterprise and Regulatory Reform.

1.4 The Department's work is delivered through devolved delivery chains. Most of the Department's programmes are implemented by local government, Registered Social Landlords and arm's length bodies. It is responsible for the Planning Inspectorate, Fire Service College, Ordnance Survey, the Queen Elizabeth II Conference Centre, Housing Corporation, English Partnerships, the Audit Commission and 16 other public bodies that assist ministers and the Department in making or implementing policy.

1.5 The Department acts as the interface between Whitehall and local government. It sponsors the network of nine Government Offices on behalf of government as a whole who coordinate a wide range of government policies and programmes at a regional and local level. They channel funding from other government departments into local government.

1.6 The Department also has responsibility for national policy on local government in England.

Local government is a key point of interaction between citizen and the state, and the Department works closely with Local Authorities and their partners to devolve decision making to the most effective level and reshape public services around the citizens and communities that use them. It also acts in partnership with a wide range of private and third sector bodies, notably in the areas of housing, racial and faith equality and community cohesion.

Summary Timeline of 2006-07

May

- Department for Communities and Local Government created on 5 May 2006.
- Rt Hon Ruth Kelly MP appointed as Secretary of State for Communities and Local Government.
- Local elections held in England, Scotland and Wales.

June

- New building control performance indicators and standards, developed by the Building Control Performance Standards Advisory Group, unveiled.

July

- Restructuring plans for DCLG are set out in "Building the new Communities and Local Government: next steps".
- Improving Opportunity, Strengthening Society – One Year On published – first annual report on the Government's strategy for race equality and community cohesion.

August

- Commission on Integration and Cohesion launched.

September

- 2004 English House Condition Survey and 2003 Regional Report published.

October

- The Local Government White Paper: "Strong and Prosperous Communities" published.

November

- "Thames Gateway interim plan" published.
- Greater London Authority Bill proposes further strategic powers for the GLA.
- Planning system reforms set out in Planning Policy Guidance 3: Housing.

December

- "Barker Review of Land Use Planning" published.
- Sustainable Housing Code launched.
- Local Government and Public Involvement in Health Bill sets out the proposals from the Local Government White Paper.

January

- Creation of the Homes and Communities Agency announced.
- "2005 English House Condition Headline Report" published.

February

- Hills report "Ends and Means: the future roles of social housing in England" published.
- Equalities Review published.

March

- Lyons inquiry into local government "Place-shaping: a shared ambition for the future of local government" published.
- "The Future for Building Control" sets out improvements to the building control system.

April

- Reformed Local Government Pension Scheme announced.

May

- "Planning for a sustainable future" White Paper published.
- Local elections held in England, Scotland and Wales.

June

- Rt Hon Gordon Brown MP takes office as Prime Minister on 27 June.
- Rt Hon Hazel Blears MP appointed as Secretary of State for Communities and Local Government.
- Commission on Integration and Cohesion's report "Our Shared Future" published.

July

- Cross-departmental financial support package announced for victims of the June and July floods in the UK.
- Housing Green Paper: "Homes for the future: more affordable, more sustainable" published.
- Nine successful bids announced from Local Authorities seeking to merge to become Unitary Authorities.
- "Review of Sub-National Economic Development and Regeneration" published.

August

- Home Information Packs roll-out begins.
- Improving Opportunity, Strengthening Society – Two Years On – second annual report published

Financial Overview

Overall Budget

2.1 Parliament set the Department an annual net budget of £33.5 billion in 2006-07 of which it used £33.0 billion. The budget was reduced from £56 billion in 2005-06 because funding provided to Local Authorities for schools was re-routed through the Department for Education and Skills.¹

2.2 The Department spends £23.7 billion in direct support of Local Authorities, mostly through Revenue Support Grant and Redistributed National Non-Domestic Rates. The Department cannot directly determine how Local Authorities use this funding. This leaves the Department with £7,984 million to allocate to its priorities (**Figure 1**).²

2.3 The Department devolves most of its spending to other bodies. Of the £8 billion the Department directly controls it spends £2 billion itself, £2.5 billion through its sponsored public bodies, £1.6 billion through the Regional Development Agencies and the rest through Local Authorities.

1 Department's Net Expenditure (£m) 2006-07

Department's own allocation

Tackling disadvantage	2,412
Regional economic development	1,818
Better Local Services	104
Modernising the Fire and Rescue Services	185
Balancing supply and demand for housing	3,383
Decent homes and neighbourhoods	30
Tackling inequalities	52
	7,984
Local Government Support	23,726
Total Net Expenditure	31,711

Source: Department's Resource Accounts 2006-07

Administration

2.4 Total administration costs for the Department was £410.6 million compared with £390.4 million in 2005-06. Within this total, £260.5 million was spent on staff costs for the 6,071 staff (6,560 in 2005-06).

Government Offices

2.5 The Department supports the Government Office network, with each Government Office formally part of the Department. The network accounted for £138 million of the £310.6 million total administration costs.

2.6 The Government Offices had either direct responsibility or management responsibility for a total of £7.1 billion of cross-government programme expenditure, of which £2.6 billion related to the Department.

Assets

2.7 The Department is primarily a spending department and has few assets. Total fixed assets as at 31 March 2007 totalled £218 million consisting of £46 million in investments (largely Trading Funds), £33 million of land and buildings, £30 million of IT assets and £74 million civil resilience assets which will be transferred to the Fire and Rescue Services in due course. The remaining balance of £35 million relates to assets under construction.

1. Department for Communities and Local Government Resource Accounts 2006-07. Note these figures may differ from those in the Annual Report, because the Annual Report figures are estimates produced before the audit of the Accounts.

2. Figures in paragraph 2.2 and 2.3 do not total to those in 2.1 because they exclude excess receipts.

Capability and Organisation

3. Capability review of Communities and Local Government: December 2006.

Capacity and capability

3.1 The Department underwent a Capability Review in December 2006. It examined the capability of the Department to meet current and future delivery challenges and identifies where the Department needs to improve and the support that is required to enable it to do so.

3.2 The Review assessed the Department against nine key headings and found that the Department was already well placed for three, but had significant weaknesses in seven (Figure 2). It found:³

- Many staff are clear about the Department's vision and the outcomes they are trying to achieve, and are working hard to align colleagues and stakeholders. However, stakeholders are less clear about what this

will mean in practice. The Department is good at creating alliances of stakeholders and setting out its policy. But the Department is not strong at setting out clear implementation plans and does not have a reputation amongst its partners for having enough strategic influence to solve problems within Whitehall that are creating obstacles to local success.

- **Communities and Local Government does not yet have a clear enough view of what works in what circumstances across the full range of its responsibilities. Partnerships with some key delivery bodies are not fully effective.** The delivery systems used by the Department are becoming increasingly complex and there is concern amongst some partners and stakeholders that good policies risk poor execution. Sometimes the Department does not seek to influence delivery where it can. The Department provides a significant amount of funding to Regional Development Agencies. The Review suggested that the potential of these could be harnessed more effectively to achieve its outcomes.
- **People management needs more strategic focus and investment and systematic planning across the office.** It is not currently clear to staff that the Board welcome constructive challenge and that management do not systematically address poor performance.
- **The Board has made significant recent progress in driving forward an ambitious programme of change, including making some key capacity-building appointments.**
- **Staff and stakeholders are increasingly positive about the new vision for Communities and Local Government.**
- **More ambitious and urgent plans are required to strengthen the Department's analytical function and help policy staff make full use of evidence and data in policy making and delivery.**

2 The Cabinet Office's Capability Review found significant weaknesses in the Department's capacity

Leadership	
Set direction	Well placed
Ignite passion, pace and drive	Well placed
Take responsibility for leading delivery and change	Development area
Build capability	Urgent development area
Strategy	
Focus on outcomes	Well placed
Base choices on evidence	Urgent development area
Build common purpose	Development area
Delivery	
Plan, resource and prioritise	Development area
Develop clear roles, responsibilities and business model(s)	Urgent development area
Manage performance	Urgent development area

Source: Capability review of Communities and Local Government: December 2006.

- **There are skills gaps in project and programme management; a more rigorous approach is needed if the Department is to manage risk and performance – internal and external – through to front-line success.**

3.3 The Department's response to the Capability Review was to:

- set out plans for delivery agreements with key government departments. It has agreed priorities with Government Offices and established a framework for engagement with the Third Sector;
- increase the number economists in the Department by 30 per cent. It has ensured a senior analyst is a member of every policy-focused programme board, established expert panels and reviewed the roles of the Chief Scientists and Chief Analyst;
- establish a Centre of Excellence on Delivery and Project and Programme Management. It has established Programme Executives on strategic priority areas, reviewed the Department's governance arrangements, and improved the quality of performance reporting to the board; and
- reform its staff management systems, including development strategies and performance management. It has developed an equality and diversity strategy, assessed skills and recruited a professional Director General of Human Resources and transformational change.

3.4 A key theme of the Review and the NAO's work on the Department is that it is good at building alliances of stakeholders around policies, but is not always clear in its implementation plans and doesn't have enough analytical capacity to support the full range of its programmes. This was illustrated by the recent NAO report on the Thames Gateway which found that the Department had been very successful in building a network of stakeholders and selling its vision to Local Authorities who might in other circumstances have resisted the policy. But the Department had only established its analytical baseline

of the subject late in the day and has yet to set out a full implementation plan and the systems to support it.⁴

4. The Thames Gateway: Laying the Foundations, Comptroller and Auditor General HC (2006-07) 526, May 2007.

The Transformation Programme

3.5 The Transformation programme was set up in July 2006 to drive improvements across the Department. Its aim is to ensure that the Department can deliver its priorities whilst providing support and development to its staff. The programme has three key themes:

- **People** – Improving people and performance management, implementing a system for workforce inequalities and developing a learning and development strategy.
- **Capacity** – Improving engagement with stakeholders, strengthening communications and ensuring the systems adequately support the business.
- **Delivery** – Using Programme Executives to set strategy and drive performance, cutting out low impact work and working flexibly.

3.6 The Department has incorporated its response to the Capability Review into the Transformation programme. It is focusing on improving the way it:

- **leads and enthuses partners in creating successful communities and services.** The Department aims to clarify the roles and responsibilities amongst delivery partners and increase engagement with stakeholders and partners;
- **bases policy making and delivery consistently on evidence.** The Department wants to focus analysis and research on key priorities and accelerate its efforts to embed the use of evidence and analysis across the Department;
- **focuses on delivery and ensures strong performance management systems and skills are in place.** Programme Executives have been

established to drive delivery in the key areas and to learn systematic lessons from the delivery of complex programmes; and

- **manages people and ensures there are the critical skills needed.** The implementation of a 'People Plan' in April 2007, the development of an equality and diversity strategy and strengthening leadership of the HR function are all key aspects that the Department has undertaken to achieve this aim.

3.7 Programme Executives are now established on strategic priority areas. They are a potentially useful addition to the Departments top-level governance arrangements, but need to ensure that they more are consistent, accountable and rigorous to have the appropriate level of oversight of progress and risks to delivery.⁵

3.8 The Department is developing a new way of allocating its staff flexibly towards its priorities. The Department has trialled "A New Ways of Working" business planning model in its Fire and Resilience and New Homes and Sustainable Development directorates, which is now being rolled out across the Department. Under the new system, its directorates' map out all their work streams against their staff to ensure that staff are deployed to priorities.

3.9 The Department is also changing its head quarters at Eland House to open plan accommodation. The Permanent Secretary and Director Generals already sit in the open plan office to increase their visibility and accessibility amongst staff. All floors are being converted and only Ministers will have their own office.

3.10 Senior staff are actively seeking to become more visible within the Department by holding informal floor meetings, seminars, web chats and question and answer sessions with staff.

3.11 The Transformation programme is well focused on the priority development areas highlighted by the Capability Review. The Department has acted promptly to put in place strategies for improvement against all of the Review's recommendations and has set itself the ambition of real improvement against all the areas within another 18 months.

3.12 The Department's identified development needs to align well with its overall devolution agenda. Being clearer about implementation plans, integrating analysis into policy development, and demonstrating improved influence within Whitehall fit with the Department's vision of itself as a strategic body that delivers through Local Government.

Staff Issues

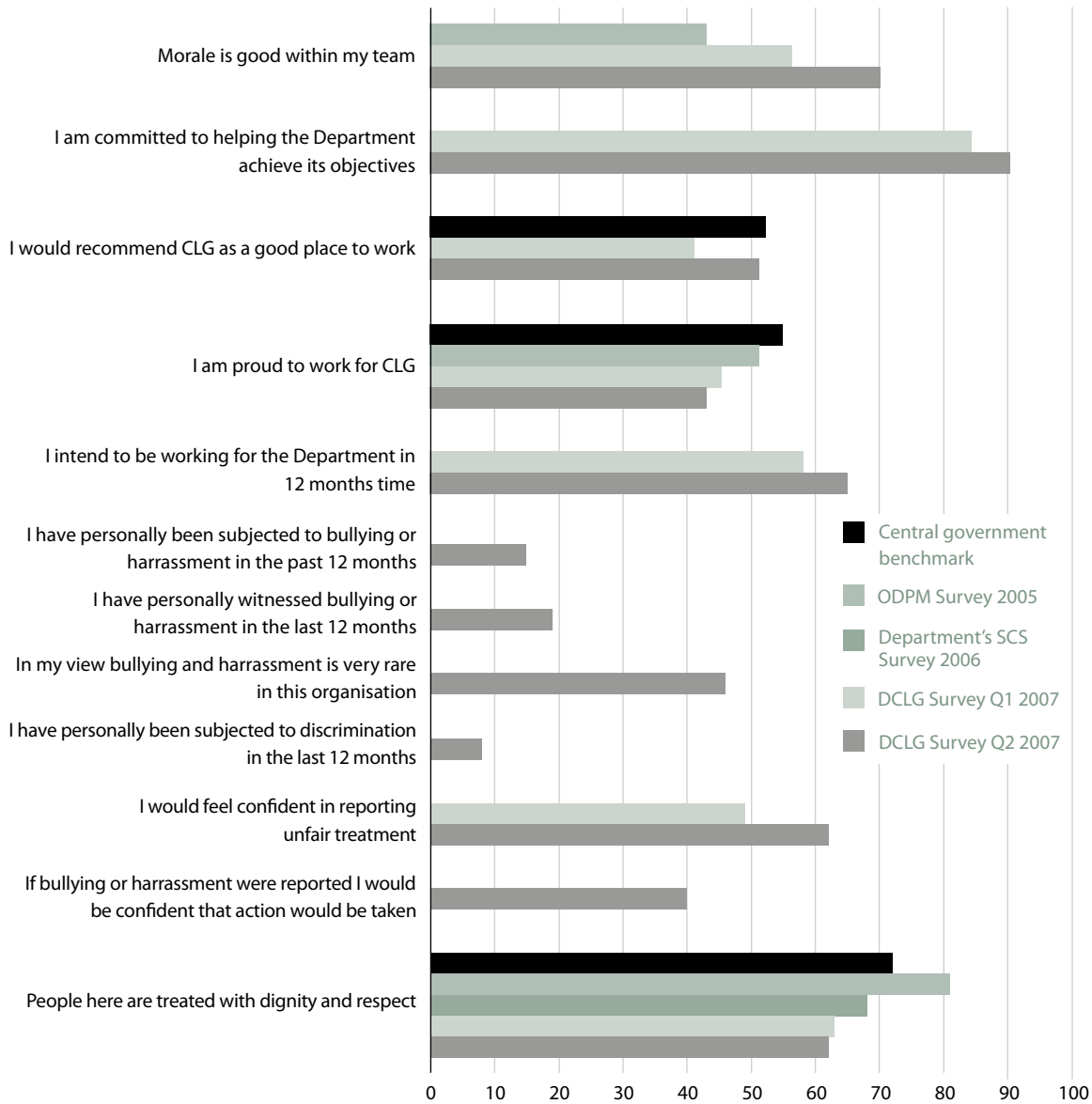
3.13 The Department has started to conduct quarterly staff surveys. These monitor progress on its transformation programme and staffing issues highlighted by the Select Committee after its session on the 2005-06 Annual Report. The first was conducted in January 2007 and the latest available was conducted in April 2007.

3.14 Since the transformation programme began, staff morale and commitment to the Department has improved. The latest staff survey results for quarters one and two of 2006-07 show that most staff have a positive attitude towards the Department and team morale is improving (**Figure 3**). But there has been a slight drop in the number proud to work for the Department since it became Communities and Local Government.

3.15 Responses to the staff survey indicated that bullying and harassment of staff is a small, but significant problem within the Department. The Select Committee, in its last report on the Department's Annual Report, highlighted the level of bullying and harassment in the Department as a cause for concern with 10 per cent of staff saying that they had experienced bullying, 8 per cent that they had experienced discrimination and 6 per cent that they had experienced harassment. It is not clear if this has improved. The recent staff survey uses questions that are not directly comparable to the previous survey. The most recent survey, for quarter two 2006-07, shows that 15 per cent of people feel that they have experienced bullying or harassment and eight per cent feel that they have been discriminated against (figure 3). These figures are broadly in line with the results of surveys conducted in other Departments, although again such surveys are not directly comparable.

3 Selected results from staff surveys

Staff morale is generally improving, but bullying and harassment remains a small but significant issue



Source: Departmental Staff Surveys

Matters that the Committee may wish to explore

- The rationale for retaining the project and programme management of a few programmes when devolving others to local government and arm's length bodies, in the light of the Capability Review's findings on the Department's delivery capacity. (paragraphs 3.1–3.4, 3.11)
- The ability of the Department's transformation programme to fully tackle the issues raised in the Capability Review. (paragraphs 3.5–3.12)
- The capacity of the Department to create evidence-based policies with its current analytical resources. (paragraph 3.2–3.4)
- The capacity of the Department to gain a clear view of what works in what circumstances. (paragraph 3.2)
- The capacity of the Department to focus its resources on its priorities. (paragraph 3.8)
- The strength of staff morale and attitudes towards the Department according to the staff surveys. (paragraphs 3.13–3.15)

Tackling Disadvantage (Chapter 3 of Annual Report)

What is the Department trying to achieve?

4.1 The Department's first strategic priority is to tackle disadvantage by:

- reviving the most deprived neighbourhoods;
- reducing social exclusion; and
- supporting society's most vulnerable groups.

What is the Department doing to achieve this?

Local strategic focus

4.2 Firstly, the Department promotes a multi-agency strategic approach to tackling deprivation by working with other government departments and encouraging local partners to work together.⁶ It:

- **Sets Floor Targets for the minimum standards to be achieved in Local Authority areas** with the aim of eradicating pockets of poor performance. The Government announced its aim in 2001⁷ that within 10 to 20 years, no-one should be seriously disadvantaged by where they live. The National Strategy for Neighbourhood Renewal sets six key floor target outcomes including health, education, crime, worklessness, housing and liveability.

4 Tackling Disadvantage Targets

Public Service Agreement 1: Neighbourhood Renewal:

To tackle social exclusion and deliver neighbourhood renewal, working with departments to help them meet their PSA floor targets, in particular narrowing the gap in health, education, crime, worklessness, housing and liveability outcomes between the most deprived areas and the rest of England, with measurable improvement by 2010.

- **Uses Local Strategic Partnerships (LSPs) to bring together the key local agencies and funding streams to deliver improved outcomes.** The role of Local Strategic Partnerships will be strengthened under proposals in the Local Government White Paper Strong and Prosperous Communities (see Part 6).

Funding to deprived areas

4.3 Secondly, the Department channels resources to the most deprived areas:⁸

- **£525 million was provided in 2006-07 to support the Neighbourhood Renewal Fund.** This is a non ring-fenced grant available to England's 86 most deprived local authorities to enable them, in collaboration with their Local Strategic Partnership, to improve services, therefore narrowing the gap between deprived areas and the rest of the country.
- **The £265 million Safer and Stronger Communities Fund** merged several funding streams from the Department and the Home Office and forms part of the funding to each Local Area Agreement. It is allocated to the 10 per cent of neighbourhoods with the most deprivation. It addresses both neighbourhood deprivation and liveability (see Part 7) and its key theme is promoting community safety and building capacity.
- **Neighbourhood Management Pathfinders** have been introduced in 35 areas since July 2001 to test new ways of delivering local services including tackling liveability issues. Neighbourhood Managers are the single point of contact for residents and businesses and have the ability to negotiate with providers and the local community about how services are delivered. Funding is now included within the Safer and Stronger Communities Fund.

6. NAO analysis of the Department's policy levers.
7. A New Commitment to Neighbourhood Renewal: The Government's national strategy action plan for reviving the most deprived neighbourhoods.
8. NAO analysis of the of Department's policy levers.

9. Annual Report paras 3.15 -3.21.

10. NAO analysis of the Department's floor target data at www.fti.neighbourhood.gov.uk

11. The Department.

- **Neighbourhood Wardens** provide a uniformed presence in residential and high crime areas with the aim of reducing crime and fear of crime, deterring anti-social behaviour, improving the environment, and fostering social inclusion.
- **The New Deal for Communities (NDC)** supports locally led projects in the most deprived neighbourhoods in England, giving the poorest communities the resources to tackle their problems in an intensive and co-ordinated way. There are five key themes in NDC areas; poor job prospects; high levels of crime; educational under-achievement; poor health; and problems with housing and the physical environment. A total of 39 partnerships have been set up since 1998 which have had approximately £2 billion committed to them.

Funding to disadvantaged people

4.4 Thirdly, the Department is channelling resources to support the most disadvantaged people:

- **The Supporting People programme (£1,685 million)** has been in place since 2003 and provides grant allocations to Local Authorities to support socially excluded or disadvantaged people. There are a wide range of different client groups that are eligible for funding including support for older or disabled people to live independently in their own home, support to help people move on from a crisis such as homelessness and help for young people to develop critical life skills.

What progress has the Department made?

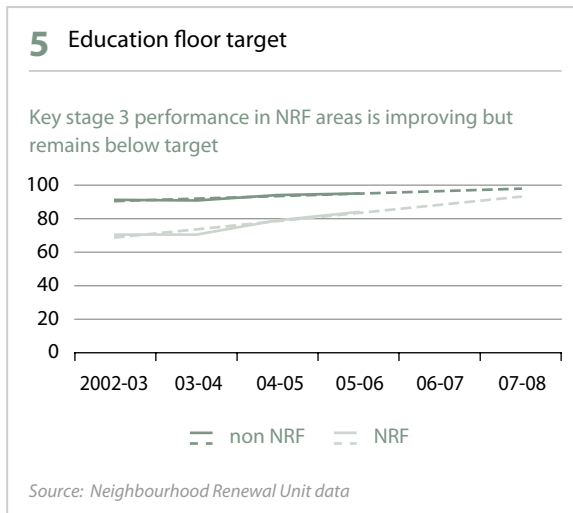
Floor Targets

4.5 Floor targets aim to reduce deprivation in disadvantaged areas, and to narrow the gap between them and the rest of the country.

They mainly focus on the Neighbourhood Renewal Fund Areas (NRF areas). Of the six floor targets four are on course to be met: health, worklessness, crime and liveability. There has been slippage against two: education and housing targets.⁹

4.6 Educational attainment in the most deprived areas is improving but not enough to meet the floor target. The Education floor target says that all schools should have at least 50 per cent of pupils achieving level 5 in English, Maths and Science at key stage 3 by 2008. Nationally, the number of schools below target fell from 410 in 2005 to 320 in 2006, a 22 per cent decrease. In NRF areas, the number of schools below target fell from 285 in 2005 to 212 in 2006, a 26 per cent decrease. The improvement was better in the previous year when the rate of reduction in the number of schools below target has fallen from 32 per cent nationally and 30 per cent in NRF areas. On current trends the education floor target will not be met by 2008 **(Figure 5)**.¹⁰

4.7 Employment rates in the most deprived areas is slowly moving towards the average rate. The PSA 1 sub-target for worklessness says that the overall employment rate of areas that are both NRF Local Authorities and one of the worst areas for employment should be increased by one percentage point and the difference between them and the overall rate for England be reduced by one percentage point. Since the Annual Report was published quarter one and two data for 2007 have been released and show that the target has been met. **(Figure 6)**.¹¹



4.8 Mortality from circulatory disease in the most deprived areas is dropping and is on track to meet the target early.

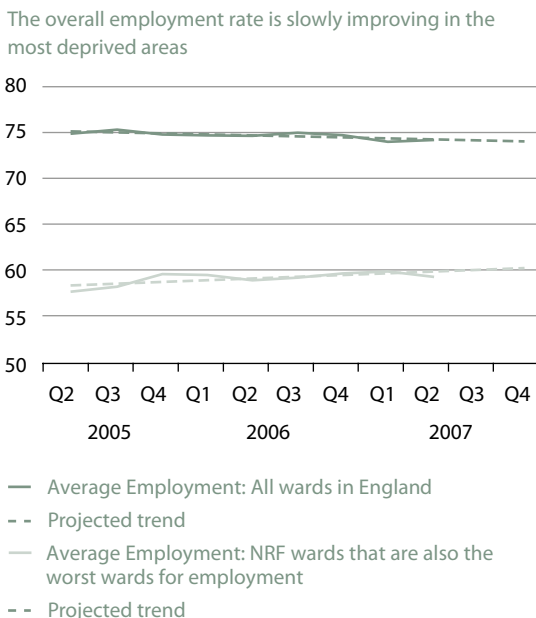
The health floor target says that mortality rates from heart disease, and stroke and related diseases, should be reduced so that the gap between the most deprived areas and the national average falls by 40 per cent by 2010. It is measured on a three year rolling period. From 1995-97 to 2003-05 the gap reduced by 10.31 people per 100,000 population, a fall of 28 per cent. If the gap continues to narrow at the average rate it has since 1996 then it will reach the target two years early and narrow by 48 per cent by the target period of 2009-11. The National mortality rate from heart and stroke and related diseases has reduced significantly over this period, and to reach the target the mortality rate from these diseases in the deprived areas will have to half (Figure 7).¹²

4.9 Crime has fallen in the most deprived areas more than other areas.

The crime floor target says that NRF areas which are also high crime areas should reduce their aggregated crime by a greater percentage than the aggregated reduction in the non-high crime areas by 2007-08. Since the Annual Report British Crime Survey data for 2006-07 became available, showing crime has fallen since 2003-04 by 14.6 per cent in the deprived areas compared to 8.2 per cent in the other areas (Figure 8 overleaf).

4.10 Housing and Liveability are discussed in Part 9.

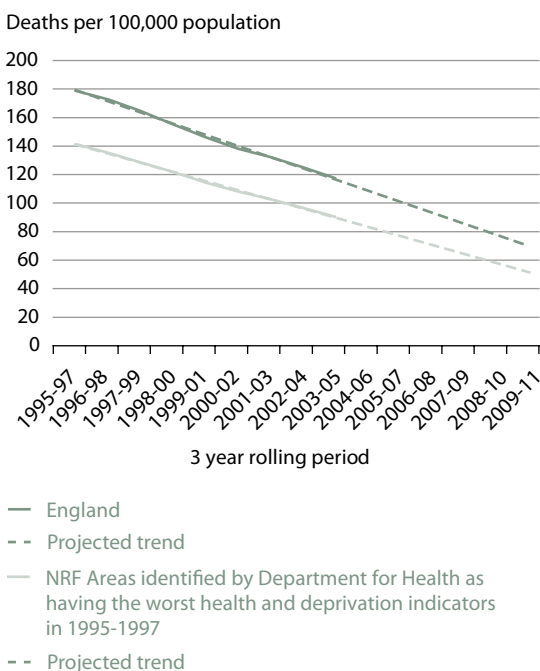
6 Employment floor target



12. NAO analysis of the Department's floor target data at www.fti.neighbourhood.gov.uk.

7 Health floor target

The gap in mortality from heart, and stroke and related diseases between the most deprived areas and the national average continues to narrow

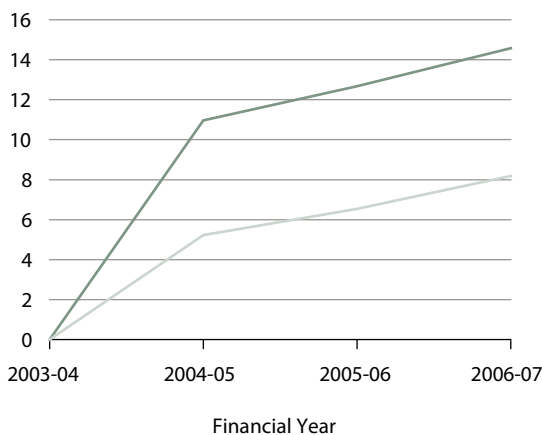


13. New Deal for Communities National Evaluation: An Overview of Change Data: 2006, Department, January 2007.
14. Neighbourhood Management: Empowering communities, shaping places: Review 2006-07.
15. NAO analysis.

8 Crime floor target

Neighbourhood Renewal Fund Areas with high crime have reduced their level of crime by more than other areas since 2003-04

Cumulative percentage reduction in crime (British Crime Survey)



— Cumulative percentage reduction in crime in NRF areas that are also high crime areas since 2003-04

— Cumulative percentage reduction in other areas since 2003-04

Source: The Department

New Deal for Communities Programme

4.11 The New Deal for Communities programme has brought positive change.¹³ The Department's evaluation of the programme found considerable improvements in NDC areas between 2001 and 2006. From 63 indicators drawn from three household surveys, 59 had moved in a positive fashion and all movements were statistically significant. However, it also noted that it was easier to prove that the physical areas targeted by the programme had improved than it is to prove that the life choices of people who live in them have improved. More change occurred between 2001-02 and 2004 than in the following two year period.

Neighbourhood Management Pathfinders Scheme

4.12 The Department's review of the Neighbourhood Management Pathfinders found:¹⁴

- **Neighbourhood managers have made an important contribution to place shaping at a local level** through their clear focus on the concerns of local residents.
- **Neighbourhood managers have been able to build capacity and confidence** amongst local community groups and bring them together with local service providers to discuss how to improve the neighbourhood.
- **However, neighbourhood management remains an area based initiative** largely supported with time-limited regeneration funding and initiatives have yet to gain the support from mainstream local authority funding for their core operations.

What challenges does the Department face?

4.13 Tackling disadvantage is a highly complex issue.

Social exclusion is not merely about poverty and the lack of an adequate income but is a combination of many types of deprivation all of which combine to isolate individuals and communities from mainstream society. Progress on the floor targets has been good but the Department needs to continue to be aware of other influencing factors.¹⁵

4.14 A multi-agency approach is required to achieve the target.

The floor targets rely to a great extent on other government departments. The Department must coordinate and influence others to achieve them. But such coordination and influencing is time consuming and difficult.¹⁵

4.15 The Department is focussing the majority of its efforts on the most deprived areas rather than individually deprived people. Those facing the most severe exclusion frequently live in neighbourhoods experiencing multiple deprivation related to low levels of educational attainment, lack of employment opportunities, poor health and housing and high crime rates. However, social exclusion is not confined solely to poorer neighbourhoods and can also affect people living in other areas for reasons such as race, age, disability, family circumstances and isolation. Local Authorities that are not in receipt of specific funding from the Department for tackling disadvantage are expected to use their own resources to reach such social exclusion.¹⁶

4.16 People based outcomes of neighbourhood renewal are difficult to sustain. For instance, the New Deal for Communities evaluation found that individuals benefiting from person based interventions in areas such as job training and mentoring may find their circumstances improve so as to allow them to move to a better area. In the long term such support may benefit the individual rather than the wider community.¹⁷

4.17 Funding for the Supporting People programme has been reduced by approximately £130 million cumulatively between 2003-04 and 2006-07.¹⁸

What happens next?

4.18 Area Based Initiatives will be reformed in line with the Local Government White Paper and the financial arrangements for Local Area Agreements. The Department will no longer provide funding direct to schemes, but Local Authorities will be encouraged to support them from Local Area Agreement funding (see Part 6).

4.19 From 2007-08, the Neighbourhood Renewal Fund will operate through Local Area Agreements. Local Strategic Partnerships currently in receipt of Neighbourhood Renewal funding will need to demonstrate commitment through the Local Area Agreement to narrowing the gap between the most deprived areas and groups, and the rest. Their Local Area Agreements must include performance indicators with a neighbourhood renewal focus.

4.20 The Department also hopes to deliver the Supporting People programme through Local Area Agreements as soon as possible.

16. NAO analysis.

17. NAO analysis and New Deal for Communities National Evaluation: An Overview of Change Data: 2006, Department, January 2007.

18. NAO analysis and discussion with Department.

Matters that the Committee may wish to explore

- The ability of the Department to get a rounded view of the state of the most deprived areas using floor targets and other indicators. (paragraph 4.13)
- The extent to which success against floor targets translates to improved quality of life for people living in deprived areas. (paragraphs 4.5–4.9)
- The ability of the Department to guarantee the future of these Area-Based Initiatives after devolution of funding through Local Area Agreements. (paragraphs 4.18–4.20, 4.12)
- The capacity of local government to help deprived people in less deprived areas without extra financial support from the Department. (paragraph 4.15)
- The extent to which reductions in funding for the Supporting People programme have affected its ability to help vulnerable people. (paragraph 4.17)

Regional Economic Performance (Chapter 4 of Annual Report)

19. NAO analysis of the Department's policy levers.

What is the Department trying to achieve?

5.1 The Department's second strategic priority is to promote the development of English regions by:

- improving economic performance to enable all regions to reach their full potential;
- reducing disparities in growth rates;
- tackling market and co-ordination failures in employment and the five drivers of productivity: skills, investment, innovation, enterprise and competition; and
- mitigating climate change linked to cities and regions' objectives and adapting to its effects.

What is the Department doing to achieve this?

Regional Governance

5.2 Regional economic policy is delivered through three key delivery agencies in the eight regions outside of London. London's Regional Development Agency reports directly to the Mayor of London's office.¹⁹

- **Regional Development Agencies** focus on promoting regional economic development through strategic planning, coordination, and direct project implementation. They are NDPBs reporting to Business Enterprise and Regulatory Reform but mainly funded by the Department.
- **Regional Assemblies** focus on regional spatial planning for housing, transport and other infrastructure. They are funded by the Department, but are directed by representatives from the local authority, business, voluntary and community sectors.

- **Government Offices** focus on the coordination of central government policy at the regional level and managing the relationship between central and local government. They are formally part of the Department, but house representatives from nine other departments.

Strategic Coordination

5.3 Promoting regional economic development requires a multi-agency approach focused on the economic drivers: employment, skills, investment, innovation, enterprise and competition. Regional bodies focus on bringing together partners in drawing up long term strategies including:¹⁹

- **Regional Economic Strategies (RES)**, which outline economic development priorities and actions for a 10 year period. They are produced by the Regional Development Agencies in consultation with all partners and stakeholders including local authorities and central government. They are reviewed every three years.
- **Regional Spatial Strategies (RSS)**, which set out regional planning guidance including provision for housing and transport. They are produced by Regional Assemblies and approved by the Secretary of State. They replace Regional Planning Guidance (see Part 8).

9 Regional Economic Performance Targets

Public Service Agreement 2 Regional economic performance:

To make sustainable improvements in the economic performance of all the English regions by 2008 and over the long term, reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.

(Shared between the Department of Trade and Industry and HM Treasury).

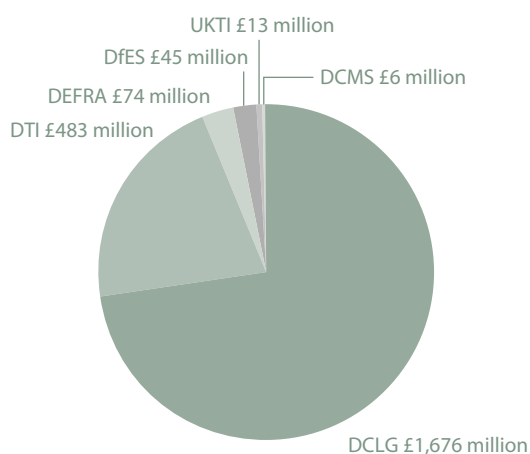
Regionally funded programmes

5.4 The Regional bodies also coordinate and distribute direct funding at projects designed to promote economic development. The main of these are:²⁰

- **£2.444 billion of Single Pot funding, managed by Regional Development Agencies (2006-07),** contributed by BERR, CLG, DIUS, DEFRA, DCMS and UKTI (**Figure 10**). It is used to deliver priorities from the Regional Economic Strategies for projects such as employment land and appropriate workspace, business incubation and science parks, business support, promoting tourism and skills programmes for businesses.
- **£540 million of European Regional Development Fund expenditure, administered by Government Offices (2006-07).** This EU funding is used to provide normally up to half the costs of projects that support the economic development of regions lagging behind the rest or support the economic and social conversion of industrial, rural, urban and fisheries facing structural difficulties.

10 Planned contributions to the RDA single pot by Government Departments for 2007-08

The Department provides the lion share of the single pot



Source: HMT July 2004

5.5 Examples of specific regional programmes include:²⁰

- **The Coalfields Programme,** managed by English Partnerships with the Regional Development Agencies it aims to regenerate 107 redundant coalfields across England.
- **The Northern Way strategy,** which is a collaboration between Yorkshire Forward, Northwest Regional Development Agency and One NorthEast Regional Development Agencies. It is a 20 year strategy to transform the economy of the North of England and close the £30 billion output gap between the North of England and the English average.

20. NAO analysis of the Department's policy levers.

21. Note all GVA figures are stated here in nominal terms before inflation. The Department often presents these data after inflation which will produce lower figures for growth. This would have no effect on the overall pattern of growth between regions, as the Department does not have specific inflation figures for each region.

22. PSA Target 2 –Technical Note.

23. Annual Report paras 4.6-4.12.

What progress has the Department made?

Regional Gross Value Added (GVA) per head²¹

5.6 The PSA target compares the average growth rate of each region over the period 2003-2012 with the baseline period 1989-2002. It will be

achieved if each individual region's growth rate has increased and there is a reduction in the gap in growth rates between the three regions with above average GVA per head and the other six regions. This gap was 0.6 percentage points over the period 1989-2002, mostly due to accelerated growth by the more affluent regions (London, South East and East) between 1997 and 1999 (**Figure 11 overleaf**).²²

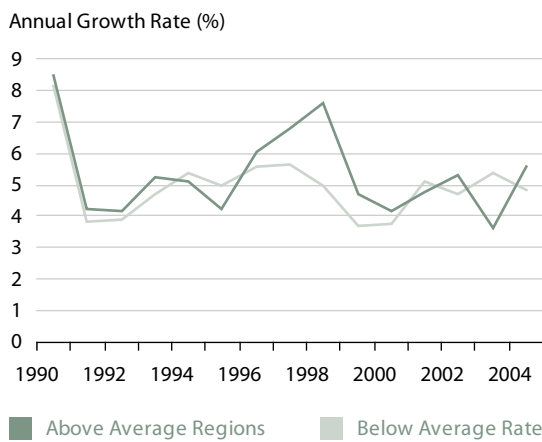
5.7 The Department believes that it is too early to measure progress. There is typically an 18 month time delay in producing regional economic data and the Department believes that trends are best assessed after the end of the economic cycle.²³

- 24. Review of Sub-National Economic Development and Regeneration, HM Treasury, July 2007.
- 25. Reducing Regional Disparities in Prosperity, ODPM Select Committee Ninth Report of Session 2002-03, HC (2003-03) 492, 24 June 2003.
- 26. Mind the Gap: Tackling Disparities in Regional Economic Performance, National Audit Office, February 2007.
- 27. The Independent Performance Assessments scored Regional Development Agencies' performance on a scale from inadequate to strong. All performed within the top two categories of the four point scale. We were invited to undertake the assessments by the then Department for Trade and Industry.
- 28. NAO analysis of Independent Performance Assessments, unpublished.

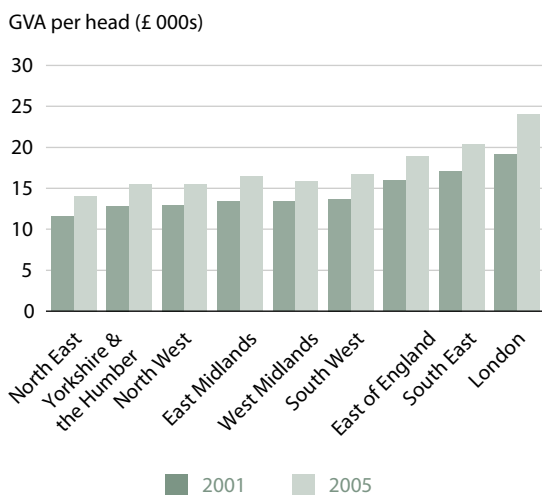
5.8 The early signs of progress are mixed. Nominal GVA per head for 2003-2005 provides encouraging evidence for a narrowing in the gap in growth rates, but not for improving the performance of all regions and there appears to be little change in productivity differentials.²⁴

11 Trends in annual growth rate of GVA per head

There was a 0.6 percentage point gap between the growth rates of richer and poor regions over the period 1989-2002



Regional economies are all growing but a wealth gap between the North and South still exists.



Source: Mind the Gap: Tackling Disparities in Regional Economic Performance

5.9 In 2003 the ODPM Select Committee reported its view that Gross Value Added per head is “not an adequate indicator” of regional economic performance,²⁵ but the Government believes that it is appropriate because it is the internationally accepted method of measuring economic output. The Government also believes that other targets better measure the quality of life in the regions.²⁶

Regional Development Agencies performance

5.10 The NAO undertook Independent Performance Assessments of the eight Regional Development Agencies outside of London during 2006-07. Overall we found all Regional Development Agencies performing well or strongly.²⁷ Our assessment took contributions from over 2,000 individuals and looked at:

- aims (including ambition and prioritisation);
- activities (including capacity and performance management); and
- achievement.

5.11 The Regional Development Agencies have two particular strengths:²⁸

- The **vision and ambition** of the Regional Economic Strategies including their understanding of the regional economic context and how well it would deliver against improving economic performance.
- Their ability to **prioritise** by translating the ambitions of the Regional Economic Strategy into actions to address economic performance.

5.12 But there are three key areas that all of the Regional Development Agencies need to improve: evaluation, communication and delegation. Evaluation, is probably the most important to allow the Regional Development Agencies to understand the impact of their investments and see what effect this has on the overarching PSA.

What are the key challenges the Department faces?

Weak influence over the economic drivers

5.13 Influencing economic growth is a long-term, complex and challenging target that requires multiple interventions across a variety of different sectors.

The Government has identified six key drivers of regional economic performance: employment, skills, investment, innovation, enterprise and competition. The National Audit Office's report *Mind the Gap* (February 2007) supported the Department's view of the association between success in terms of each of the six drivers and success in regional economic performance. But using these drivers is challenging because:

- there is an incomplete understanding of the economic drivers (**Figure 12**);
- economic performance data is not real time; and
- the Department has weak levers of influence over the drivers.²⁹

5.14 The Government aims to increase flexibility at the local and regional levels to enable partners to address the market or government failures that are holding back economic performance. Regional Development Agencies are responsible for identifying these failures in the Regional Economic Strategies.³⁰

The allocation of resources is not therefore the primary means by which the Government seeks to address regional disparities. However there is a broad trend of slightly higher overall public spending per head in poorer regions, with the exception of London. Spending is only targeted at regional economic performance for the Employment and Enterprise drivers (Figure 12).

5.15 The Department's resources aimed at regional economic performance are small compared to the total public spending on the drivers and must be used very strategically if they are to have any effect. We estimate the Regional Development Agency funds account for less than one per cent of total public sector resources in a region.³⁰

5.16 The Department has had a hands off approach to Regional Bodies. The Capability Review pointed to the ambiguous relationship between the Department and regional bodies such as the Government offices and the Regional Development Agencies.

5.17 From 2008-09 responsibility for the Regional Economic Performance PSA target will be transferred to Business Enterprise and Regulatory Reform, but the Department will remain responsible for funding the lion's share of the Single Pot.³⁰

²⁹. *Mind the Gap: Tackling Disparities in Regional Economic Performance*, National Audit Office, February 2007.

³⁰. *ibid*; Review of sub-national economic development and regeneration, HM Treasury, July 2007.

12 Current position on the drivers of regional economic performance

Driver	Clear understanding of the mechanisms?	Focus of action	Targeted spending?
Employment	Yes	Assisting Incapacity Benefit claimants back to work. This addresses the largest factor behind different employment rates.	Yes
Skills	Yes	Giving a regional dimension to supply side reforms.	Partial
Investment	No	Understanding the precise nature of the mechanism better.	No
Innovation	No	Understanding the precise nature of the mechanism better.	No
Enterprise	Yes	The Department of Trade and Industry Small Business Service and Business Links operated by Regional Development Agencies.	Yes
Competition	No	The Government sees action on investment, innovation and enterprise as also promoting competition.	No

Source: *Mind the Gap: Tackling Disparities in Regional Economic Performance*

31. NAO analysis of Independent Performance Assessments, unpublished.

32. Sub-National Review. HM Treasury, July 2007.

33. *ibid.*

34. NAO analysis.

35. Department's Resource Accounts 2006-07.

Cross Regional Working

5.18 The Regional Development Agencies are very focused on their own region's development and do not have a strong history of working together.

One reason is that they compete for investment opportunities and to promote their own region. The lack of cross-regional working has two negative impacts:³¹

- A failure to share good practice.
- Difficulty in addressing cross-regional issues such as Growth Areas and larger infrastructure planning.

5.19 Steps are being taken to address the sharing of good practice, both by the sponsor department Business, Enterprise and Regulatory Reform and by the NAO with the facilitation of good practice workshops. This will take time to embed and the results of closer working will not be seen immediately.

5.20 Progress is being made in addressing cross-regional issues, such as establishing the Northern Way Strategy.

Getting the level of spatial coordination right

5.21 The Government is exploring the possibility of developing loose collaborations of Local Authorities into statutory sub-regional authorities.

These new bodies could be well-placed to win new powers over housing, planning and transport.³²

5.22 At the same time, the Regional Development Agencies are to become more strategic. They are being asked to take on responsibility for strategic spatial planning but delegate their funding to local or sub-regional partners which will include these new sub-regional authorities, where the capacity exists to deliver projects.³³

5.23 New accountability arrangements are needed for these bodies. Currently, the Regional Development Agencies are scrutinised by Regional Assemblies and are accountable to central government. Regional Assemblies on the other hand are funded by central government but accountable to local government. With the demise of Regional Assemblies by 2010, the question of who scrutinises both the Regional Development Agencies and the new sub-regional authorities will be a key issue.³⁴

5.24 Regional select committees could take a key role in the scrutiny of regional policy.

The Governance of Britain Green Paper and the Sub-National Review both support the establishment of regional select committees to scrutinise the work of the Regional Development Agencies.³⁴

5.25 The NAO is piloting the production of regional companion pieces for its national reports. They will build on NAO national reports covering topics where there is a clear regional interest, such as transport, worklessness, and public services.

Suspension of payments by the European Commission

5.26 European Funding is administered by the Department and its Government Offices, with the Department providing money up-front and reimbursed by the European Commission later.

5.27 In April 2007 the European Commission suspended its reimbursements to the Department with respect to European Regional Development Fund payments made by the Government Offices for the North-West, North-East, West-Midlands, London and Yorkshire & Humber and the URBAN programme in Peterborough. The Commission was not happy with the arrangements in place to monitor grant payments.

5.28 The Suspension has now been lifted from the North-West (Objective 1), North-East, Yorkshire and the Humber (Objective 2) and Peterborough. The Department expects all reimbursements to continue by the end of the 2007-08 financial year. In their 2006-07 Resource Accounts the Department was seeking £270 million from the Commission and disclosed a £62 million contingent liability in respect of possible fines.³⁵

What happens next?

5.29 The HM Treasury published its Review of Sub-national Economic Development and Regeneration, in July 2007.³⁶ It set out plans to:

- refocus the powers and responsibilities of Regional Development Authorities and Local Authorities;
- give local authorities a greater role in ensuring economic opportunity for all;
- give Regional Development Agencies a new strategic role to develop the single strategy on behalf of the region, incorporating responsibilities for the Regional Spatial Strategy;
- encourage further sub-regional working, building on existing collaboration between Local Authorities, including developing joint Multi-Area Agreements between groups of Local Authorities and possible statutory authorities at a sub-regional level;
- give Business, Enterprise and Regulatory Reform full responsibility of the Regional Economic Performance PSA target and a stronger role in sponsorship and oversight for the performance of the RDAs. The contribution to the single pot by the Department would not be affected; and
- disband Regional Assemblies by 2010.

36. Review of Sub-National Economic Development and Regeneration, HM Treasury, July 2007.

Key matters that the Committee may wish to explore

- The ability of the Department to monitor regional economic performance given that the trends it is trying to affect are only observable at the end of the economic cycle, and the appropriateness of using GVA per head as an adequate indicator given the Select Committee's previously expressed views. (paragraphs 5.6–5.9)
- The capacity of Regional Development Agencies to take on new roles following the Review of Sub-National Economic Development and Regeneration. (paragraphs 5.29, 5.10–5.12)
- The ability of the Department to influence regional economic performance (paragraphs 5.13–5.17)
- The Department's responsibilities and role in respect of all the regional bodies following transfer of full responsibility for PSA 2 to Business, Enterprise and Regulatory Reform, given the continued Department's funding of the Single Pot. (paragraphs 5.16–5.17, 5.29)
- How the Department proposes to develop clarity and accountability for delivery at the regional, sub-regional and local levels. (paragraphs 5.21–5.25)

Better Local Services (Chapter 5 of Annual Report)

37. NAO analysis.
38. Strong and Prosperous Communities, The Local Government White Paper, the Department, October 2006.

What is the Department trying to achieve?

6.1 The Department's third strategic priority focuses on delivering better local services. The overall theme for the Department is the devolution of power and decision making to local government as far as possible. This includes:

- improving local public services;
- devolving decision making to the appropriate level;
- ensuring adequate and stable resources for local government; and
- clarifying the relationship between neighbourhoods and local, regional and central government.

13 Better Local Services Targets

Public Service Agreement 4 Local Government:

By 2008, improve the effectiveness and efficiency of local government in leading and delivering services to all communities.

There are three aspects to the assessment of this target: Overall performance; direction of travel and use of resources/efficiency.

The Department has also established efficiency targets for Local Authorities.

What has DCLG been doing to achieve this?

The Local Government White Paper

6.2 The Department has set out its vision for driving fundamental change in the nature of the relationship between central and local government. It aims to ensure that local needs are better addressed by local government and that citizens have more input to influence the services they receive and what happens in their area.³⁷

6.3 In October 2006 the Department published a new Local Government White Paper, **Strong and Prosperous Communities**. This sets out a new policy agenda for local government including:³⁸

- **Responsive services and empowered communities.** The Department will encourage councils to develop neighbourhood charters setting out local standards and priorities, and will enable citizens to hold local agencies to account. It will devolve the power to create parish councils to Local Authorities and enable Local Authorities to work more closely with neighbourhood policing teams. The Department will enable Local Authorities to give councillors small budgets and some parish councils new powers to tackle local issues.
- **Devolution of powers to develop effective, accountable and responsive local government.** The Department will require Local Authorities to vest executive powers in the leader of the council using one of three models: a directly elected mayor, a directly elected executive of councillors, or a leader elected by councillors with a clear four year mandate. The Department will also empower Councillors to be better champions of their local communities by, for example, strengthening the role of overview and scrutiny committees.
- **Strengthened strategic, place shaping role for local government supported by a simplified local performance framework.** The Department will support Local Authorities in a radical simplification of the performance framework to assist them in preparing delivery plans for their sustainable communities strategies. Each Local Authority will agree around 35 priorities for its area, tailored to local needs, through the Local Area Agreement, plus the Department for Children, Schools and Families' statutory attainment and childcare targets. Instead of the many hundreds of indicators currently required by central government there will be a single set of

about 200 outcome based indicators covering all important national priorities like climate change, social exclusion and anti-social behaviour.

- **Improving the efficiency of local government services.** The Department will promote greater service collaboration between councils and across all public bodies. It will encourage Local Authorities to use business process improvement techniques more by promoting collaborative opportunities and ways to overcome barriers through Regional Centres for Excellence.
- **Support for community cohesion, particularly in areas facing difficulties.** The Department will provide support for areas facing particular community cohesion challenges and will help share best practice between authorities. It will support the establishment of forums on extremism in parts of the country where they are necessary.

Performance Framework

6.4 The Department uses four main policy levers to promote better public services. Firstly, the Department focuses on improving local government's internal processes, disseminating best practice to all and target setting:³⁹

- **The Department sponsors the Audit Commission.** The Audit Commission carries out inspections of local government and produces Comprehensive Performance Assessments of English Local Authorities. These allow local residents and central government to gauge the level of service delivery by a council and compare performance relative to other councils.
- **The Department promotes the dissemination of good practice in local government services through schemes such as the Beacons Advisory Scheme.** It provides a revenue support grant to the Improvement and Development Agency (I&DeA) of £25 million together with £7.9 million of other grants to support specific workstreams.

- **A national "Supporting People Value Improvement Programme"** aims to help Local Authorities commission services more effectively and strategically.

Local Area Agreements

6.5 Secondly, the Department has established Local Area Agreements with all the Local Authorities in England. These are three year agreements setting out the strategic direction and priorities for a local area. Government Offices negotiated with Local Authorities and Local Strategic Partnerships over the contents of the Agreements on behalf of central government. They aim to achieve:⁴⁰

- **More emphasis on area based service delivery to encourage stronger partnership working,** alignment of local government performance management arrangements with that of partner agencies and replacement of authority-based inspection with an area based assessment of risks to service delivery.
- **More freedom in spending decisions** to allow the local authority to make decisions about spending priorities with partners locally without being conditioned by centrally imposed targets. The number of specific, ringfenced grants provided to local authorities will be reduced.
- **Fewer central targets and reporting systems.** Each Agreement will have no more than 35 indicators negotiated between the Local Authority and the Government Office alongside 18 statutory education and early years targets. A single annual performance review will examine the findings of the Comprehensive Area Assessment and respond to changing priorities in the area.

³⁹. NAO analysis of the Department's policy levers.

⁴⁰. Department's website.

41. NAO analysis of the Department's policy levers.

42. Local Government National Report: CPA the Harder Test - Scores and analysis of performance in single tier and county councils 2006, Audit Commission, February 2007; Annual Report paras 5.20 - 5.28.

43. The Department.

44. Local Government National Report: CPA the Harder Test - Scores and analysis of performance in single tier and county councils 2006, Audit Commission, February 2007.

Control of local government finance

6.6 Thirdly, the Department has overall control of local government finance.⁴¹ This includes:

- **Departmental powers to cap council tax rises** in order to protect council tax payers from excessive increases in their bills. In addition, council tax benefit is available to low-income households to alleviate the financial burden of council tax.
- **The Bellwin scheme** which provides emergency financial assistance to Local Authorities. This enables urgent large, unforeseeable and uninsurable costs to be met by Local Authorities with the assurance that financial assistance will be available from the government should the cost exceed a predetermined level. Local Authorities affected by the floods in June and July 2007 are eligible to claim under this scheme.
- **The Local Authority Business Growth Incentive Scheme** which is a three year incentive scheme to run to 2007-08 to encourage Local Authorities to increase business growth in their areas. The funding (£316 million in 2006-07) is un-ringfenced and autonomy is given to qualifying Local Authorities to spend it as they see fit to deliver economic success and prosperity to their local community.

Involving local communities

6.7 Fourthly, the Department promotes the involvement of local communities by:⁴¹

- **Publishing guidance and examples of best practice** to help Local Authorities implement the new agenda for local democracy and citizen participation.
- **The "Together We Can" programme to increase collaboration of citizens and public bodies** in the development of public policies and services. This involves 12 government departments covering a wide range of policy areas.

What progress has the Department made?

Local Government performance

6.8 Local Government performance as assessed by the Audit Commission has improved significantly over recent years and is on course to achieve PSA 4:⁴²

- **Overall performance is improving.** Comprehensive Performance Assessments (CPA) assess Local Authorities' net change across various categories compared to the baseline year of 2005. Results published in February 2007 show continued improvement with 79 per cent of single tier and county councils achieving three or four stars. Three Local Authorities have moved up two categories and 29 have moved up one category. For the first time since CPA began in 2002, no councils are in the bottom CPA category. Some Councils, where they have requested it and can demonstrate evidence of improvement, are currently being reassessed by the Audit Commission, including several District Councils.⁴³
- **Underlying direction of travel is positive (Figure 14).** An assessment of direction of travel is provided by the Audit Commission in annual statements for each Local Authority. The target sets out the aim that no single tier or county council is to have a "not improving adequately/not improving" direction of travel statement for two consecutive years and is on course to be met.
- **Efficiency or use of resources** is assessed by considering both the local government efficiency target and CPA use of resources scores (Figure 15). These two elements are on course to be met with both ahead of the estimated trajectory for 2008.

6.9 Better performing Local Authorities continue to improve to a greater degree than those in lower categories. Lower performing Local Authorities need to accelerate the pace of improvement to prevent the gap between high and low performance widening in the future.⁴⁴

6.10 Half of residents say they are satisfied with their Local Authority. 54 per cent of those surveyed were satisfied with the overall service provided by the Local Authority, a decrease of 1 percentage point since 2003-04. 61 per cent of people felt that they were not well informed about the services and benefits a Local Authority offers.⁴⁵

6.11 Satisfaction varies by region and level of deprivation. Those in the least deprived areas are more likely to be satisfied with their Local Authority.

45. Best Value User Satisfaction Survey 2006-07, General Survey National Report, The Department, May 2007.

46. Evidence of savings, improved outcomes and good practice attributed to Local Area Agreements, The Department, February 2007.

Local Area Agreements

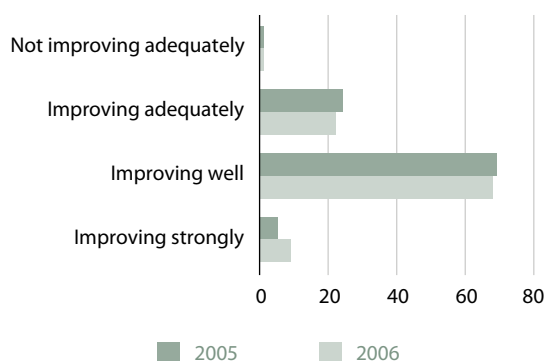
6.12 The Department's assessment of Local Area Agreements found that:⁴⁶

- agreements are generally seen as positive in terms of focus on outcomes, dissemination of good practice and strengthened joint working; and
- cash savings are yet to be achieved from the streamlining or rationalisation of performance reporting requirements. Currently, there is a double burden of developing and implementing new performance measurement arrangements around the Agreement on behalf of the Local Strategic Partnerships whilst also maintaining existing reporting requirements to Government Departments and Government Offices.

Council Tax

6.13 Local Government funding is made up of council tax, formula grants and specific grants (Figure 16). Council tax accounts for under a third of Local Authority revenue.

14 Direction of travel: Percentage of single tier and county councils showing degrees of improvement in CPA assessment

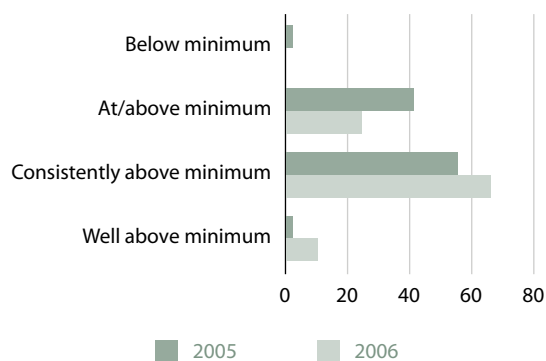


Source: Audit Commission

NOTE

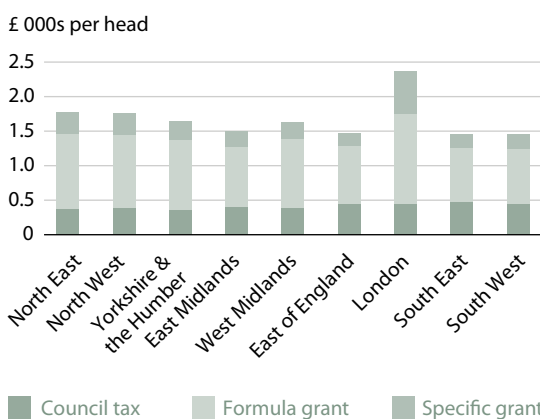
18 councils whose direction of travel judgements are subject to review have been excluded from this analysis.

15 The percentage of single tier and county councils performance against minimum requirements for the use of resources



Source: Audit Commission

16 Sources of Revenue funding to local government 2005-06



Source: Local Government Financial Statistics England No.17

47. House of Commons Communities and Local Government Committee: Local Government Finance: Council tax benefit, eighth report of the session 2006-07.

48. The Department of Work and Pensions has responsibility for Council tax benefit.

49. House of Commons Communities and Local Government Committee: Local Government Finance: Council tax benefit, eighth report of the session 2006-07.

50. NAO analysis.

6.14 The Select Committee's report on council tax highlighted unfairness in the system.⁴⁷ Council tax is not means tested. It is becoming an increasing problem for some households. The increase in council tax is around double the increase in average earnings (Figure 17).

6.15 The Select Committee also highlighted weaknesses in the operation of council tax benefit.⁴⁸ The Committee found:⁴⁹

- People can only receive council tax benefit if they make a claim. They are not automatically entitled to it.
- The rules governing the receipt of benefit are too restrictive for those in need of the greatest relief.
- Take up of the benefit is low and relief is not effectively reaching all those intended.

Local Government efficiency

6.16 Local Authorities have achieved their efficiency targets one year ahead of schedule and are forecast to make more than twice the cashable savings than set out in the target (Figure 18).

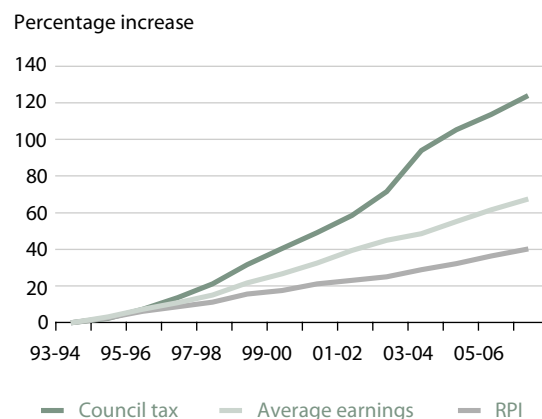
What challenges does the Department face?

6.17 Implementing the Local Government White Paper and devolving more power to Local Authorities requires a restructuring of the way the Department interacts with Local Authorities:⁵⁰

- The number of targets that Local Authorities have to report upon is being reduced to allow Local Authorities more flexibility in setting their local agendas. There will now be only 200 national indicators and each Local Area Agreement will have 35 targets tailored to the local areas and 18 statutory education and early years' targets. The challenge to the Department is working with less information on local performance and having fewer incentives to influence Local Authorities. Some Department priorities will have to be excluded from Local performance targets.

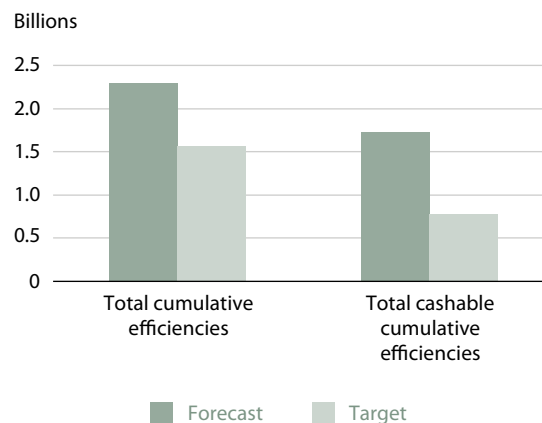
- The Department will no longer be able to provide funding directly to its priorities but will have to persuade Local Authorities to focus on them. The Department will retain the ability to target more funding at specific Local Authorities.
- As performance measures and funding will be determined locally the Department will have to rely on others to provide assurance that money is being well spent. The Department continues to work with the NAO and others to determine how best to retain accountability trails to Parliament.

17 Cumulative increase in council tax, retail prices and average earnings since 1993-94



Source: Local Government Financial Statistics England No.17

18 Local government efficiency savings



Source: Mid year update 2006-07, The Department

6.18 The Lyons Inquiry into Local Government recommended reform of local taxation.⁵¹ It was recognised in the review that short term measures are needed to make council tax fairer, increase take-up and increase local flexibility to manage pressures. In the longer term, it argued, radical reform of council tax is required in order to cement these changes. However, the Government has announced that any revaluation of council tax will not take place this parliament.

6.19 The Department wants to reform the local government pension scheme to ensure it remains viable. They want it to be affordable to scheme members and employers and fair on the taxpayer. As of 6 April 2006, new rules came into effect to increase flexibility for scheme members including flexible retirement from age 60, the exchange of part of the pension for a lump sum and taking additional voluntary contributions as cash. There are ongoing changes that will continue to be implemented including the new scheme regulatory framework programmed to take full effect from April 2008.⁵²

6.20 Local Authorities are attempting to increase recycling rates and reduce the amount of rubbish going to landfill. About 40 per cent of English Local Authorities have adopted alternate weekly collections of waste to encourage households to recycle. In some areas this practice has met with severe opposition from local communities. The Select Committee's July 2007 report on refuse collection found:⁵³

- Local Authorities are best placed to decide what refuse collection regime works locally;
- alternative weekly collection works in some places to increase recycling rates, but works less well where Local Authorities have "blundered into" introducing it without adequately informing residents;
- it is not suitable for urban areas without storage space;
- proposed incentive schemes are too weak to be effective; and
- municipal waste is only nine per cent of national waste and the government should concentrate on the commercial waste sector.

6.21 The Department is establishing nine new Unitary Authorities, merging existing District and County Councils. 26 Councils submitted proposals to establish new Unitary Authorities, and the Department consulted on 16 of the bids. On the 26 July, nine were announced as successful. Implementation will follow enactment of the Local Government and Public Involvement in Health Bill and, subject to enactment and discussions with the Local Authorities, elections for future Unitary Authorities will take place in May 2008. The Department wants areas that are remaining two-tier to adopt new arrangements to enable them to achieve the same level of improvement and efficiency gains that is expected of the new Unitary Authorities.⁵⁴

What happens next?

6.22 A move to three year grant allocations for local government within the next spending review period (2008-11) aims to provide a stable funding environment which will allow local government to more effectively forward plan within budgets and provide more flexible, efficient and responsive services.

6.23 The Department is promoting the Local Government and Public Involvement in Health Bill to give effect to key proposals from the Local Government White Paper. These include making provision for local councillors to have new powers to respond to local concerns; strengthening the leadership and decision making arrangements within councils; providing an opportunity for councils to seek unitary status; devolving power for the conduct regime and byelaws; and providing a statutory basis for Local Area Agreements and the new performance regime. It aims to devolve power to more local levels and give local people more say in what happens in their area.⁵⁴

⁵¹. Place-shaping: a shared ambition for the future of local government, Lyons Inquiry into Local Government, Sir Michael Lyons, March 2007.

⁵². NAO analysis of information from www.lgps.org.uk and the Department.

⁵³. House of Commons Communities and Local Government Committee: Refuse Collection fifth report of the session 2006-07.

⁵⁴. The Department.

6.24 The Department is incorporating proposals from the Sustainable Communities Private Members Bill into its forward plans.

The Bill is due to be enacted as law in late 2007 and requires the Secretary of State to:

- invite Local Authorities to make proposals which would contribute to promoting the sustainability of local communities. If they wish to make a proposal Local Authorities must establish or recognise a panel of representatives of local persons and consult it on the proposals;
- appoint a body to draw up a short-list of proposals received;
- decide which of the proposals to implement and then publish the decisions; and
- arrange for the production of reports which map the flow of public expenditure into local areas.

6.25 The Audit Commission's Comprehensive Performance Assessments will be replaced by Comprehensive Area Assessments in 2009.

Comprehensive Area Assessments will continue to provide assurance about how well run local public services are and how effectively they use taxpayers' money. In addition, however, they aim to be more relevant to local people by focussing on issues that are important to the local community rather than on the internal processes of Local Authorities.

Key matters that the Committee may wish to explore

- The extent to which the Department is ready to change the way it interacts with Local Authorities. (paragraphs 6.3, 6.5, 6.17, 6.22–6.23, 6.25)
- The extent to which the Department will be able to provide assurance to Parliament following the reforms outlined in the Local Government White Paper on the effective use of resources provided to local government. (paragraphs 6.17, 6.25, 6.4)
- The extent to which improved Comprehensive Performance Assessment scores translate to better capacity within the local government sector to improve resident satisfaction with Local Authorities. (paragraphs 6.8–6.11)
- The extent to which the Department has been able to respond to the Committee's concerns about Council tax (paragraphs 6.13–6.15, 6.18) and waste. (paragraph 6.20)
- The extent to which the mergers of district and county councils into unitary authorities will create real improvement and efficiency gains. (paragraph 6.21)

Fire and Rescue Service

(Chapter 5 of Annual Report)

What is the Department trying to achieve?

7.1 The Department aims to modernise Fire and Rescue Services to:

- reduce fire deaths and arson;
- further develop Fire and Rescue Services effective planning, preparation and response to emergencies of any size and build resilience to new threats; and
- develop greater capacity for response and recovery at a local and regional level by working in partnership.⁵⁵

What is the Department doing to achieve this?

7.2 In 2006-07 the Fire and Rescue Authority budgets totalled £2.1 billion.⁵⁶ This was financed by grant from central government and council tax. The Department spent £185 million on central programmes specifically aimed at the modernisation of the Service.

7.3 The Department's modernisation programme for Fire and Rescue Services has five strands.⁵⁷

19 Fire and Rescue Services Targets

Public Service Agreement 3:

Fire and rescue services: by 2010, reduce the number of accidental fire-related deaths in the home by 20 per cent and the number of deliberate fires by 10 per cent.

Local Risk Assessment

7.4 Enabling a more flexible response to risk management with a shift of emphasis to fire prevention alongside response by:

- replacing the prescribed formulaic National Standards of Fire Cover with more flexible locally determined risk management arrangements;
- a £25 million programme of Home Fire Risk Checks combined with the installation of free 10 year battery operated smoke alarms for the most vulnerable households; and
- removing the requirement for the Secretary of State to approve changes to the Fire and Rescue Services' funding and staff compliment.

National Framework

7.5 Providing a targeting framework and measuring performance against this by:

- introducing a National Framework to give key directions to the Fire and Rescue Services; and
- commissioning the Audit Commission to assess the performance of Fire and Rescue Services against this framework.

A Regional Approach

7.6 Introducing a regional approach to improve coordination between local, regional and national partners by:

- establishing Regional Management Boards as coordinating bodies and owners of regional strategies; and
- a £998 million FiReControl project to create a network of regional control centres, replacing existing local centres to increase coordination, within a resilient and consistent structure.

55. NAO synthesis of DCLG strategic aims.
56. Fire and Rescue Performance Assessment National Report, Audit Commission April 2007.
57. NAO analysis.

58. £350 million refers to the total cost of the programme in England. An additional £50 million is being spent in Wales and Scotland, but not funded directly by the Department.

59. NAO analysis.

60. Written response to Parliamentary Question 101586 (Session 2006-07), 4 December 2006.

Integrated Response

7.7 Providing for an integrated response to major incidents, including terrorist attacks by:

- giving statutory effect to the wider role of the Fire and Rescue Services in the Fire and Rescue Services Bill 2004;
- a £350 million Firelink project to replace each Fire and Rescue Service's current main scheme radio technology enabling resources to work more flexibly and readily with the Police and Ambulance service;⁵⁸ and
- a New Dimension Programme to provide equipment and training to enhance Fire and Rescue Services' ability to respond to major emergencies including terror attacks and industrial emergencies. Investment is likely to be over £200 million.

A culture change

7.8 Promotion of a culture of inclusion within the service to ensure the needs of local communities are met by:

- removing old military style discipline arrangements, introducing multi-level entry into management, and greater use of flexible working practices;
- adopting a new workforce development programme and the replacement of ranks with roles; and
- creating forums to improve diversity and use of advertising campaigns to raise awareness of careers in Fire and Rescue Services.

Recent Developments

7.9 In 2006-07 the Department:⁵⁹

- **reformed Fire Safety Regulations** by removing the requirement for fire certificates for non-domestic properties and introducing a duty of care arrangement on a responsible person supported by self-assessments and enforced by a risk based inspection system;
- **awarded a £200 million contract** to an Infrastructure Services provider to develop the new regional control centres, although the original planned cost of the contract was £120 million;⁶⁰
- **replaced the previous fire-fighter pension scheme**, considered poor value for money, with a new scheme for all fire-fighters employed since 6 April 2006;
- **launched FireBuy** to take forward national procurement exercises, including a project to provide nationally consistent clothing;
- **revised the National Framework** for Fire and Rescue Services, which introduced amongst other things a requirement for Regional Management Boards to demonstrate measurable progress, and that Fire and Rescue Authorities must procure through FiReBuy where directed;
- **introduced a new fair and transparent selection process** for fire-fighters that tests only aspects relevant to the job, for use by all Fire and Rescue Services; and
- **set out the type of emergencies to which Fire and Rescue Services will have a specific duty to prepare and respond**, including biological, chemical, radiological, and nuclear emergencies.

What progress has the Department made?

Meeting the PSA target

7.10 The Annual Report⁶¹ shows good progress against the PSA target on reducing fire deaths.

But the number of fire related deaths has been dropping fairly consistently over the past 30 years and it is not clear that recent reforms have accelerated this decrease⁶² (Figure 21).

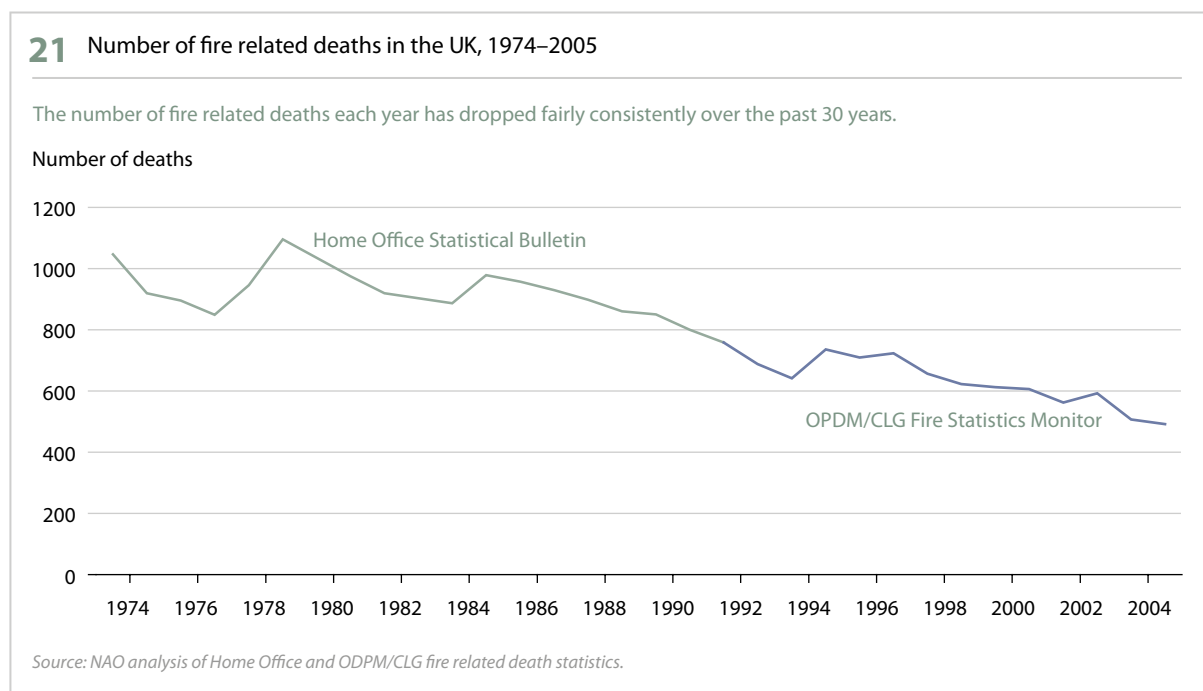
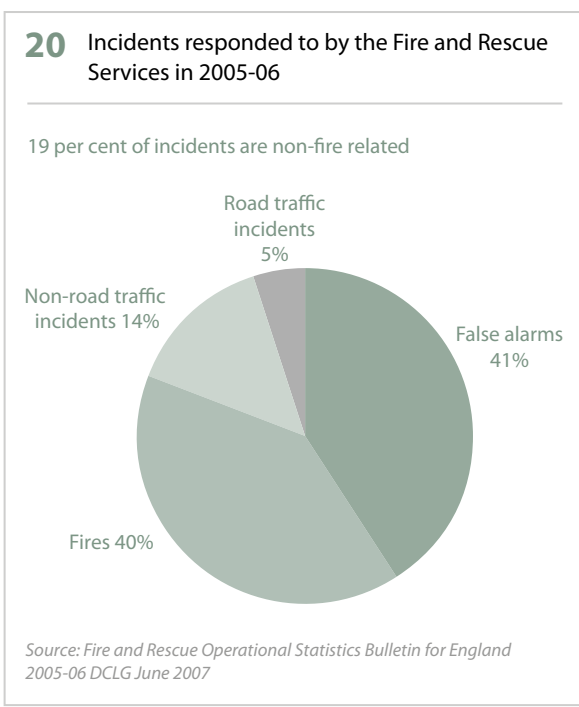
7.11 The reduction in fire related deaths is also linked to improvements in fire safety, advancements in furniture design and construction materials, increased use of smoke detectors and increasingly stringent building regulations.⁶²

7.12 Although fire deaths in the home are falling, there was an overall rise in the total number of fire deaths in England. There were 405 fatalities in 2005-06 compared to 368 in 2004-05. This increase mostly comprises deaths from road vehicle fires.⁶³

7.13 The Department achieved its PSA sub-target on reducing deliberate fires in 2004-05, five years ahead of the deadline.⁶⁴

7.14 The PSA target does not address the wider role of Fire and Rescue Services. 19 per cent of incidents to which Services respond do not relate to fires (Figure 20).

61. Annual Report, paras 5.14-5.15.
 62. NAO analysis.
 63. Provisional figures for the year ended 30 September 2006, taken from Fire Statistics Monitor Q3 2006, the Department August 2007.
 64. Fire Statistics 2004, ODPM February 2006.



65. NAO analysis of data provided in the written response to Parliamentary Question 140723 (Session 2006-07), 7 June 2007.

66. The Department 67. Fire and Rescue Comprehensive Performance Assessment National Report, Audit Commission January 2006.

68. NAO analysis.

69. Fire and Rescue Performance Assessment National Report, Audit Commission April 2007.

70. Fire and Rescue Service, Fourth Report of Session 2005-06, House of Commons Communities and Local Government Committee, June 2006.

7.15 The latest information on response times in England suggests that Fire and Rescue Services are taking longer to reach a fire after an emergency phone call. 37 per cent of fires were

responded to within five minutes in 2005 compared to 46 per cent in 2001.⁶⁵ The average time taken from the call being received to a fire engine attending the scene was 7.11 minutes in England in 2005, although 33 out of the 47 Authorities had an average response time above this. Response times vary between the three different types of Fire and Rescue Authority with County Authorities taking longer to respond than Metropolitan Authorities (**Figure 22**).⁶⁶

Meeting the modernisation agenda

7.16 The Audit Commission published in January 2006 the lessons learnt from the Fire and Rescue Services' first Comprehensive Performance Assessments.⁶⁷ It found that the pace of modernisation varies substantially and improvement has not been achieved to the extent that might be expected.⁶⁸

7.17 The Audit Commission followed this work up with a Performance Measurement review in 2007.⁶⁹ This review found that:

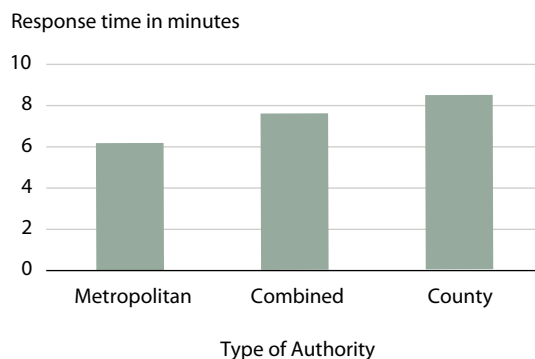
- the rate of improvement is variable with the gap between the strongest and weakest performers widening;
- the majority are improving well and no service is failing to improve;
- services' prevention and protection activities tend to be more effective than their emergency response;
- thirty-six services out of 47 are performing well in delivering value for money; and
- Fire and Rescue Services are increasingly working well in partnership with organisations to deliver community fire safety initiatives.

7.18 In September 2006 the Select Committee in its report on Fire and Rescue Service found:⁷⁰

- that a baseline needs to be prepared against which the performance of FiReBuy can be measured;
- there was a lack of effective stakeholder engagement and communication concerning the FiReControl project, and the Department needed to publish the full business case;
- the impact and adequacy of local risk management arrangements should be assessed on a nationwide basis;

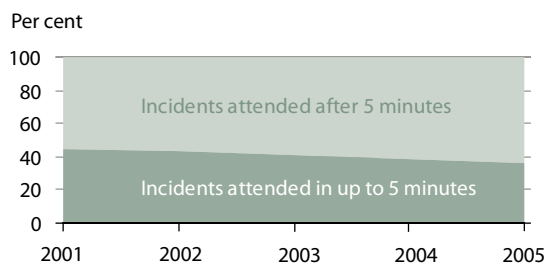
22 Fire and Rescue Services average response times (England 2004-05)

Response times vary, with County Fire and Rescue Authorities taking longer to respond than Metropolitan Authorities



Source: Written response to Parliamentary Question 110258 (Session 2006-07), 19 December 2006

Fewer incidents are being responded to within 5 minutes in England and Wales



Source: Written response to Parliamentary Question 110258 (Session 2006-07), 19 December 2006

- the Government needs to give urgent consideration to how risk management arrangements may be better linked to planning for major catastrophic incidents; and
- Government's leadership of diversity in the Fire and Rescue Services was ineffective and half-hearted.

What challenges does the Department face?

7.19 Integrating national resilience planning within the context of locally determined risk assessment will be challenging. Recent events like the flooding in England and the Buncefield oil depot fire have shown the importance of ensuring that local decisions on resourcing and placement need to meet the needs of wider national events.⁷¹

7.20 Poor industrial relations put modernisation plans at risk of failure or delay. For instance:

- **Stakeholder buy-in to FiReControl remains low.** In a recent YouGov poll, fire crews polled gave an average score of 0.74 out of ten for their level of confidence in the Government's ability to build a new region-wide system that would work well.
- **The Fire Brigades Union has resisted steps towards integration of the services.**⁷¹ They have achieved a legal victory in the High Court against Fire and Rescue Services who attempted to force fire-fighters to participate in co-responding schemes, as such participation is not in fire-fighters' contracts.

7.21 Achieving the correct balance between national, regional and local responsibilities is difficult. Ensuring Regional Management Boards have adequate capacity is crucial to their ability to facilitate improvement. They lack delegated power to enter into contracts on behalf of their constituent Fire and Rescue Services and have limited resources.⁷¹

7.22 Poor diversity amongst the Fire and Rescue Services' workforce hinders the Services' ability to engage communities in their fire prevention work.⁷² Only 2.8 per cent of the operational service are women and 3 per cent of all staff (including uniformed and administrative) are from minority ethnic groups.⁷³

7.23 Measuring efficiencies generated through modernisation will be challenging. In regards to procurement, the Department does not require fire specific procurement data from Fire and Rescue Services and it remains unclear as to whether this is readily available.⁷⁴ Data on what works well in prevention does not exist widely within the Fire and Rescue Services and very little cost effectiveness work has been done. This undermines performance analysis and appraisal of what works well in preventative work.⁷¹

7.24 Implementation of the FiReControl project has been slow and difficult. Although a major rationale for the project is that it will lead to major efficiency savings, it is not clear where these will come from. Following the Select Committee's recommendation the full business case was published on 7th April 2007. Savings and costs are expected to vary by area and it is not yet decided how some costs will be allocated.⁷⁵

7.25 The deadline for Regional Management Boards to set up Local Authority Controlled Companies to operate regional control centres was phased from August 2006 to May 2007. Significant delays occurred in setting up these companies due to concerns raised by Fire and Rescue Services. As of May 2007 three of the eight companies were set up, although three more have been set up since.⁷¹

71. NAO analysis.

72. The Future of the Fire Service: reducing risk, saving lives, December 2002.

73. Fire and Rescue Service Operational Statistics Bulletin for England 2005-06, the Department June 2007.

74. Government Response to the Communities and Local Government Select Committee's report on the Fire and Rescue Service, DCLG September 2006.

75. NAO analysis of Full FiReControl Business Case.

What happens next?

7.26 The Audit Commission published on the 16 August 2007 its plans for the annual assessment of all Fire and Rescue Services between 2007 and 2009 and a review of risk management arrangements, considering both their quality and consistency.

7.27 The Department intends to continue its implementation of the modernisation programme.

7.28 The NAO is undertaking an examination of the impact of the reforms of the Fire and Rescue Services. Publication is planned for 2008.

Matters that the Committee may wish to explore

- The extent to which improvements in fire related deaths in the home (PSA 3) are due to improvements in the way the Fire and Rescue Service work. (paragraphs 7.10–7.15)
- The extent to which the Fire and Rescue Service is modernising. (paragraphs 7.16–7.18)
- The ability of the reformed Fire and Rescue Service to better address national and regional priorities. (paragraphs 7.19, 7.22, 7.25)
- The effect of opposition to some of the Department's programmes on the modernisation of the Fire and Rescue Service. (paragraph 7.20)
- The extent to which efficiencies will be achieved through the modernisation process. (paragraph 7.23)
- The implications of PSA 3 not capturing the full role of the Fire and Rescue Service. (paragraphs 7.14–7.15)

Balancing supply and demand for housing (Chapter 6 of Annual Report)

What is the Department trying to achieve?

8.1 The Department aims to deliver a better balance between housing supply and demand by:

- supporting sustainable growth in housing stock;
- reviving markets;
- tackling abandonment;
- helping those who wish to own their own home to do so whilst protecting the environment; and
- providing communities in which people want to live.

What is the Department doing to achieve this?

Stimulating housing markets

8.2 Firstly, the Department attempts to stimulate supply and demand in housing markets by:⁷⁶

- **Promoting home building in the Growth Areas.** The four Growth Areas – the Thames Gateway, Milton Keynes & South Midlands, Ashford and the London-Stansted-Cambridge-Peterborough growth corridor – aim to sustainably provide 200,000 additional homes by 2016. The largest of these is the Thames Gateway. Delivery is coordinated at a local level by Local Regeneration Partnerships. The Department provided £253 million to local partners in 2006-07 in the growth areas.
- **Using English Partnerships to invest in difficult urban developments and brown field land,** specialising in land remediation and kick starting urban regeneration. They also develop surplus public sector land. In 2006-07 the Department contributed £307 million towards English Partnerships' £647 million turnover. English Partnerships facilitated the building of 4,248 homes and attracted £1.022 billion of private investment.

23 Balancing Supply and Demand for Housing Targets

Public Service Agreement 5 Housing supply:

To achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions whilst protecting valuable countryside around our towns, cities and in the green belt, and the sustainability of towns and cities.

Public Service Agreement 6 Planning:

That the planning system should deliver sustainable development outcomes at national, regional and local levels through efficient and high-quality planning and development management processes, including through achievement of best value standards for planning by 2008.

In July 2007 the Department committed to increasing the English supply of new homes by 240,000 a year by 2016. This was up from a target of 200,000 new homes a year.

- **Funding Housing Market Renewal Pathfinders** focus on stimulating housing markets and communities in those parts of the North of England and the Midlands where demand for housing is relatively weak. In 2006-07 £243 million was given to Pathfinders mostly for the refurbishment, demolition and building of homes.

Subsidising housing provision

8.3 Secondly the Department subsidises the provision of affordable housing for those that cannot afford market prices through:⁷⁶

- **Increasing social housing stock.** Social housing includes stock held by Local Authorities, Registered Social Landlords, and Arm's Length Management Bodies that provide secure tenure properties at controlled sub-market rents. It is means tested at the point of entry so it can be targeted at those who cannot afford market rents. In 2006-07 £1.455 billion of funding was provided through the Housing Corporation to Registered Social Landlords to build new social housing.⁷⁷

⁷⁶. NAO analysis of the Department's policy levers.
⁷⁷. Housing Corporation Annual Report and Accounts 2006-07, Gross Social Housing Grant expenditure.

78. NAO analysis of Department's policy levers.

- **Providing Low Cost Home Ownership.** These schemes allow people who cannot afford to buy a home outright to buy a share of their home. In 2006-07 £455 million was provided through the Housing Corporation to Registered Social Landlords to fund the three main financial products: open-market HomeBuy, Social HomeBuy and NewBuild HomeBuy. A further £100 million of land was made available for the First Time Buyers' Initiative by English Partnerships.
- **Tackling Homelessness.** The Department aims to reduce the number of homeless households through a mixture of prevention and providing support through Local Authorities to homeless families with the Supporting People Programme (see Part 4) and £72 million in 2006-07 of Homelessness grant.

Reforming the Planning System

8.4 Thirdly, the Department continued to implement reforms of the planning system following the 2004 Planning and Compulsory Purchase Act:⁷⁸

- **Improving the efficiency with which Local Authorities come to decisions on planning applications.** £135 million of Planning Delivery Grant was provided to Local Planning Authorities to improve the efficiency of the system, and spread good practice through the Planning Advisory Service and the Advisory Team for Large Applications.
- **Using planning guidance to improve the quality of development.** The Department has been slowly reforming statutory planning guidance to focus the planning system on enforcing high quality sustainable development. In particular new guidance has stressed the use of brown-field land, higher densities and the regeneration of urban centres. Planning Policy Statement 3: Housing, was published in November 2006 and Planning Policy Statement 25: Development and Flood Risk, was published in December 2006.

New Developments in 2006-07

8.5 To develop these programmes, in 2006-07 the Department:⁷⁸

- **Developed the "Planning for a Sustainable Future" White Paper.** This was published in May 2007 following from the December 2006 Barker Review of Land Use Planning. It suggests the introduction of national policy statements for major infrastructure, an independent commission to take planning decisions for schemes of national importance and other initiatives to make decision making in the planning system more efficient and better able to concentrate on producing sustainable communities.
- **Focused on the environmental performance of new housing.** In December 2006 the Government announced a new ambition of making all new housing carbon neutral by 2016. As part of this drive the Department launched the Code for Sustainable Homes to measure the environmental sustainability of new housing.
- **Launched the New Growth Points initiative.** The New Growth Points initiative was first announced in December 2005, but details came out over 2006-07. Initially the initiative aimed to provide 100,000 additional homes above existing regional plans around 29 existing urban centres. In July 2007 it was announced that New Growth Points would be expanded across England. Initial funding of £40 million will start in 2007-08.
- **Re-emphasised support for development in the Thames Gateway,** by setting out an Interim Framework and appointing a new chief executive to coordinate development across the region.
- **Simplified the Low Cost Home Ownership (LCHO) programme.** From April 2006 all LCHO products are known as HomeBuy and are administered on a sub-regional basis by Registered Social Landlords known as HomeBuy Agents.

What progress has the Department made?

Supply and demand for housing

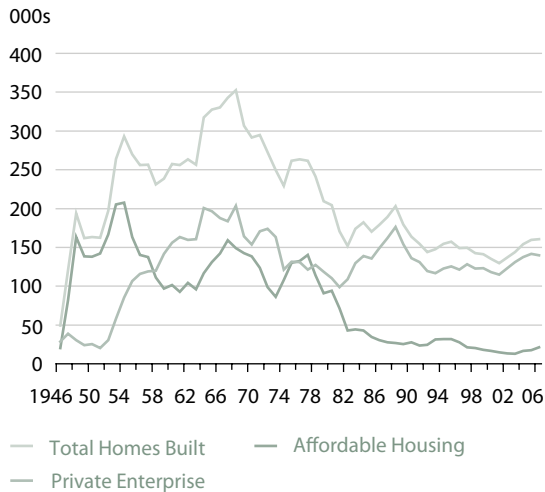
8.6 The supply of new housing is increasing towards the Department’s pre-July ambition of 200,000 homes a year by 2016. In 2005-06 the net supply of new homes in England increased to 185,300 of which 163,400 were new build and the remainder the net effect of conversions and demolitions. The Department has yet to publish 2006-07 figures but believes they are similar. Home building in the South East is also on track to deliver 1.1 million homes in the Regional Planning Guidance 9 area (2001-2016) as set out in PSA 5.⁷⁹

8.7 But the number of new homes being built remains low compared to historic build rates (Figure 24). The Department believes that the relatively low rate of house building combined with increasing household numbers has been the main cause of increasing house prices and affordability problems. House prices have more than doubled in real terms since 1997, although the increase slowed in 2006-07. As a result, lower quartile house prices to lower quartile earnings (a standard measure of housing affordability) has risen from 4 in 2001 to 7 in 2006-07 (**Figure 25**).⁸⁰

8.8 Affordability is predicted to grow worse. The National Housing and Planning Advisory Unit (NHPAU), set up to advise the Government on affordability issues, estimates that under current building plans house price increases will make lower quartile house prices 10 times lower quartile incomes by 2025 (**Figure 25**).⁸⁰

24 Increase in housing supply

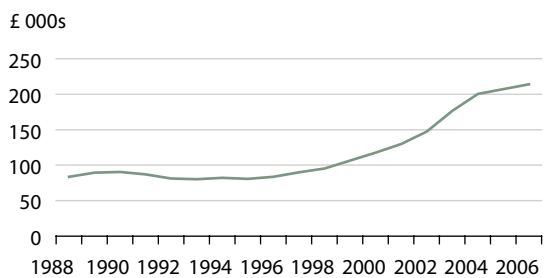
The number of homes built each year has recently increased, but is low compared to post-war years



Source: DCLG Housing Statistics

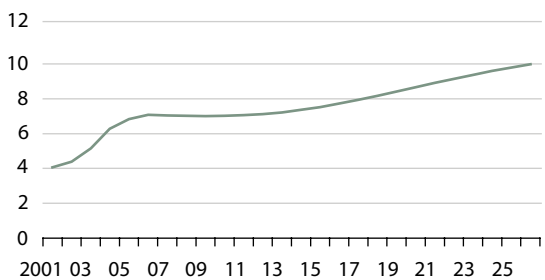
25 Housing affordability

Real term house prices continue to increase but have slowed in 2006-07 (set to 2007 prices)



Source: DCLG House price Statistics adjusted by ONS CPI

The NHPAU predict affordability ratios will get worse



Source: Affordability Matters, NHPAU, June 2007

79. Annual Report paragraph 6.23, and Department’s housing statistics.
80. Affordability Matters, National Housing and Planning Advisory Unit, June 2007.

81. The Thames Gateway: Laying the Foundations, Comptroller and Auditor General HC (2006-07) 526, 23 May 2007.

82. Annual Report paras 6.17-6.20.

83. Affordability and the Supply of housing, ODPM: Housing, Planning, Local Government and the Regions Committee, Third Report of Session 2005-06, HC (2005-06) 703, 20 June 2006.

84. National Evaluation of the HMR Pathfinder Programme - Baseline Report, the Department, March 2007.

85. A Foot on the Ladder: Low Cost Home Ownership Assistance, Comptroller and Auditor General HC (2005-06) 1048, 14 July 2006.

86. More than a roof: Progress in tackling homelessness, Comptroller and Auditor General HC (2004-05), 286, 23 February 2005.

8.9 The NAO reported on the Thames Gateway Growth Area in May 2007.⁸¹ We found:

- Government investment is helping local partners to accelerate the regeneration of the Thames Gateway;
- the Department cannot yet demonstrate that its programme management has added value to the projects the Department funds;
- stronger Departmental management of the programme is required to ensure plans are more coherent, investment more integrated and risks better identified and managed;
- stronger leadership across central government is needed to coordinate departments investing in the programme.

Housing Market Renewal Pathfinders

8.10 The Annual Report shows how long-term vacancy rates in Housing Market Renewal Pathfinder areas are falling whilst house prices are increasing.⁸² However this is in the context of a very strong housing market nationally. The decrease in long term vacancy rates is not predicted to meet the Select Committee's recommendation that it be halved by 2010.⁸³

8.11 In March 2007 the Government's evaluation of Pathfinders found:⁸⁴

- that Pathfinders had used a "very high" quality evidence base;
- that they were "geared up effectively" to deliver their programmes; but
- it is "far too early to make firm judgements about the impact of the programme on local housing markets".

8.12 The National Audit Office is scheduled to publish a value for money report on the Pathfinder Programme in Autumn 2007.

Progress in providing new Affordable Housing
8.13 The number of new affordable homes built in 2006 rose to 21,029. This is an increase of about 60 per cent since the lowest point in 2003, and roughly the same amount as built in 1997 (21,296).

8.14 The NAO reported on low cost home ownership in July 2006 and the Committee of Public Accounts in March 2007.⁸⁵ Our main findings were:

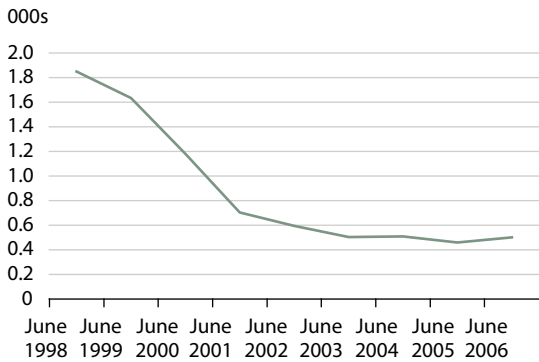
- low cost home ownership extends choice to people who could not otherwise afford to buy;
- funding available is low compared to demand (11,000 helped per year compared to an estimated 60,000 demand in 2004-05) and it accounts for less than 4 per cent of all housing sales (2004-05);
- it is very cost effective at releasing social rented housing for others to use if targeted on the small proportion of social renting tenants who can afford it; and
- Registered Social Landlords have used low cost home ownership to make substantial gains from rising house prices (up to £720 million between 1999 and 2005) which they have used to subsidise their other work.

8.15 We recommended changes which we believe could enable an additional 4,130 people a year to be helped at no extra cost to the taxpayer. The Department is in the process of implementing them.

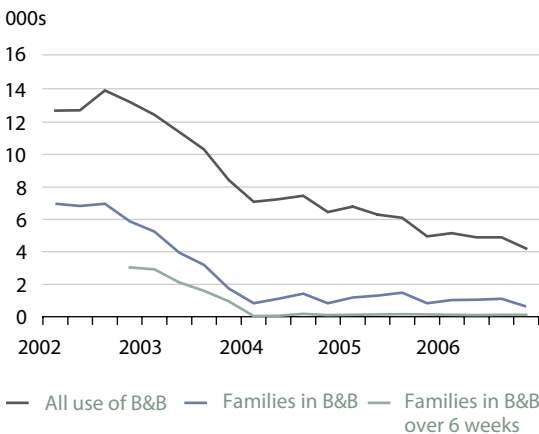
8.16 Earlier drives were successful in reducing the numbers of rough sleepers and families living in bed and breakfast (Figure 26).⁸⁶ Only 502 rough sleepers were recorded the day of the census in June 2006 (compared to 1,850 in 1998). 4,210 households were in Bed and Breakfast accommodation at the end of 2006-07 of which 640 had children. Of these 640 families, 109 had been there for more than six weeks.

26 Homelessness

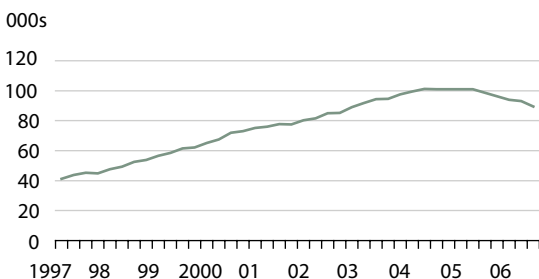
The number of rough sleepers is remaining low



The use of Bed and Breakfast is remaining low



The number of people in temporary accommodation has begun to drop after several years of rising



Source: DCLG homelessness

8.17 The Department is now focusing its attention on halving the number of people in temporary accommodation by 2010. As the Annual Report shows this has now started to fall after years of increase.⁸⁷

^{87.} Annual Report paras 6.24-6.25.
^{88.} Annual Report paras 6.38-6.39.
^{89.} The Department.

Progress on reform of the Planning System

8.18 More Local Planning Authorities are processing the required number of applications within the targeted 13 weeks for a major application and 8 weeks for minor application.⁸⁸

These figures show significant achievement in making the planning system more efficient, but do not provide information on what happens to applications beyond the number needed to fall within the targeted time or what happens outside the recorded process. The National Audit Office is currently considering investigating these issues as part of a value for money report on Planning Delivery Grant.

8.19 The Planning and Compulsory Purchase Act 2004 set out new content, formats and processes for Regional and Local spatial planning.

The Act allowed existing plans to continue for 3 years after the Act whilst new plans were prepared. But so far of the nine Regional Spatial Strategies, only the London Plan has been approved and published. Of 1,414 Development Plan Documents being prepared for Local Development Frameworks, only 36 have held their Examination in Public and, of these, 27 have been found to be sound.⁸⁹ The Department and Local Authorities underestimated the time needed to draw up new plans under the new regime (**Figure 27 overleaf**). As a consequence, statutory local and regional plans do not fully reflect revised national guidance or adequately reflect current priorities.

90. Housing audit: assessing the design quality of new housing in the East Midlands, West Midlands and the South West (also includes national summary), Commission for Architecture and the Built Environment February 2007.

91. Hidden Infrastructure, the pressures on environmental infrastructure, Environment Agency, March 2007.

92. The Department.

What challenges does the Department face?

8.20 Department has only indirect levers over developers and cannot make them build more private housing. The Department can encourage developers by targeting resources at specific places to stimulate local markets and it can provide more land for development through the planning system and by releasing public sector land. But these levers may be pushing at strings: in enabling development they assume that developers would build more if they could. The Callcutt Review and the Office of Fair Trading are both looking at developers' incentives.

8.21 Using Planning to encourage development is difficult because it is normally reactive, can only block or modify proposals, and cannot create new ones.

8.22 The quality of new developments is often poor and it will be challenging to improve both the quantity and quality of new housing. In 2006 the Commission for Architecture and the Built Environment (CABE) completed its national survey of the quality of housing developments against their

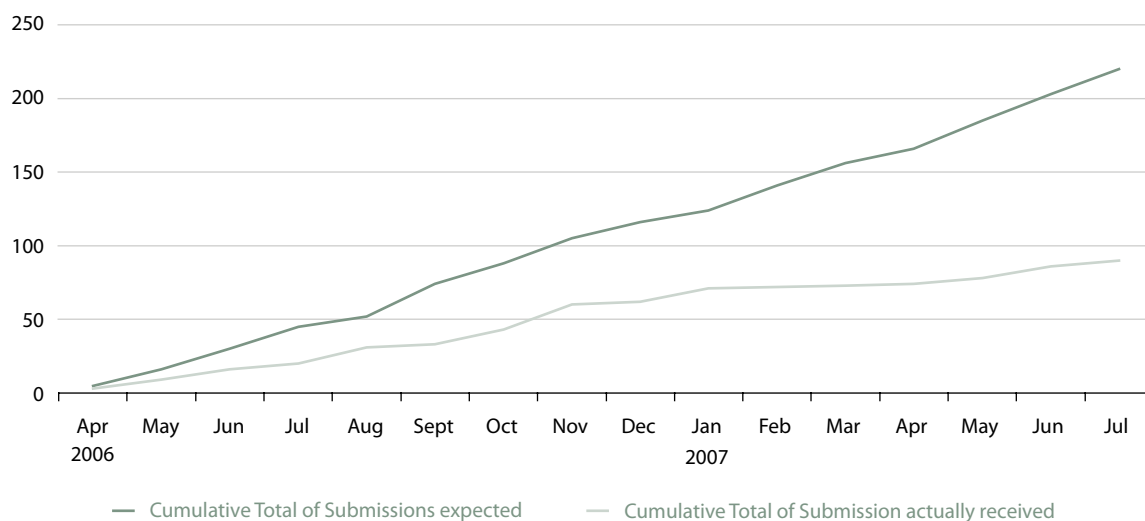
Building for Life criteria. They found only 18 per cent of developments are "good" or "very good", 53 per cent are "average" and 29 per cent are "poor". They believe "good" should be the minimum standard.⁹⁰

8.23 The Department wants the quality of building to improve to meet increasing expectations of environmental sustainability. But the Department faces pressure from Home Builders who say they fear that extra costs will make development unviable.

8.24 According to the Environment Agency, up to 108,000 homes in growth areas could be located in flood plains. The Association of British Insurers estimate that the additional flood risk from development in the Growth Areas could increase from £555 to £830 million per year by the 2080s if the risks are not properly managed. The Environment Agency recommends building outside flood plains and in the long term relocating existing development.⁹¹ But in 2005-06 11 per cent of Environment Agency objections to planning applications for development in floodable areas were ignored by Local planning Authorities (17 per cent in 2004-05).⁹²

27 Submissions of Development Plan Documents to the Secretary of State against timetable

The Department and Local Authorities underestimated the time needed to prepare Development Plan Documents



Source: The Department

8.25 The Department strengthened its Planning Policy on building in flood plains in Planning Statement 25: Development and Flood Risk, published in December 2006. It also made the Environment Agency a statutory consultee. This sets out a risk based sequential approach for managing flooding, using:

- **flood risk assessments**, whereby each spatial plan will be informed by a strategic flood risk assessment and local development frameworks will set out areas where individual planning applications must be supported by flood risk assessments;
- **a sequential test**, whereby Local Planning Authorities allocating land in their local spatial plans need to demonstrate that there are no reasonably available sites in areas with a lower probability of flooding; and
- **an exception test**, under which development may take place in areas of high risk of flooding if the sequential test shows there are no lower risk locations, consideration of the wider sustainability benefits outweighs the risk of flooding and the development is safe and does not increase flood risk.⁹³

8.26 The Association of British Insurers argued that using land-use planning to minimise properties in high flood risk areas would have the greatest impact on flood damages of all the options they examined. They estimated that moving properties off the floodplain and increasing the density in non-floodplain locations could reduce flood risk by 89 – 96 per cent for all the growth areas except the Thames Gateway where it would reduce it by 52 per cent.⁹⁴ The extent to which Planning Policy Statement 25 has brought this about in the Growth Areas has yet to be evaluated.

8.27 Coordination of infrastructure investment needs improving. Housing growth must be supported with transport, education, green space, environmental, health and community facilities. But as our Thames Gateway report found, cross-government working to match infrastructure investment to housing growth is currently poor.⁹⁵ The July 2007 Housing Green Paper “Homes for the future, more affordable, more sustainable”, announced cross-government reviews to improve coordination.

8.28 The future funding of infrastructure investment needs to be determined. Much reliance is placed on housing developers funding infrastructure from s106 planning contributions. But this cannot cover larger infrastructure needs. The 2007 Pre Budget Report announced that the Government will legislate to empower Local Planning Authorities in England to apply new planning charges to new development alongside negotiated contributions for site-specific matters. Charge income will be used entirely to fund the infrastructure identified through the development plan process. This differs from earlier proposals for a Planning Gain Supplement. In October 2006, the Select Committee published its report in support of the Planning Gain Supplement which found:⁹⁶

- That Planning Gain Supplement would be a useful funding tool for infrastructure if packaged alongside existing funding streams.
- It would provide better certainty to both Local Authorities and developers.
- But simplicity in its administration and clarity of application will be vital to its success. Exemptions and discounts should be avoided.
- Government should collect the supplement, but the majority of the revenue should be recycled to Local Authorities for the use of funding infrastructure.

8.29 The Department believes that the planning system can deliver increased housing supply through setting targets for the number of homes to be built. But Regional and local plans don’t yet contain enough housing growth to support national targets (**Figure 28 overleaf**).⁹⁷ The Department has announced that it will transfer responsibility for Regional Spatial Strategies to Regional Development Agencies in 2010 and that it will commission mini-reviews of the strategies in 2011. But effective dissemination of central targets to Local Authorities is challenging because there is a tension in the planning system between national and local housing priorities. This has led to accusations of nimbysism on one side and centralised imposition on the other.

93. Planning Policy Statement 25: Development and Flood Risk.

94. Making Communities Sustainable - Managing Flood Risks in the Government’s Growth Areas Summary report (2005) ABI, London.

95. The Thames Gateway: Laying the Foundations, Comptroller and Auditor General HC (2006-07) 526, 23 May 2007.

96. Planning Gain Supplement, Communities and Local Government Committee, Fifth Report of Session 2005-06, HC (2005-06) 1024, 7 November 2006.

97. Homes for the Future: more affordable, more sustainable, DCLG, July 2007.

98. NAO analysis.
 99. The Department.
 100. Affordable Rural Housing Commission final report, Affordable Rural Housing Commission, May 2006.

8.30 Housing Market Renewal has generated local controversy. Local campaign groups complain that public consultation has not been thorough enough and that plans for demolition of housing are not based on robust clear-cut evidence.⁹⁸ The Department believes that the majority of residents in pathfinder areas support the programme.⁹⁹

8.31 The Affordable Rural Housing Commission published its report in May 2006. The Commission was jointly established by the Department and the Department for Environment, Food, and Rural Affairs who have lead responsibility on rural issues. The Commission argued that more affordable housing is needed for rural communities and that the issue must be addressed in its own right, and with urgency, rather than only after urban needs have been met. They recommended that 11,000 units of affordable housing should be provided per year in settlements

below 10,000 population and that changes be made to the allocation of resources and planning criteria to enable this.¹⁰⁰

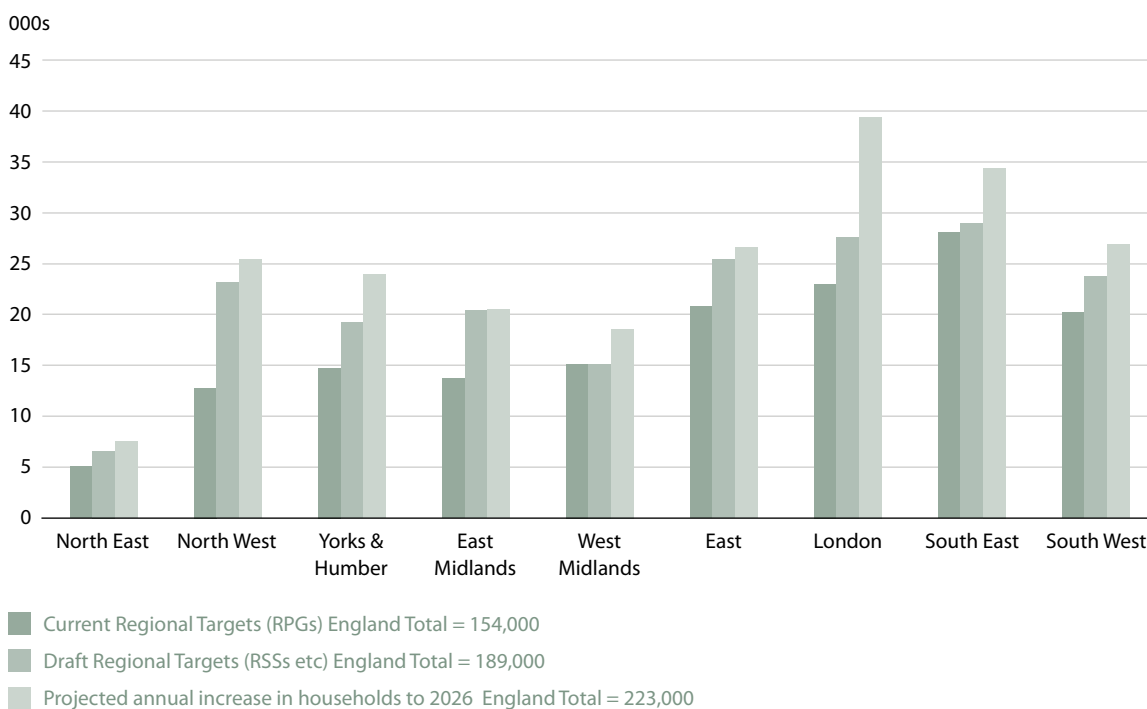
What happens next?

8.32 The Department published a new Housing Green Paper “Homes for the future: more affordable, more sustainable” in July 2007.

This set out plans to:

- increase the national target for new housing supply to 240,000 homes a year by 2016 and 3 million by 2020;
- carry out mini-reviews of Regional Spatial Strategies by 2011;
- better enable Local Authorities to invest in housing by opting out of Housing Revenue Account subsidy;

28 The projected demand for housing from increasing household numbers is greater than Regional Plans housing targets



Source: Homes for the Future: more affordable, more sustainable, DCLG, July 2007

- extend Growth Points to the North of England;
- build 5 eco-towns with 100,000 zero-carbon homes;
- use Planning Delivery Grant to encourage development;
- transfer surplus public sector land to English Partnerships for development of 200,000 homes;
- review cross-government infrastructure funding; and
- provide at least 70,000 new affordable homes a year by 2010-11, including 25,000 low cost home ownership homes.

8.33 The Homes and Communities Agency will merge English Partnerships, Housing Corporation and functions from the Department. The Agency will have oversight of housing investment and regeneration. It will require new legislation and it is hoped it will be launched in 2009.

8.34 The Department is consulting on the future regulation of housing. This follows the Cave review published in June 2007,¹⁰¹ which recommend that the regulation function of the Housing Corporation be separated from the investment function and become more orientated around tenants needs. The Government is considering whether the regulator should be a separate body or part of the Audit Commission, and whether it should cover Local Authority and Private affordable housing as well as Housing Associations.

8.33 The Department is developing a strategy for Housing in an Ageing Society.

101. Every Tenant Matters: A review of social housing regulation, Professor Martin Cave, June 2007.

Matters that the Committee may wish to explore

- The dependence of the Government's aims to increase the supply of housing on the market and private developers over whom the Department has no direct levers. (paragraphs 8.20–8.21)
- The reasons for the rate of house building being below the historical average and the impact of the Department's programmes on house building. (paragraph 8.7)
- The impact of the lack of up-to-date spatial plans and the slow development of Local Development Frameworks. (paragraphs 8.19, 8.29)
- The Department's ability to improve the quality of development. (paragraphs 8.22–8.23)
- The ability of the Department to coordinate infrastructure planning. (paragraphs 8.27–8.28, 8.9)
- The impact of flood risk on the Department's ambitions for sustainable housing growth. (paragraphs 8.24–8.26)

Decent Homes and Neighbourhoods (Chapter 7 of Annual Report)

102. NAO analysis.

What is DCLG trying to achieve?

9.1 The Department's fifth strategic priority aims to ensure people have decent places to live in:

- ensuring all homes meet minimum standards;
- improving the quality and sustainability of local environments and neighbourhoods; and
- balancing increased levels of house building with sustainability issues.

What has DCLG been doing to achieve this?

Improving sustainability of housing

9.2 Addressing the challenges of climate change is still a fairly new ambition for the Department and is not directly addressed by any of the PSA targets.¹⁰² In 2006-07 the Department issued a number of consultations on environmental sustainability:

- Building a Greener Future;
- Water Efficiency in New Buildings;
- Planning and Climate Change, the draft planning policy statement; and
- Feasibility study into carbon reduction in the Thames Gateway.

9.3 Currently the Department uses a mixture of regulation and investment in exemplars to improve the environmental sustainability of developments.¹⁰² The Department's use of building regulations and environmental requirements included:

- Publishing the Code for Sustainable Homes; and
- New (Part L) Building Regulations which came into force in April 2006 and aims to reduce the CO₂ emissions from buildings.

29 Decent Housing and Neighbourhoods Targets

Public Service Agreement 7 Housing:

Promises by 2010, to bring all social housing into decent condition, with most of this improvement taking place in deprived areas and, for vulnerable households in the private sector, including families with children, increase the proportion who live in homes that are in decent condition.

Public Service Agreement 8:

Liveability commits the Department to lead the delivery of cleaner, safer, greener public spaces and improvement of the quality of the built environment in deprived areas and across the country, with measurable improvement by 2008. (This target also contributes to strategic priority 1).

9.4 The Department also uses public investment to create exemplars of sustainable development. In 2006-07:

- it launched the Carbon Challenge with English Partnerships; and
- English Partnerships and the Housing Corporation required the developments they fund to achieve a high level of sustainability as assessed by the Code for Sustainable Homes.

9.5 Little investment is put into retrofitting sustainability into housing and reliance is put on home owners to invest in improvements.¹⁰² Home Information Packs introduced on 1 August 2007 will provide home buyers with information on the environmental performance of their home.

Making Homes Decent

9.6 The levers for ensuring homes comply with decent homes standards vary by sector.¹⁰²

9.7 The Housing Corporation uses its regulation of Registered Social Landlords (RSLs) to require them to ensure all their stock meets decent homes standards by 2010. The RSLs raise their funding to do so privately, secured against rental income.

9.8 103 Local Authorities have opted to make their homes decent using their own resources.

Local Authorities may use prudential borrowing, supported borrowing (subsidised by central government), capital receipts, or rental income (within the restrictions of the Housing Revenue Account) to refurbish their stock. For those Authorities that need additional resources to do so, there are three options for making their homes decent:¹⁰³

- Setting up an Arm's Length Management Organisation (ALMOs).
- Using Private Finance Initiative (PFI).
- Transferring all or some of the stock to a Registered Social Landlord.

9.9 The Department has less power over the private sector. Local Authorities paid £243 million of grant in 2006-07 to improve the accommodation of vulnerable groups in the private sector and can force landlords to improve accommodation if it fails the statutory minimum standard for housing.¹⁰⁴

Improving liveability

9.10 Liveability is a cross-cutting Government ambition and will be mostly delivered by Local Authorities. The Department:¹⁰⁵

- coordinates cross-government action through the new Cleaner Safer Greener Advisory board established in October 2006;
- assess Local Authorities performance on liveability issues under the Best Value regime and Audit Commission Comprehensive Performance Assessments;
- promoted the liveability agenda across local government and provided best practice to improve the existing use of resources;
- targeted £48.5 million (2006-07) of the Safer and Stronger Communities Fund (the Cleaner Safer Greener Element) through Local Area Agreements at liveability projects (see Part 4); and

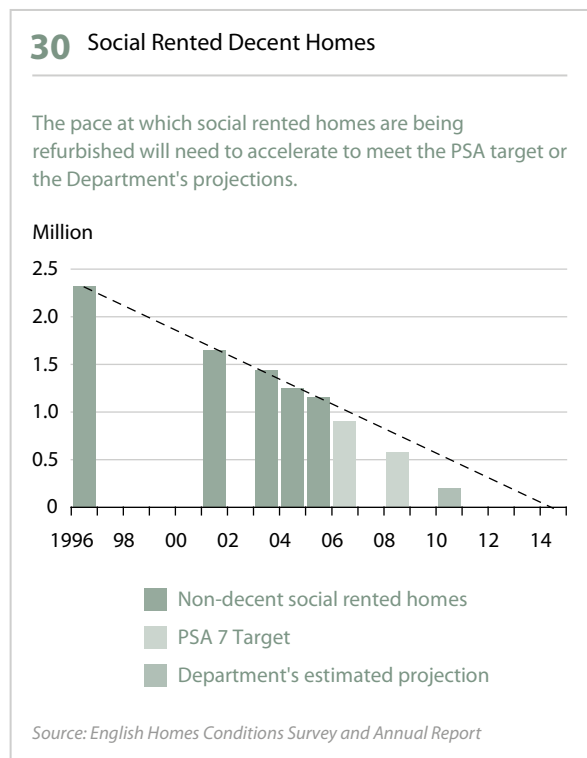
- placed mandatory liveability indicators in the Local Area Agreements for the 50 Local Authorities that were previously performing worst against Liveability performance indicators.

How are DCLG progressing and performing against their plan?

Decent Homes

9.11 The Decent Homes programme has made a significant impact in improving the quality of housing but is unlikely to achieve its ambition of bringing all social rented housing up to standard by 2010. The English Housing Condition Survey 2005 was published in June 2007 and provided an update on progress since 2001. A simple projection of the current pace of refurbishment suggests that 100 per cent of social housing will not meet the standard until 2014 (**Figure 30**).¹⁰⁶

103. The Department.
104. £243 million was the budgeted expenditure according to the Regional Housing Strategy Statements. Local Authorities do not report the actual expenditure to the Department.
105. NAO analysis.
106. English House Condition Survey 2005 Annual Report, Communities and Local Government, June 2007; Projection is NAO analysis.



- 107. Annual Report paragraph 7.9.
- 108. NAO analysis.
- 109. Annual Report paras 7.5-7.9.
- 110. The Department.
- 111. Annual Report paragraph 7.10.
- 112. English House Condition Survey 2005 Annual Report, Communities and Local Government, June 2007.
- 113. Annual Report page 51.
- 114. English House Condition Survey 2005 Annual Report, Communities and Local Government, June 2007.

9.12 The Department has said that better quality outcomes can be achieved if they extend the deadline past 2010 and now estimate that 95 per cent of all social rented properties will comply with the standard by 2010.¹⁰⁷ The Department bases this projection on their assessment of Local Authority plans for refurbishment which assume an acceleration of the current pace. This bottom up approach is more likely to be accurate than a simple trend projection. But there is a risk that the easier refurbishment has already taken place and the pace may slow.¹⁰⁸

9.13 The main reasons the Department gives for slippage in the target are the elemental approach, delays in ALMO inspections and incorporating refurbishment plans into wider transformational projects.¹⁰⁹ The programme has also encountered some local opposition to transfer of stock which has significantly delayed some refurbishment. In 2006-07, there were 28 positive ballots covering 99,000 dwellings compared with 11 unsuccessful ballots covering 41,000 dwellings.¹¹⁰

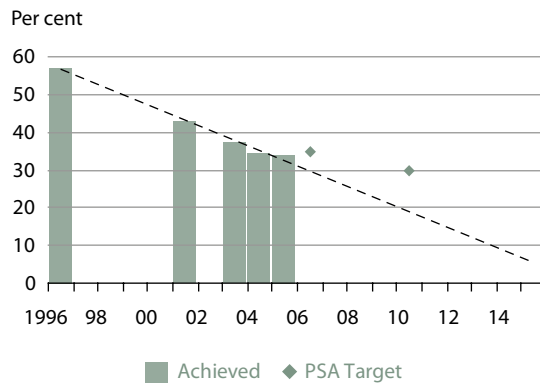
9.14 The Department is ahead of the PSA target for reducing the proportion of vulnerable groups in private non-decent homes, having achieved the interim target two years early.¹¹¹ But the actual number of vulnerable people living in non-decent homes has stabilised and increased slightly in 2005 to 1,071,000 households (**Figure 31**). This is because the number of vulnerable households has increased from 2.5 million in 1996 to almost 3.2 million in 2005. Vulnerable households are those in receipt of at least one of the principle means tested or disability related benefits.¹¹²

Liveability

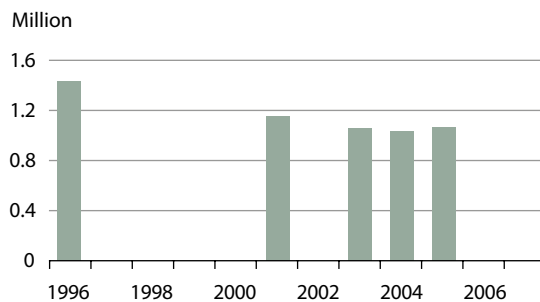
9.15 The Annual Report says that the Department is on course to achieve PSA Target 8: Liveability due to progress on cleaner streets, safer streets, quality of green spaces and local environmental services, but records slippage on improving neighbourhoods and household satisfaction.¹¹³

31 Private Sector Decent Homes

Progress in reducing the proportion of vulnerable households in private non-decent housing is ahead of the PSA target.



But the number of vulnerable households in non-decent homes has stabilised and could be increasing.



Source: English Homes Conditions Survey 2005

9.16 The English House Conditions Survey 2005 found 3.4 million households had liveability problems relating to the quality of their environment in 2005, possibly increasing slightly but not significantly from 2003. 11 per cent of all households have upkeep problems in their immediate environment, seven per cent live with traffic problems and two per cent with abandonment or intrusive use for non-residential purposes problems as assessed by an independent surveyor.¹¹⁴

9.17 The number of households saying they are satisfied with their neighbourhoods is not increasing enough to meet the PSA target.¹¹⁵

In England, the number of households expressing dissatisfaction with noise, dogs, vandalism and traffic was higher in 2005-06 than in 2004-05, whereas dissatisfaction with graffiti and with litter & rubbish was largely unchanged. The average of these indicators, reflecting the overall level of satisfaction with the local area, fell by half a percentage point in 2005-06, although the average is up from 2003-04 when the target was set (**figure 32 overleaf**). Performance has been better in the more deprived areas targeted by the Neighbourhood Renewal Fund.

9.18 The NAO reported on Enhancing Green Space in March 2006.¹¹⁶ The report found:

- That Government action since 2001 had led to an improvement in most parks and urban green space. The satisfaction of both residents and park management teams are both significantly improved.
- But satisfaction varies widely and a significant number of Local Authorities have not improved. Some of these Local Authorities with the worst performance are not deprived areas and are not receiving specific funding. Funding for green spaces is not therefore well matched to need.
- Urban green spaces remains low on the agenda of local government. Local Authority expenditure on green space makes up four-fifths of urban green space public sector spending. It has increased by 19 per cent in cash terms since 2001-02, but has not kept pace with the overall level of local authority spending. Local Authority urban green space departments suffer from a lack of skills, capacity and fragmentation in their management.

- The Department established CABE Space to help Local Authorities manage their green space better and more strategically. Green Space Strategies are essential for such comprehensive improvement. But at the time of the report only 38 per cent of Local Authorities had published one, and 20 per cent of these had no assessment of future need.

¹¹⁵. Annual Report paragraph 7.22.

¹¹⁶. Enhancing Urban Green Space, Comptroller and Auditor General, HC (2005-2006) 935, 2 March 2006.

¹¹⁷. Note to RICS about the implementation of Home Information Packs, National Audit Office, August 2007.

What challenges does the Department face?

9.19 One of the levers for retrofitting environmental sustainability into old housing will be the Home Information Packs. These

provide information to buyers on the environmental sustainability of the home and an incentive for the seller to undertake energy efficiency home improvements.

9.20 But Home Information Packs have been controversial. Mandatory Home Condition Reports

were dropped from the scheme in July 2006. In August 2007 the NAO published its findings in response to complaints concerning the design of the certification scheme.¹¹⁷ We found:

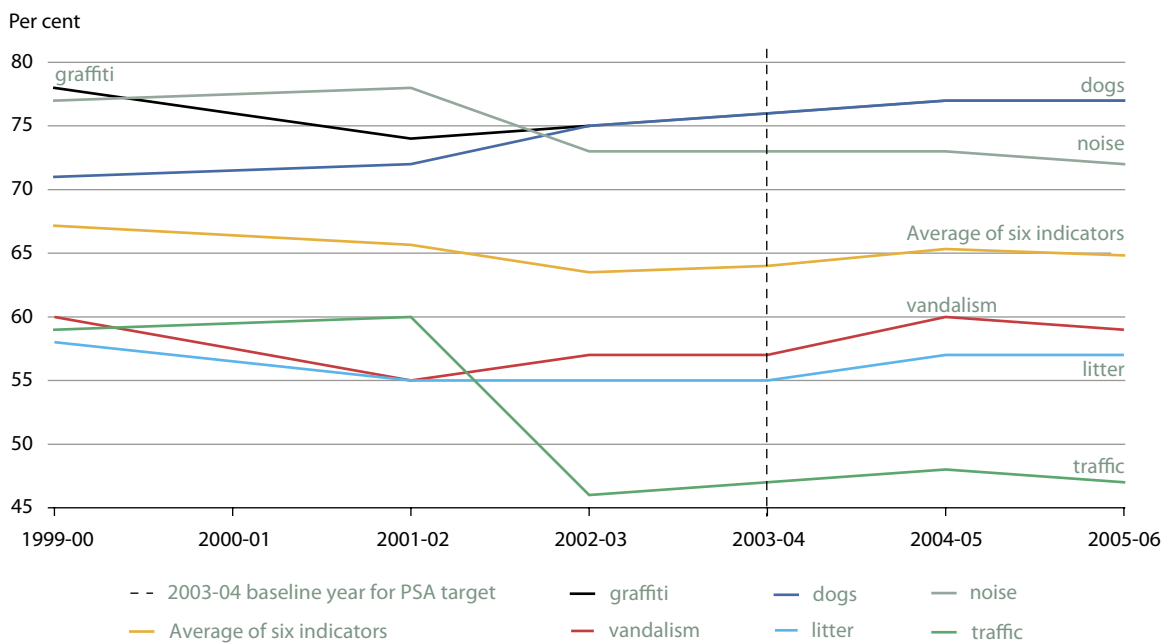
- the Department employed consultants with a clear conflict of interest;
- in designing the certification schemes, the Department did not follow many of the better regulation principles;
- the Department fell far short of appropriate practice in developing and publishing transparent standards for the lighter touch certification scheme and the associated approval process including the scoring criteria for considering applications; and
- communication with all the applicants was not as equal or open as it should have been.

118. Ends and Means: the future role of social housing in England, John Hills, February 2007.

119. Note these figures are estimates for 2004-05 and are economic cost and not the cash cost to the exchequer.

32 Household Satisfaction with Local Area

Householder satisfaction with the quality of their local area (measured against the six factors in the PSA target 7) declined in 2005-06 by half a percentage point



Source: Survey of English Housing Provisional Results 2005-06

NOTE

2000-01 data is not available and is presented here as the average of 1999-01 and 2001-02.

Satisfaction with graffiti and dogs has matched one another since 2002-03.

9.21 In February 2007 Professor John Hills published his independent review of affordable housing commissioned by the Department.¹¹⁸

He found:

- support for housing in the UK is dominated by means-tested housing benefit (£11 billion), provision of subsidised housing (£6.6 billion), and favourable taxation of owner occupiers (£15.7 billion);¹¹⁹
- social housing can ghettoise worklessness. Employment rates of those living in social housing with particular disadvantages are substantially lower than those of people with similar disadvantages but living in other tenures;
- ensuring social tenants can live in mixed-income area is a key potential advantage of social housing but is not being achieved;
- more needs to be done to tackle worklessness amongst social tenants. Housing benefit can act as a barrier to work, housing and employment support needs to be better integrated; more local employment schemes are needed; and an expansion of choice-based lettings would increase economic mobility; and
- offering alternatives to secure tenancies may allow better value for money to the taxpayer and better meet tenants preferences and needs.

9.22 The NAO's report *Leaving the Services*¹²⁰ found that taking account of local connections to an area can exclude serving members of the military applying for social housing before they leave the service. On 21 June 2007, it was announced by the Government that the housing legislation is to be changed to ensure that Service personnel are put on an equal footing with other people applying for social housing.

What happens next?

9.23 As Local Area Agreements come into force across the local government sector, there will be no ring fenced money for liveability issues. Local Authorities will set their own targets and, except for the 50 identified as the worst performers on liveability issues, will not necessarily have to report on liveability issues.

120. *Leaving the Services*, Comptroller and Auditor General, HC (2006-2007) 618, August 2007.

Matters that the Committee may wish to explore

- The reasons that the Decent Homes Standard will not be achieved for all social housing by 2010, and the implications of the announcement that Local Authorities can extend the deadline. (paragraphs 9.11–9.14)
- The impact of the increase in vulnerable people on the Decent Homes Target. (paragraph 9.14)
- The reasons for the lack of progress in improving liveability conditions and resident satisfaction with their neighbourhoods. (paragraphs 9.15–9.17)
- The ability of the Department to improve the environmental sustainability of existing housing. (paragraphs 9.2–9.5, 9.19–9.20)

Reducing Inequalities

(Chapter 8 of Annual Report)

121. Improving Opportunity, Strengthening Society, Home Office, 2005.

122. NAO analysis.

123. Improving Opportunity, Strengthening Society: Two years on – A progress report on the Government's strategy for race equality and community cohesion, the Department, August 2007.

What is DCLG trying to achieve?

10.1 Strategic priority 6 aims to reduce inequalities and build community cohesion by:

- increasing integration and cohesion;
- reducing extremism and improving cohesion into the community; and
- developing an equality agenda.

What is the Department doing to achieve this?

Promoting cohesion

10.2 The Department inherited responsibility for the Government's cohesion strategy *Improving Opportunity, Strengthening Society* from the Home Office in May 2006.¹²¹ To pursue the strategy the Department:¹²²

- Allocates £18 million of funding through the Connecting Communities Plus grants programme (April 2006 to March 2009), for projects and activities which improve race equality and community cohesion. The programme is administered by a private company: A4e.
- Established the Commission on Integration and Cohesion in August 2006 to investigate how local areas can most benefit from increased diversity and how they can respond to tensions it can sometimes cause. It aims to develop practical approaches to build communities' own capacity to prevent problems, including those caused by segregation and the dissemination of extremist ideologies. Based on a programme of regional visits and outreach events, the Commission published its recommendations in its final report "Our Shared Future" in June 2007.

- Set out its expectation that Local Authorities take the lead in promoting community cohesion in the Local Government White Paper *Strong and Prosperous Communities* (see Part 4). It lays out guiding principles for Local Authorities to follow: strong leadership and engagement; develop shared values; prevent the problems of tomorrow; use good information; be seen to tackle inequalities; involving young people; interfaith work and using partners such as local third sector organisations.
- Provides Community Grants through the Community Development Foundation to support local projects run by smaller community organisations.

10.3 The Department publishes annual progress reports on the cross government efforts to achieve **community cohesion** in response to "Improving Opportunity, Strengthening Society". The latest progress report was published in August 2007 and outlines the full range of cross government activity.¹²³

10.4 The Department has put particular emphasis in 2006-2007 on supporting **Faith Communities** and their role in strengthening cohesive communities.¹²³ The Department provided £5 million through the Faith Communities Capacity Building Fund to:

- develop the Faith Community's capacity to apply for funding for its community and social activities; and
- develop interfaith networks.

33 Reducing Inequalities Targets

Public Service Agreement 9 Gender equality:

By 2008, working with other departments to bring about measurable improvements in gender equality across a range of indicators as part of the Government's objectives on equality and social inclusion.

Public Service Agreement 10 Race equality:

Reduce race inequalities and build community cohesion.

10.5 The All-Party Parliamentary Inquiry into anti-Semitism was established in November 2005 to investigate the nature and extent of contemporary anti-Semitism and make recommendations about addressing this problem. The Department published the cross-government response in March 2007 which set out plans to:¹²⁴

- improve recording and reporting of anti-Semitic incidents;
- review and strengthen the prosecution process;
- accelerate work to confront extremist groups who spread hate;
- promote community cohesion through education about different faiths; and
- prevent any manifestation of racial or religious intolerance on university campuses.

Tackling extremism

10.6 The Department's tackling extremism work is a key part of the prevention element of the cross-government counter-terrorism strategy.¹²⁵

Responsibility for this work was adopted from the Home Office under the Machinery of Government changes in May 2006. The Department focuses its attention at tackling extremism amongst Muslims, as that is where the Security Services say the biggest threat lies.¹²⁶

10.7 The Department's aim is to broaden efforts at preventing extremism from an exclusive focus on those at the cusp of illegality towards promoting shared values and supporting the leadership within the mainstream Muslim community.¹²⁷

10.8 The Department's strategy "Preventing violent extremism – Winning Hearts and Minds" was published in April 2007.¹²⁸ It sets out four objectives and the immediate work to support them:

- **Promoting shared values**, by developing a plan (by Summer 2007)¹²⁹ to roll out good practice on broadening the provision of citizenship education

in supplementary schools and madrassahs and considering how to ensure the most effective use of the education system in promoting faith understanding.

- **Supporting local solutions to tackling extremism**, by supporting Local Authority work through the Preventing Violent Extremism Pathfinder Fund; by increasing the number of Forums on Extremism and Islamophobia to at least 40 by April 2008 bringing together local communities, the Local Authority, the police and other players; and by supporting the development of tackling violent extremism road shows.
- **Building civic capacity and leadership**, by only giving support and funding to leadership organisations that actively work to tackle violent extremism; and by publishing in Autumn 2007 good practice and promoting debate on effective initiatives to strengthen the role that Muslim women play.
- **Strengthening the role of faith institutions and leaders**, by providing £600,000 to establish a Faith and Social Cohesion Unit within the Charity Commission to raise standards of governance in mosques; by developing an accredited Continuous Profession Development Programme for Faith Leaders from September 2007 (led by DIUS); and by early 2008 establishing minimum standards for all imams and Muslim chaplains engaged by the state.

10.9 The Department launched two grant funding streams in support of this strategy to start funding in 2007-08:

- **the £6 million Preventing Violent Extremism Pathfinder Fund** to support Local Authorities in their work to tackle violent extremism. This Fund is intended for local level projects and is administered through priority Local Authorities. The aim is to ensure Muslims in our communities identify themselves as a welcome part of a wider British

124. Report of the All-Party Parliamentary Inquiry into Antisemitism: government response, Secretary of State for Communities and Local Government, March 2007.

125. The other elements are protect, prepare and pursue.

126. Preventing Violent Extremism - Winning hearts and minds, the Department, April 2007.

127. The Department.

128. Preventing Violent Extremism - Winning hearts and minds, the Department, April 2007.

129. As yet unpublished.

130. NAO analysis.

society and are accepted as such; reject violent extremist ideology and condemn it; isolate violent extremist activity and support the police and security services; and develop their own capacity to deal with such problems. Funding started from April 2007.

- **The Community Leadership Fund is a one off distribution of £650,000 over 2007-08.** It aims to assist Muslim communities to take practical steps to reject violent extremism and feel a welcome part of wider British society. The programme aims to support projects with a national impact, and is administered directly by the Department.

Tackling inequalities

10.10 The Department had the lead role on equality across government between May 2006 and July 2007, when that role transferred to the new Government Equalities Office in the Department for Work and Pensions. Whilst the new Office is responsible for integrating work on race and religion or belief quality into the overall equality framework, the lead on race and faith remains with the Department where it links strongly with the work on community cohesion and preventing extremism. The Department:¹³⁰

- **Coordinated cross government action** and worked with all front line services to ensure they have strategies in place to tackle discrimination.
- **Sponsored and funded the main equalities Non-Departmental Public Bodies:** The Commission for Racial Equality, Equal Opportunities Commission and Disability Rights Commission. These support individuals pursuing complaints on inequality issues, support representative bodies, and undertake research. The Department organised the merger of the equality NDPBs into the Commission for Equality and Human Rights which will come into effect in October 2007 and is sponsored by the Department for Work and Pensions.
- **Mainstreams its equality efforts into its other programmes and ensures all its programmes target the hard to reach.** For instance the Ethnic Minorities Innovation Fund provides £3 million to combat homelessness among Black and ethnic minority communities.

- **Coordinated the Government's commemoration of the 2007 bicentenary of the Abolition of the Slave Trade Act** and provided funding through its small grants programme to bodies with related projects. Events were held throughout 2007, with particular focus on the International Day for the Remembrance of the Slave Trade and its Abolition on 23 August 2007. A national education project Understanding Slavery was developed by museums in Bristol, Liverpool, London and Hull. The Government also published a commemorative magazine.
- **Implemented the Equality Act 2006** to tackle discrimination in the provision of goods, facilities and services on grounds of sexual orientation, religion or belief. The legislation came into force on 30 April 2007.
- **Established the REACH working group** in February 2006 with a focus on raising the aspirations and achievement of Black boys and young Black men, enabling them to achieve their potential. It followed on from Stephen Lawrence Steering Group and the Race Equality Advisory Panel. It published its final report in August 2007, with good practice intended for schools and Local Authorities.
- **Implemented the public sector gender equality duty in April 2007**, obliging public authorities to have regard to the need to eliminate gender discrimination and harassment and to promote equality of opportunity between women and men.

10.11 The Department aims to encourage Local Authorities and Registered Social Landlords to provide more authorised accommodation for Gypsies and Travellers. The Annual Report does not cover this issue, but it is the largest spending programme the Department has on reducing inequalities.¹³⁰ The Department hopes that providing Gypsies and Travellers with authorised accommodation will enable Local Authorities to be more effective in stopping unauthorised camping. The Department:

- provided £20 million through Regional Housing Boards in 2006-07 for new sites and the refurbishment of existing sites; and

- introduced Planning Circular 01/06 in February 2006 which requires Local Authorities to allocate land to fulfil the need for local Gypsy and Traveller accommodation as part of the spatial planning process.¹³¹

What progress has the Department made?

Promoting cohesion

10.12 The Department has established a baseline for the PSA target on social cohesion by selecting data from the 2005 Citizenship Survey for the ten Local Authorities most at risk of disturbance.¹³²

10.13 The choice of Local Authorities for the baseline is based on the Department's assessment of the risk of social disturbance and the impact it would have in each area.¹³³ They collate information from Government Offices, Local Authorities, the Citizenship Survey and the Monthly Tension Monitoring Survey provided by the Police. Areas at risk are often more localised than Local Authorities and the areas chosen are not necessarily those with the least cohesion in the Citizenship Survey. The Department has not published this baseline because it may agitate tensions in the areas named.

10.14 The Commission on Integration and Cohesion published its final report in June 2007: Our Shared Future.¹³⁴ The Commission undertook a detailed analysis of the Citizenship Survey. They found that cohesion issues differ around the country and that different approaches are needed for different types of cohesion problems. They set out four cohesion scenarios and recommend good practice for each:

- changing less affluent rural areas e.g. Eastern European migrants coming to work in agriculture and food processing rural areas;
- stable less affluent urban areas with manufacturing e.g. longstanding White and Asian communities living parallel lives in the North and Midlands;

- stable less affluent urban areas without manufacturing decline e.g. in the South East where house prices are comparatively lower and attract newcomers;
- changing less affluent urban areas e.g. coastal towns with high demand for low skilled labour and migrant workers; and
- areas not deprived with tensions arising from a single issue e.g. areas with terrorist arrests or a proposed centre for asylum seekers.

10.15 The Commission made recommendations to Government following four principles of shared futures, a new model of rights and responsibilities, a new emphasis on mutual respect and civility and visible social justice.

10.16 The Department provided £50 million of Gypsy and Traveller Site Grant between 2001 and 2007 to Local Authorities and Registered Social Landlords.¹³⁵

10.17 This funding is yet to make a significant impact on the number of sites, although more are now using them. In 2003 the Department estimated that there were fewer than 325 sites and 5,005 pitches then available in England and a need for an additional 2,000 to 2,500 by 2008.¹³⁶ By January 2007 the number of pitches managed by Local Authorities and Registered Social Landlords had reduced to 4,896 pitches. The number of Gypsy and Traveller caravans recorded as using authorised pitches (public or private) has increased by 10 per cent since 2005.¹³⁷

10.18 But it is too soon for the new planning guidance on Gypsy and Traveller sites introduced in February 2006 to have had much effect. The Department is looking for significant improvement over the next three years.

Tackling extremism

10.19 Tackling extremism is not directly addressed by a PSA target and it is difficult, by the nature of the topic, to provide robust data on progress. The Department is considering whether it would be feasible to survey attitudes towards extremist violence amongst Muslims.¹³⁸

¹³¹. Planning for Gypsy and Traveller Caravan Sites: ODPM Circular 01/2006, the Department, 2 February 2006.

¹³². Annual Report paragraph 8.26

¹³³. The Department
¹³⁴. Our Shared Future, Commission on Integration and Cohesion, June 2007

¹³⁵. Formerly the Gypsy Site Refurbishment Grant. The Department

¹³⁶. Local Authority Gypsy/Traveller Sites in England, ODPM, July 2003

¹³⁷. Gypsy and Traveller site data and statistics, the Department, January 2007.

¹³⁸. The Department.

139. To be published Autumn 2007.

140. The Gender Equality Index, Completing the Revolution, Equal Opportunities Commission, July 2007.

141. Annual Report paragraph 8.25.

142. Annual Report paras 8.21-8.23, Citizenship Survey 2005.

143. Citizenship Survey 2005.

144. Fairness and Freedom: The Final Report of the Equalities Review, Equalities Review, February 2007.

Tackling inequalities

10.20 There are 19 separate performance indicators under PSA 9 for Gender Equality.

There has been slippage on five of these indicators: employee awareness of flexible working arrangements; women's representation on science, engineering and technology related boards and councils; public appointments of women; appointments of women to the Senior Civil Service (SCS); and appointments of women to SCS top management posts. Four other performance indicators have not yet been assessed and six are ahead or on course to achieve the target.

10.21 The NAO's review of the specification of the data systems underlying PSA 9 found the target unfit for the purpose of reporting improvements in gender equality. The diffuse multiple indicators do not collectively give a clear picture of performance. Furthermore, some indicators are not easily measurable, either because the data is not readily assessable or because success against the indicator has not been defined.¹³⁹

10.22 The Equal Opportunities Commission report, Completing the Revolution, identified 22 leading indicators that measure the nation's gender equality.¹⁴⁰ There are a number of indicators whereby there are significant gaps:

- The **"power gap"** for women in Parliament will take almost 200 years to close and it will take up to 65 years to have a more equitable balance of women at the top of FTSE 100 companies.
- The **"pensions gap"** will take 45 years to equalise: retired women's income is currently 40 per cent less than men's.
- The **"part-time pay gap"** will take 25 years to close and the "full time pay gap" 20 years. Women working part-time earn 38 per cent less per hour than men working full time. Full time female employees earn 17 per cent less per hour than men.
- The **"flexible working gap"** is unlikely ever to change unless further action is taken. Even though half of working men say they would like to work more flexibly, currently women are much more likely than men (63 per cent more likely) to work flexibly.

10.23 There has been slippage against all three performance indicators relating to PSA 10 Race Equality and Community Cohesion: discrimination in the labour market, discrimination by organisations, and community cohesion.¹⁴¹ The number of Black and Minority Ethnic (BME) people who say they are discriminated against in seeking employment fell from 24 per cent to 22 per cent, but the number who said they were discriminated against in seeking promotion rose from 46 per cent to 50 per cent (2003 to 2005).

10.24 The Department's survey did not record a significant change in the number of BME people who believe that one or more key public services discriminate against them because of their race between 2003 to 2005. But this hides improvement in the perception of individual services (**Figure 34**).¹⁴² The Department published figures for the first quarter of 2007 on 4 October. They show a statistically significant reduction in the number of BME people who believe that one or more of the five Criminal Justice Agencies would treat them worse than people of a different race.

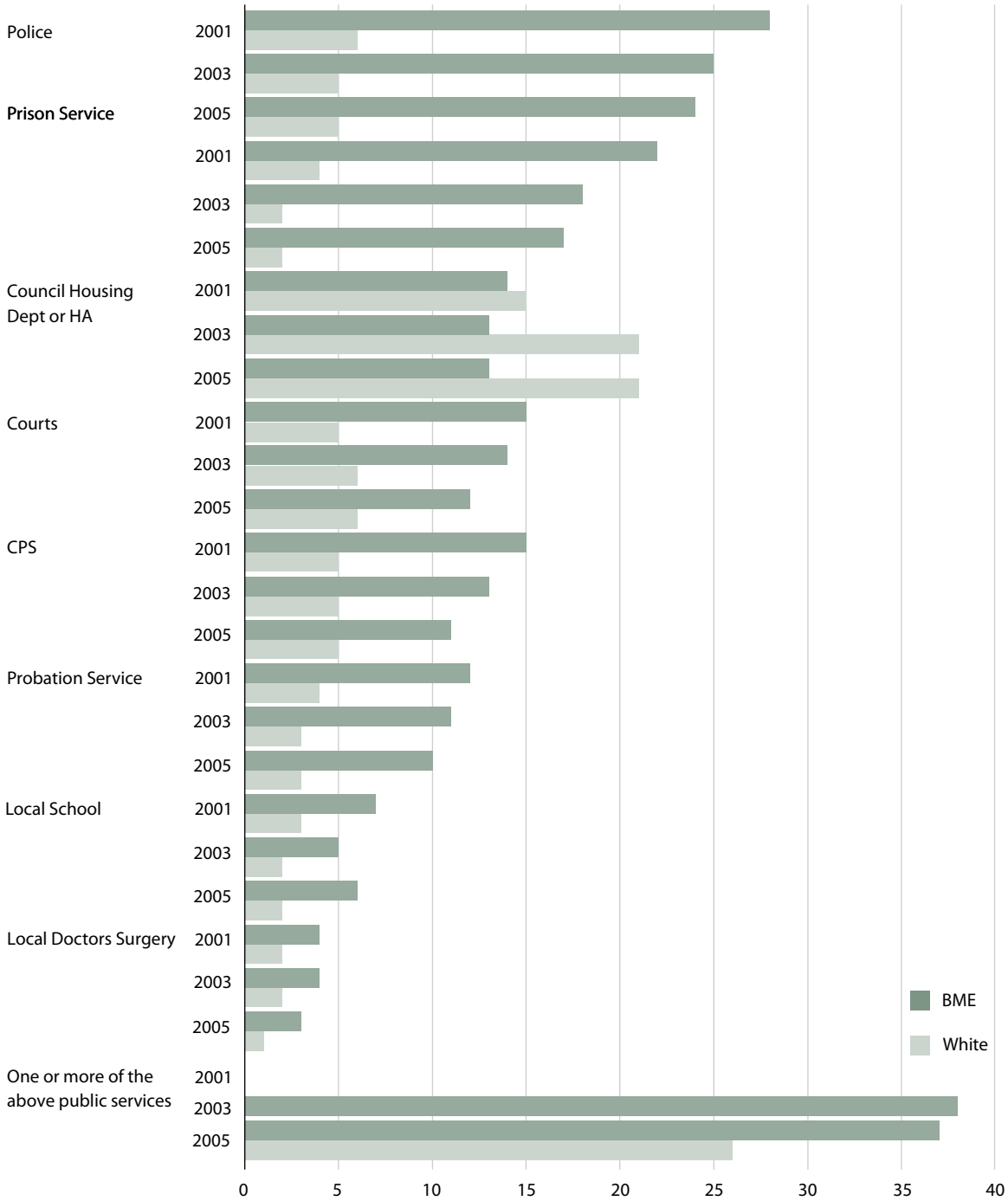
10.25 Half of people in England and Wales believe that racial and religious prejudice is getting worse. A third believe it has stayed the same. The 2005 Citizenship survey (June 2006) found 48 per cent of people believe that Britain has more racial prejudice today than five years ago, up from 47 per cent in 2003 and 43 per cent in 2001. 52 per cent of people thought religious prejudice had got worse over the last five years and 93 per cent of these people said Muslims received more religious prejudice today than five years ago. But people who think that their local area is one where people from different backgrounds get on well together are less likely to say that racial prejudice in Britain has increased over the past five years.¹⁴³

10.26 The Equalities Review, chaired by Trevor Phillips and commissioned by the Prime Minister found:¹⁴⁴

- **Not all inequalities are closing.** Persistent inequalities remain in early years and education, employment and criminal justice. Progress is painfully slow, and non-existent for closing the disability employment gap and the ethnic qualification gap.

34 Percentage of people who expect to be treated worse than people of another race, by public service

Despite poor progress on the PSA target, perceptions of the way public services treat people of different race are improving. There remains however some way to go particularly with the police and criminal justice system.



Source: Citizenship survey 2001, 2003 and 2005

NOTE

The PSA target monitors the number of BME people who think one or more of the public bodies listed above would treat them worse because of their race. This did not improve statistically significantly between 2003 and 2005. But attitudes towards each of the public services are improving.

145. NAO analysis.

146. Our Shared Future, Commission on Integration and Cohesion, June 2007.

147. Citizenship Survey 2007.

148. Accession Monitoring Report A8 Counties, May 2004-June 2007, Home Office, 2007.

- **Inequalities persist because there is persistent prejudice;** a lack of understanding of equality which is too often regarded as “political correctness”; and little clarity over roles and responsibilities for delivering equality.
- **The quality of data is poor** and makes it extremely difficult to establish what needs to be done. It recommended an equalities scorecard, of ten indicators, to measure equality.
- **The policy levers are not fit for purpose.** There is too much emphasis on legislation and process rather than achieving outcomes; positive discrimination is forbidden; the laws are complicated and employers lack clear guidance and support; and enforcement is blunt and inflexible.

10.27 The Equalities Review recommended 10 steps to overcome the barriers to tackling inequality: defining inequality; building a consensus; measuring progress; transparency about progress; targeted action on persistent inequalities; a simpler legal framework; more accountability for delivering equality; using public procurement and commissioning positively; enabling and supporting organisations in all sectors; and a more sophisticated enforcement regime.¹⁴⁴

What challenges does the Department face?

10.28 The Department has weak policy levers. The complexity of the issues makes understanding what makes an effective intervention challenging. This is exacerbated by the fact that local communities can be highly sensitive to the findings from Government analysis and to the way policies are implemented. This exacerbates the challenge the Department faces across all its policies of needing to work remotely through others.¹⁴⁵

10.29 Many of the reports summarised above have highlighted the lack of robust data and the need to better understand the issues of social cohesion and inequality.¹⁴⁵ The Department

appear to have recognised this in commissioning the major studies outlined above but now needs to demonstrate it can use a sound evidence base to formulate more effective policy levers.

10.30 The Department aims to protect the rights of minorities even when it is unpopular to do so.

For instance local opposition to illegal Gypsy and Traveller sites, new migrants and asylum seekers does not encourage Local Authorities to make the provision of services and sites to these people a high political priority. Under Local Area Agreements, the Local Authority is encouraged to set its own priorities. The Department is already using other mechanisms to protect minority rights such as the use of the Planning System to place an obligation on Local Authorities to provide Gypsy and Traveller accommodation.¹⁴⁵

10.31 There is growing evidence that the rationing of scarce resources is creating tension between ethnic groups.

The Commission on Integration and Cohesion found that settled communities are worried about the fair allocation of public services – with some thinking immigrants and minorities are getting special treatment.¹⁴⁶ This is particularly the case over housing where 21 per cent of White people believe they will be discriminated against because of their race (see Figure 34).¹⁴⁷ This led to political debate in 2006-07 about the allocation of housing policy and the use of Choice Based Lettings. The Department provides advice to Local Authorities on tackling myths about the allocation of housing, pointing out that housing is allocated on the basis of need and not race. They are also considering ways of making Choice Based Lettings more transparent.¹⁴⁵

10.32 The Department is reacting to new patterns of immigration. 683,000 people from the new European Union countries have registered with the Worker Registration Scheme (1 May 2004 to 30 June 2007).¹⁴⁸ The Commission for Integration and Cohesion stressed that no one size fits all approach will work. The Department is likely to want to aim to help Local Authorities adapt to the needs of immigrant workers from Eastern Europe.

10.33 Regeneration programmes need to manage their effect on community cohesion carefully.

Regeneration schemes that aim to redevelop or improve an area can displace existing communities and businesses and lower income families may not be able to afford increasing house prices. Grant regimes can incentivise the avoidance of hard to reach groups. And the targeting of resources to the most deprived areas may coincidentally focus resources exclusively on one community causing tension with neighbouring communities.¹⁴⁹ The Department therefore tries to mainstream its community cohesion efforts into its other regeneration programmes.

What happens next?

10.34 Machinery of Government changes and the equality agenda mean that as of 26 July 2007, the Department is no longer responsible for taking the lead role on equality. This has moved to the new Government Equalities Office at the Department for Work and Pensions. The Department retains the lead on race and faith where it links strongly with the work on community cohesion and preventing extremism.

10.35 Proposals for a Single Equality Bill were published for consultation in June 2007. The Bill aims to draw together separate laws currently making discrimination unlawful on the grounds of race, sex, disability, sexual orientation, age, religion or belief. It is hoped that providing a streamlined legislative framework will make it easier to understand the rights and responsibilities and make the law more effective.

10.36 The Department published its headline response to the Commission for Integration and Cohesion in October 2007, welcoming the Commission's proposals. The Department announced that it will provide £50 million investment over the next three years to promote community cohesion and support local authorities in preventing and managing community tensions. Its formal response that considers each of the Commission's recommendations in details is due to be published in January 2008.

¹⁴⁹ Our Shared Future, Commission on Integration and Cohesion, June 2007.

Matters that the Committee may wish to explore

- Progress in tackling extremism. (paragraphs 10.6–10.11, 10.19)
- The Department's ability to improve its understanding of the complex issues involved and to translate the recommendations of the several recent reports into implementable policies. (paragraph 10.29)
- The ability of the Department to ensure Local Authorities make reducing inequalities a priority under Local Area Agreements. (paragraph 10.30)
- The Department's response to evidence that the rationing of scarce resources is creating tensions between ethnic groups. (paragraph 10.31)
- Progress in mainstreaming the consideration of inequality issues with the Department's other programmes. (paragraphs 10.33, 10.28)
- Reasons for the lack of progress in establishing new Gypsy and Traveller pitches. (paragraphs 10.11, 10.16–10.18)

Greencoat is produced using 80% recycled fibre, 10% TCF virgin fibre and 10% ECF fibre

Design & Production by NAO Marketing and Communications Team
DP Ref: 7599RC | Printed by Greenaways