



**Government Response to the
Communities and Local
Government Committee's Report
on the Department for
Communities and Local
Government's Annual Report
2007**

March 2008



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Presented to Parliament by
the Secretary of State for Communities and Local Government
by Command of Her Majesty
March 2008

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We are grateful to the Committee for its inquiry into the Department's 2007 Annual Report. We have considered the Committee's comments carefully and provide our responses to each of its recommendations and conclusions herein.

REPORTING

We recommended last year that details of the new partnership agreements CLG is forging with the stakeholders responsible for delivery of its policy goals should be set out in the Annual Report so that we might judge their scope and effectiveness. This has not been done. We repeat the recommendation for future Annual Reports. (Paragraph 4)

1. We agree that it is important that our work to lead and engage with partners across Whitehall is properly reflected in our Annual Report. Our cross-Whitehall activities and achievements were reflected throughout the 2007 Annual Report – including, but not only, in paragraph 2.34. We will consider how we can give a stronger focus to these activities in our 2008 Report.
2. Partnership Agreements with other departments are, however, working documents within Government which identify areas where we are working jointly to produce policy and /or delivery advice for Ministers. It would not, therefore, be appropriate to reproduce the Agreements themselves within our Annual Report.
3. Our focus for cross-Government working is now through our work with partners in delivering the CSR07 Public Service Agreements. We are leading work on two cross-Government PSAs – to increase long-term housing supply and affordability (PSA 20), and to build more cohesive, empowered and active communities (PSA 21) – and published delivery agreements as part of the 2007 Comprehensive Spending Review. We are also delivery partners for a wider range of PSAs, including those to maximise employment opportunity (PSA 8) and to increase the proportion of socially excluded adults in settled accommodation (PSA 16), and will continue to lead cross-Government negotiations to establish Local Area Agreements which both deliver national priorities and reflect local needs. We will ensure this activity is reflected in our Annual Report.

We commend Mr Housden for ensuring that this year's Annual Report was produced on time and those in his team who have produced a report to a far higher standard than has been the case in previous years. (Paragraph 37)

The Report would benefit further from a consolidated table pulling together the information set out individually in separate chapters on each Public Service Agreement target. (Paragraph 38)

We recommend that relevant information from the Technical Note on PSA target achievement be included in future Annual Reports to enable easier checking of progress. (Paragraph 38)

Our adverse comments on the Department's provision last year of full and clear information to Parliament and the public have led to significant improvement in its provision of information, particularly in the answering of Parliamentary Questions, the clarity and detail of the Annual Report, and the much more informative estimates memoranda provided to Members of Parliament. We urge the Department to continue to seek and implement such welcome improvements. (Paragraph 43)

4. We are pleased that the Committee recognises the improvements in our Annual Report and our provision of information to Parliament. We will include the table and information suggested by the Committee (in recommendations 17 and 18) in future Annual Reports.

DELIVERY

The Department needs urgently to tackle persistent concerns about its ability to deliver across the range of policies for which it is responsible and its ability to influence its strategic partners. (Paragraph 7)

The Department must continue to expand its analytical capability and to ensure that its staff possess the full range of skills its arms-length delivery chains require. Negotiation, brokering and persuasion are not the traditional levers of a Whitehall delivery department, and nor are they easy skills to find or to measure. The Secretary of State recognises that those skills are essential to the success of her Department and its ability to meet its Public Service Agreements. The Department's stakeholders remain to be convinced that they are sufficiently embedded in its staff and culture. We share their doubts. (Paragraph 9)

5. Ensuring effective delivery remains a priority for the Department, and we agree that continuing to build and develop skills and knowledge is essential. We have already delivered some significant successes through leading, negotiating and working in partnership across Whitehall and with our delivery partners, including:

- Working closely with local government and other departments to implement and embed the new Local Government Performance Framework – including meeting our challenging commitment to move from 1200 to no more than 200 performance indicators;
- Meeting our commitment to deliver a three-year Local Government Finance settlement; and
- Leading a cross-Government recovery programme in response to the 2007 summer floods – including in particular establishing an operational Flood Recovery Grant Scheme within a week of its announcement.

We will build on this as we take forward our work on cross-Government PSAs and Local Area Agreements. We are also continuing to expand and develop our analytical capability.

HOME INFORMATION PACKS

In 2005, we criticised the Department for overstating its achievements in its Annual Report. Simply omitting to mention failures such as the troubled implementation of HIPs is no less unacceptable. (Paragraph 25)

For the Permanent Secretary to suggest HIPS could not be introduced because there were not enough inspectors is casuistry. There were not enough inspectors because CLG first watered down and then repeatedly delayed the introduction of HIPs. (Paragraph 26)

CLG's failure to engage effectively early enough with stakeholders is both one of the principal reasons why HIPs were delayed and a further example of the Department's inability to build the relationships it needs if it is to succeed in taking partners with it across the whole range of policy. (Paragraph 28)

The long and tortuous process of introducing Home Information Packs signals another failure of delivery on CLG's part, and the reasons for that failure lie in poor preparation and a retreat by the Department's ministerial team. (Paragraph 32)

We can only conclude that decisions to delay the introduction of Home Information Packs and then to phase them in for homes of different sizes across a period of months were taken on political rather than economic grounds, owing more to a failure of nerve in the face of vocal opposition from the press and others than to the general conditions prevailing in the housing market itself. (Paragraph 32)

6. The Committee has questioned the fact that there was no mention of the delay or phased introduction of HIPs in the Department's Annual Report. The decisions to delay and to phase the introduction of HIPS were taken by Ministers shortly after the publication of the 2007 Annual Report in May 2007. These decisions could not therefore be included in the Report.

7. As the Permanent Secretary said in his evidence to the Committee on 22 October 2007, one of the reasons for the delay beyond June was a judicial review in the name of the Royal Institute of Chartered Surveyors and backed by a number of other important players in the industry. This, and the subsequent Court Order, effectively prevented the introduction of HIPs on 1 June as planned.

8. Industry hostility culminating in this action also created uncertainty among assessors, resulting in a shortfall in numbers coming forward to complete their training. Therefore, we made the decision to phase the introduction of HIPs to enable their introduction as quickly as possible after 1 June, in line with rising energy assessor numbers, taking into account the effect of HIPs on the market at each stage.

9. Ruth Kelly made clear in her statement of 11 June that HIPs would be introduced in 3 phases starting on 1 August and set out the 3 criteria for deciding to roll out the next phases. These were:

- a) whether sufficient home inspectors (HIs) and domestic energy assessors (DEAs) have been certificated or accredited to meet demand;
- b) whether the regional distribution of HIs and DEAs will ensure an adequate supply of EPCs; and
- in assessing a) and b), taking account of the lessons learned from the operation of HIPs.

10. Ahead of the phased implementation we commissioned authoritative independent research from Europe Economics to model the likely impact of HIPs on the market. This report was published in November 2007. Europe Economics concluded that there was no evidence that there would be any impact on transactions or prices, although there was a predicted short term impact on new listings. The report concluded that this predicted impact on listings would be short lived and the impact on the market would be marginal compared to the wider factors.

11. We rolled out to properties with four or more bedrooms (representing 18% of the market) on 1 August and were quickly able to establish that the HIPs infrastructure and processes were working. We therefore rolled out to three bedroom properties, and over 60% of the market, on 10 September.

12. Following the roll out to three bedroom properties we asked Europe Economics, in collaboration with Dr Peter Williams, to look again at their research in the light of the wider problems in the financial market. They concluded that there were strong arguments for rolling out as planned and that further delay could cause greater uncertainties. This was consistent with advice we were getting from others and the wider view of experts in the market. We therefore took the decision to roll out HIPs for all remaining properties, on 14 December.

13. We believe that the phased implementation of HIPs was a sensible and pragmatic response to the difficulties that were experienced in ensuring there were sufficient numbers of assessors, as well as the more difficult market conditions. The smooth roll out of HIPs over the last 6 months demonstrates the wisdom of this approach.

14. Throughout the development of HIPs the Department has engaged with stakeholders on its policy, including through a number of consultations and stakeholder groups that have helped shape the development and implementation of the policy. The latest of these, the stakeholder panel chaired by the Housing Minister, focuses on the implementation and development of HIPs and wider reform of the home buying and selling process.

15. While there have been difficulties engaging in an effective dialogue with some stakeholders over the last year or so, we currently have a much more positive working relationship with stakeholders on both the ongoing role of HIPs and the wider reform of the home buying and selling process.

DECENT HOMES

We commend the work CLG has done with its partners on the Decent Homes programme, which is indeed an example of outstanding local government delivery. We express deep disappointment, however, that the Department proved unable to co-ordinate the work required down its delivery chains sufficiently to achieve its initial target of bringing all home up to decent standard by 2010, and we seek a clear indication of what will be done to improve those homes which will not be upgraded by then. (Paragraph 12)

16. We welcome the Committee's positive comments regarding the Decent Homes programme. This has been achieved through the excellent cooperation of local authorities and housing associations and the substantial investment supported by Government. We expect over £40bn to have been invested by 2010.

17. The majority of social landlords are on track to deliver by 2010. But we have recognised that efforts to meet the 2010 deadline could result in less than optimal decisions being taken regarding investment in homes. This is why Ruth Kelly's written statement to Parliament on 7 June 2006 made it clear that social landlords could complete their decent homes programmes beyond 2010 where there were good reasons for doing so. Extended timetables are being built into stock transfers, ALMO and PFI schemes where total investment levels and timetables to deliver these are being agreed. Significant resources were secured for the 2008-11 period in the last CSR and the next Spending Review will determine resources beyond this period. We remain committed to the principle that all social sector housing should be made decent.

18. It is equally important that once homes have been made decent they can be sustained in this condition. The Review of the Housing Revenue Account Subsidy System announced by Yvette Cooper on 12 December 2007 aims to create a sustainable, long term system for financing council housing that is consistent with wider housing policy.

FIRE

Response Times

Slower response to fires is a worse service. Even if 80 per cent of fire deaths occur before an emergency call is made, speed of response still matters in the remaining 20 per cent of cases, to those who may be injured by fire and to the owners of property on fire. We recommend that research into the impact of traffic on response times be extended to consider means of achieving quicker response. (Paragraph 17)

19. We agree that research into a range of issues surrounding response times would be helpful. The issues surrounding the impact of fire and rescue service response times upon injuries and fatalities, and the factors affecting response times, are not straightforward. We have therefore commissioned a research project, due to report in April 2008, which will look at whether, how and why fire and rescue service response times to various incidents are changing over time, analyse the consequences of any changes, consider ways in which response times might be improved, and assess the costs and benefits of any such improvements.

FiReControl

The fact that FiReControl is progressing towards completion is, of course, to be welcomed. However, the fact that the Department cites a project two years behind schedule and 50 per cent over its initial IT budget as an example of how it is improving its delivery mechanisms highlights the persistent challenge that CLG continues to face. It needs urgently to establish what the NAO calls “a reputation amongst its partners for having enough strategic influence to solve problems within Whitehall that are creating obstacles to local success.” (Paragraph 36)

20. We welcome the Committee’s recognition of the progress we are making on FiReControl.

21. We have improved our stakeholder engagement since the Committee’s report on the fire and rescue service in July 2006. Our stakeholders, such as the Local Government Association (LGA) and the Chief Fire Officers’ Association (CFOA), are critical to project delivery and work directly on our key delivery boards to develop shared solutions to practical problems. Both these organisations have publicly given their support to the FiReControl project. Ministers have also been involved in our stakeholder effort, speaking directly to local councillors on the details of the project, most recently at events in the South West and North East, and we are looking for feedback on how we can continue to improve our work in this area.

22. We acknowledge that the roll out schedule for the network has changed since we announced our original target date of 2009. We also acknowledge that negotiations on the IT contract took longer than expected and that the costs of the IT procurement are higher than the indicative costs we gave in December 2006. The revised estimate was the result of putting our requirements to the market through a proper and robust procurement process. Getting the right deal for the public and the fire and rescue service was our key concern throughout.

23. As soon as the need for a changed roll out schedule was identified and agreed, we made it clear publicly that we were moving to a phased roll out. By 2009 we will have delivered the first three Regional Control Centres (RCCs), which will create a resilient network across England. The remaining six RCCs will be phased in by 2011, including the London Control, which will be in place well ahead of the Olympics in 2012. We believe this phasing is a sensible approach to managing the move to the FiReControl network and both CFOA and the LGA support this view.

COMMUNITY COHESION

We welcome the introduction of a new, sharper PSA for community cohesion as part of the 2007 CSR process. However, we are concerned that performance in this area is being measured entirely against perceptions of cohesion, and not against more objective criteria of disadvantage such as rates of employment, educational attainment or housing standards. In addition, the new performance indicators focus on the national picture, and we recommend that CLG look beyond the precise terms of its high-level PSA target to seek to influence change in local areas where cohesion is in question or where new threats to cohesion arise. (Paragraph 21)

24. We believe perception based measures are an important indicator of cohesion within communities. It should also be noted that social deprivation is just one indicator of cohesion and that the relationship is not straightforward. There are several other indicators which have an equal (or greater) impact. However, the Committee should be reassured that, whilst not within the indicator set for the new cohesion PSA, tackling social deprivation is a Government priority reflected across the new CSR07 period PSAs, as well as in this Department's new Departmental Strategic Objectives.

25. We agree with the Committee that it is important to look to influence local areas in improving cohesion. The new Local Government Performance Framework will give Local Authorities the opportunity to focus in on those areas for particular action in their communities. For some Local Authorities, this will include action to improve community cohesion and we will need to see statistically significant improvement in these authorities to meet our target. As our response to the Commission for Integration and Cohesion, published on 4 February, sets out, we will target resources at those Local Authorities in greatest need and develop a framework for local support and guidance.

EQUALITIES

The fact that CLG wrongly reported itself as being on course to meet its Equality PSA target is not only unacceptable but a further indication of confusion about precisely what the Government wants to do in this area, what mechanisms it means to employ, and how urgently it needs to act. (Paragraph 22)

26. The Permanent Secretary accepted the Committee's criticism of our reporting on this PSA, both in our memorandum to the Committee on the Annual Report Inquiry and in our oral evidence session on 22 October 2007.

27. Since then, discussions with HM Treasury have resolved some of the technical issues identified in relation to measurement of the indicators. The new Government Equalities Office, which now has responsibility for the PSA, will continue to work with Treasury on how best to make a final assessment of the PSA over the coming months. Indeed, further monitoring has shown some recent progress against targets: for example, figures published last month show that the 16% target on employer's provision of childcare has been met.

28. Moving forward, the new Equalities Public Service Agreement (PSA 15) reflects the Government's continued determination to fight discrimination, to ensure everybody in Britain can make the most of their talents, regardless of their gender, race, sexuality, age, faith or disability. Lessons have been learned from the Gender Equality PSA; as a result, the new indicators are more robust. The new PSA will continue the focus on action to improve gender equality and tackle the pay gap, as part of its wider focus on tackling inequality.

Responsibility for gender equality rested with the Department for Communities and Local Government for little over a year before passing to the Government's new Equalities Office. During the three year period of the PSA targets set in 2004, responsibility also rested at times with a Women's Unit within the Cabinet office and with the Department for Work and Pensions. We welcome both the new Office and the creation of a new PSA as part of the CSR 2007 process. We recommend strongly that responsibility for achieving the targets set under that PSA remain with a single body throughout the period of their existence to enable the maintenance of a continued, coherent focus on their achievement. (Paragraph 23)

29. We are pleased that the Committee welcomes the creation of the new Government Equalities Office (GEO). The GEO will work with a range of partners to secure progress against the indicators in the new PSA.

30. Decisions on any future machinery of government changes affecting the location of responsibility for the PSA are a matter for the Prime Minister.

HUMAN RESOURCES

We remain concerned about the perceived existence of bullying, harassment and discrimination. Two years of work has brought no appreciable improvement, in spite of the time and money spent on courses and the clear desire of senior managers in the Department to solve a chronic problem. Nor can the Department or the Permanent Secretary be complacent on the grounds that other Departments perform just as badly.

We recommend that CLG review the effectiveness and value for money of its actions over the past two years with a view to refocusing its efforts. (Paragraph 46)

31. The Department takes seriously the ongoing concerns about bullying, harassment and discrimination, but there is some evidence that staff attitudes are changing. Ipsos-Mori, commenting on the 2007 survey results, has said that "the improvements in the numbers who say they would report problems and the increased confidence that action would be taken do suggest that some positive progress is being made. Similarly, in a recent dip-check survey of SCS staff, those agreeing that it is safe to speak-up and challenge the way things are done in the Department has risen [...] from 28 percent in 2006 to 37 percent now. However, we would expect it to take longer before significant changes in the proportions actually *experiencing* bullying or harassment are recorded."

32. In cross-grade staff awaydays we are picking up the question of “what do we do to tackle the perception of bullying and harassment?” and will be taking all comments from staff at these events into account in ongoing work. A Deputy Director will be leading a special project on “speak up and challenge” / bullying and harassment to include a focus on best practice and implementation within the Department.

33. We will continue consulting with groups of employees about their perceptions of these issues and are developing action plans by group and / or directorate, using evidence from staff survey results. We will also be introducing a series of formal and informal leadership and management skills activities aimed at increasing management capability in line with Professional Skills for Government.

34. We will continue to monitor progress through staff surveys.



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