



Office of the
Deputy Prime Minister

Creating sustainable communities

*Office of the Deputy Prime Minister
Departmental Investment Strategy
2005-2008*



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January 2005

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CHAPTER 1

Introduction and Summary

INTRODUCTION

1. This Departmental Investment Strategy sets out the capital investment plans of the Office of the Deputy Prime Minister (ODPM) resulting from the 2004 Spending Review. It also outlines how the Office's existing assets are being utilised and managed.
2. This document supports ODPM's Five Year Plans: "Sustainable Communities: Homes for All", which can be seen at www.odpm.gov.uk/fiveyearstrategy; and "Sustainable Communities: People, Places and Prosperity", which will be published shortly. The Five Year Plans set out the next phase in delivering the long-term vision described in the 2002 Sustainable Communities Plan.
3. **Chapter One** of this document summarises the strategic context for ODPM's investment plans. It sets out what has been achieved through the Office's investment since the previous Departmental Investment Strategy (published in December 2002). It gives a summary of the Office's future investment plans and explains how they will contribute to delivering ODPM's Strategic Priorities.
4. **Chapter Two** looks at the management of ODPM's own assets and those of its sponsored bodies. It describes how the Office's existing asset base contributes to its Strategic Priorities and how its assets are managed (including the approach to asset maintenance, replacement and disposal).
5. **Chapter Three** provides more detail about the Office's future investment plans, setting out:
 - specific outcomes to be delivered by the Office's investment plans;
 - how they will contribute to ODPM's Strategic Priorities, Public Service Agreement (PSA) targets and efficiency targets;
 - longer-term funding arrangements;
 - evidence underpinning the investment plans;
 - key performance measures, in addition to Strategic Priorities and PSA targets; and
 - information on ODPM's major forthcoming contracts.

6. **Chapter Four** outlines the systems which ODPM employs to safeguard its investment and to ensure that its investment plans deliver the intended outcomes. This includes a detailed look at the Office's appraisal, resource allocation, procurement, project & programme management, monitoring and financial management, risk management and evaluation systems for investment programmes.

Coverage

7. This Departmental Investment Strategy covers the period from 2005-06 to 2007-08. It deals with all planned capital investment funded from ODPM's Departmental Expenditure Limits, including: direct capital investment by ODPM and its sponsored bodies, capital grants to local authorities, the private sector and other bodies, supported capital expenditure by local authorities, and capital investment supported through the Private Finance Initiative. However, Chapter Two only covers assets held by ODPM itself or its sponsored bodies.

Strategic context

8. ODPM's **aim** is to create sustainable communities. To achieve this aim, it has five **Strategic Priorities**. These are:
- I. Delivering a better balance between **housing supply and demand** by supporting sustainable growth, reviving markets and tackling abandonment.
 - II. Ensuring people have **decent places to live** by improving the quality and sustainability of local environments and neighbourhoods, reviving brownfield land, and improving the quality of housing.
 - III. **Tackling disadvantage** by reviving the most deprived neighbourhoods, reducing social exclusion and supporting society's most vulnerable groups.
 - IV. Delivering **better services**, by devolving decision-making to the most effective level – regional, local or neighbourhood:
 - promoting high quality, customer-focussed local services and ensuring that adequate, stable resources are available to local government;
 - clarifying the roles and functions of local government, its relationship with central and regional government and the arrangements for neighbourhood engagement, in the context of a shared strategy for local government.
 - V. Promoting the **development of the English regions** by improving their economic performance so that all are able to reach their full potential, and developing an effective framework for regional governance taking account of the public's view of what's best for their area.
9. Building on the targets agreed in previous spending reviews, Spending Review 2004 agreed a suite of **Public Service Agreement (PSA) targets** for ODPM, to underpin delivery of its aim and Strategic Priorities. These PSA targets are listed in the box on the next page.

ODPM's PSA Targets

PSA 1: 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.

This PSA contributes to the delivery of Strategic Priorities 2, 3 and 4

PSA 2: Make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006 [Joint with the Department of Trade and Industry and HM Treasury], including by establishing Elected Regional Assemblies in regions which vote in a referendum to have one.¹

This PSA contributes to the delivery of Strategic Priority 5

PSA 3: By 2010, reduce the number of accidental fire-related deaths in the home by 20% and the number of deliberate fires by 10%.

This PSA contributes to the delivery of Strategic Priorities 2, 3 and 4

PSA 4: By 2008, improve the effectiveness and efficiency of local government in leading and delivering services to all communities.

This PSA contributes to the delivery of Strategic Priorities 1, 2, 3 and 4

PSA 5: Achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions while protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities.

This PSA contributes to the delivery of Strategic Priorities 1, 2 and 5

PSA 6: The planning system to 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.

This PSA contributes to the delivery of Strategic Priorities 1, 2, 4 and 5

PSA 7: By 2010, bring all social housing into a 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.

This PSA contributes to the delivery of Strategic Priorities 2 and 3

PSA 8: Lead the delivery of cleaner, safer and 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 PSA contributes to the delivery of Strategic Priorities 2 and 3

¹ Following the North East referendum in November 2004, the Government announced that it will not introduce the Regional Assemblies Bill nor call referendums on elected regional assemblies in other regions.

10. ODPM also has the following three efficiency targets as a result of Spending Review 2004:
- ODPM will realise total annual efficiency gains of at least £620 million by 2007-08, of which two thirds will be cashable, releasing resources for front-line activities – including increasing the provision of new affordable housing;
 - ODPM will target and monitor an aggregate of £835 million of efficiencies, across the social housing sector. This includes housing efficiencies delivered by central government and the Registered Social Landlord (RSL) sectors (included in the £620m in the previous target) and further efficiencies in local government; and
 - local government will be responsible for delivering over £6.45 billion of total efficiency gains by 2007-08, building on existing best practice. At least half of these savings will be cashable, releasing resources to front-line activities.

PERFORMANCE SO FAR

11. ODPM was created in May 2002 and published its first Departmental Investment Strategy in December 2002. Key outcomes achieved through ODPM capital investment include:

A better balance between housing supply and demand

- over 60,000 new homes built annually in the wider South East;
- over 10,000 key workers helped to buy first homes;
- four Growth Areas established, supporting housing growth in areas of high housing demand;
- nine Market Renewal Pathfinders have started work to tackle the most acute problems of low demand for housing and abandonment;

Decent places to live

- non-decent homes down by 1 million since 1997;
- 130,000 vulnerable households in the private sector helped to make their homes decent;
- radical improvements in the delivery of local environment services, with capital investment of over £200m invested in parks and public spaces;

Tackling disadvantage

- rough sleeping down 70% since 1998 and sustained at this level (the lowest recorded);
- £32m allocated for over 400 new or improved units of accommodation from 2003 to 2006, targeted at people escaping domestic violence;
- clear improvements in New Deal for Communities areas on jobs, crime and education, narrowing the gap with the rest;

New Deal for Communities

2003-04 saw delivery of the largest project of the East Manchester 10-year programme. A £20m grant from the NDC partnership enabled the transfer of 2822 homes previously owned by the Council to Eastlands Homes, the new not-for-profit, charitable housing partnership specifically set up to manage the properties. Eastlands Homes is run by an independent board including tenant and resident representatives. There is also a tenants' forum to listen to customers and to discuss the improvements to customer and neighbourhood services.

The improvement programme is progressing well, with almost 2,000 improvements made to 1,000 homes – approximately £1 million a month is being spent on new windows, doors, roofs, kitchens and bathrooms. Owner-occupiers in the area can also benefit from this service at competitive rates. A further small-scale stock transfer of 207 council homes to an existing organisation, Mosscafe Housing, was completed in 2002-03, funded by £800,000 from the New Deal for Communities partnership and funding from the Single Regeneration Budget.

Delivering better services through strong, effective local government

- national capability in place to provide decontamination in the event of major incidents;
- on course to achieve e-enablement of 100% of priority local authority services by the end of 2005, in ways that people will use (59% e-enabled by March 2004);
- an increase in the level of capital support routed through the Local Government single capital pot, from 50% in 2002-03 to 66% in 2003-04, and increased again in 2004-05.

Community Fire Stations

Community fire stations – such as Handsworth in West Midlands, and Speke/Garston in Merseyside – represent a pro-active shift towards preventing fires through community fire safety work.

Since the last DIS, there has been even greater progress in reaching vulnerable people living in isolated rural areas. Northumberland Fire and Rescue Service sought to address this issue by combining its budget with Sure Start to refurbish a retained station for use as a community fire station. Wooler Community Fire Station was opened in March 2004. It serves as a 'one stop' community safety shop offering, amongst other things, Home Fire Risk Checks for all Sure Start customers. Wooler also acts as a meeting place for local groups, which has helped to integrate the fire and rescue service with the local community. The creation of the community fire station at Wooler has put Northumberland Fire and Rescue Service at the heart of the community it serves.

Promoting the development of the English regions

- capital investment of £515m from the European Regional Development Fund, supporting projects such as the Sage Centre in Gateshead;
- remediation of brownfield land by Regional Development Agencies at rate of 1,100 hectares each year; 1,203 hectares achieved in 2003-4.

FUTURE INVESTMENT PLANS

12. The Office plans to invest over £17 billion of capital expenditure between 2005-06 and 2007-08. Table 1 below sets out the level of investment which will be directed in support of each of ODPM's Strategic Priorities. (Table 2, at the end of chapter 3, provides a more detailed breakdown of the Office's investment plans.)

Table 1: Summary of ODPM capital investment² – 2005-06 to 2007-08			
Planned Investment by Strategic Priority – ODPM DEL³			
	£ million		
CAPITAL	2005-06	2006-07	2007-08
Housing Supply and Demand	632	730	727
Decent Places to Live	1,397	1,347	1,310
Tackling Disadvantage	208	226	216
Better Services	141	169	132
Development of English Regions	431	455	488
Investment in central assets	20	20	20
Capital DEL Total⁴	2,830	2,946	2,892
RESOURCE INVESTMENT			
Housing Supply and Demand	2,257	2,274	2,687
Decent Places to Live	56	56	56
Tackling Disadvantage	5	5	5
Better Services	8	5	5
Development of English Regions	673	692	712
Resource Investment DEL Total	2,999	3,031	3,464
TOTAL INVESTMENT – ODPM DEL	5,828	5,977	6,356
Planned Investment by Strategic Priority – Local Government DEL⁵			
	£ million		
CAPITAL	2005-06	2006-07	2007-08
Better Services	349	249	249
TOTAL INVESTMENT – LG DEL	349	249	249

² Note: For accounting purposes, the Government defines its own capital expenditure and capital to local authorities as "capital" expenditure, whereas capital grants to the private sector and related bodies are defined as "resource" expenditure.

³ ODPM is responsible for two Departmental Expenditure Limits (DELs): ODPM DEL and Local Government DEL. ODPM DEL covers the main programmes for which ODPM has lead responsibility.

⁴ Totals may not add up due to rounding.

⁵ Local Government DEL covers the Government's Revenue Support Grant for local authorities, and a number of local government-related programmes which cut across service boundaries.

13. In addition to direct capital investment, ODPM will support Private Finance Initiative schemes undertaken by local authorities, to provide: housing; assets for the Fire and Rescue Service; and joint service centres, providing multi-agency, multi-service premises to offer more joined-up services.

Planned Investment through the Private Finance Initiative			
	£ million		
	2005-06	2006-07	2007-08
Housing Supply and Demand/Decent Places to Live	360	610	610
Better Services	115	130	140
PRIVATE FINANCE INITIATIVE – TOTAL	475	740	750

14. The main highlights of ODPM's future investment plans are⁶:

A better balance between housing supply and demand

- a £2 billion annual investment in new affordable housing, delivering an extra 10,000 homes annually by 2007-08 – a 50% increase;
- helping over 80,000 people into home ownership by 2010, including a new First Time Buyers Initiative to help an extra 15,000 people;
- capital investment of more than £800m in the Thames Gateway and other Growth Areas over the SR04 period, contributing to the delivery of 200,000 extra homes in the South East by 2016;
- a new £200m Community Infrastructure Fund to provide transport infrastructure in areas of housing development, complementing mainstream transport investment;
- more than £1bn further investment in the Housing Market Renewal Fund, to support the nine Market Renewal Pathfinders and tackle other areas of low demand;
- more than £850m for English Partnerships, to support its enhanced role in increasing the supply of affordable housing, reducing low demand and increasing private sector investment in housing and regeneration;
- £100m capital investment in planning through the Planning Delivery Grant, with additional investment in e-planning;
- expanded PFI programme, providing at least 6,000 new homes by 2008;

⁶ Spending figures in this section are for the period 2005-06 to 2007-08, unless otherwise specified.

Decent places to live

- more than £3.7bn for PFI schemes, Arms-Length Management Organisations and stock transfer schemes, to bring all social housing into a decent condition by 2010;
- setting up a network of local procurement consortia to enable social landlords to maximise efficiencies throughout the supply chain and reduce the cost of housing capital works – £33m between 2004-05 and 2007-08;
- some £250m to invest in local environment services, to produce cleaner, greener and safer public spaces;

Tackling disadvantage

- approximately three-quarters of ODPM's overall budget will continue to contribute directly to tackling disadvantage;
- Over £300m capital investment in 39 deprived neighbourhoods in the SR04 period, through the New Deal for Communities programme – part of a £900m capital investment programme over 10 years;
- investment to regenerate coalfield communities through the Coalfields Enterprise Fund and Coalfields Regeneration Trust;
- £90m to improve the quality of hostel accommodation;
- around £350m committed to the Disabled Facilities Grant to adapt housing for disabled people;

Delivering better services through strong, effective local government

- greater financial freedom and discretion for local authorities through the new prudential capital finance system;
- £233m annual investment in the Local PSA Pump-Priming Grant, to deliver real improvements across a variety of services;
- PFI credits of £65m a year to support private sector investment in the Joint Service Centre programme – multi-agency and multi service centres to improve access to information and front-line services;
- investment in the Fire and Rescue Service with a focus on prevention through a new single national digital radio system, much improved resilience and communications interoperability with other services, rationalisation of the 46 control rooms to 9 regional centres and £25m investment in free smoke alarms for around 1.25m vulnerable households;
- over £39m in 2005-06 for search and rescue resources and equipment ready for use in civil emergencies;
- additional investment in the Fire and Rescue Authorities through supported capital expenditure and PFI credits of over £480m.

Promoting the development of the English regions

- over £2.89 billion in capital projects through ODPM's contribution to the Regional Development Agencies, including on regional regeneration and regional inward investment;
- capital investment through the European Regional Development Fund on ODPM priorities of over £525m, to stimulate economic development in the least prosperous regions.

Improvements resulting from the Efficiency Review

15. The Efficiency Review examined ODPM's spending closely for areas where improvements could be made to the systems through which the Office delivers its programmes, or how it invests in them to increase value for money or to produce better outputs.
16. ODPM has made significant advances on its approach to procurement as part of its work on the Efficiency Review and delivering improvements in line with best practice. Procurement has now been centralised in a new Corporate Procurement Division, e-Procurement continues to be developed and there is greater use of Framework Agreements and collaboration with other government departments. As part of ODPM's strategy for local government efficiency, greater value for money will be achieved through Regional Centres of Procurement Excellence. These have been set up in partnership with local authorities to drive forward efficiency and promote best practice in procurement, corporate services and transactional services in the regions.
17. Further efficiencies will be made in the delivery of many of ODPM's programmes and by ODPM's sponsored bodies:
 - £33m Efficiency Loan Fund has been launched to create procurement consortia for social housing, to help ensure we deliver £60m efficiency gains in the RSL sector and a further £280m efficiency gains for local authorities by 2007-08;
 - a national collective purchasing agent for the social landlord sector, Procurement for Housing, is already in place and expected to produce efficiency gains of £55m for Registered Social Landlords (RSLs) by 2007-08;
 - the Housing Corporation seeks to raise the efficiency of RSLs through modernised construction methods and improved procurement;
 - English Partnerships will be more strategic, flexible and collaborative and make some efficiency savings from maximising utility of its accommodation such as through sharing with other bodies (e.g. the Housing Corporation uses a section of EP's office in Gateshead);
 - the modernisation of fire and rescue services will reap significant efficiency savings. In particular, replacing the current 46 control rooms with 9 Regional Control Centres is estimated to reap £100m savings from 2008-09 over 10 years and the new nationwide communications system will reap maintenance efficiencies;

- subject to consultation, the introduction of three-year settlements for local authorities will deliver greater efficiencies through improved planning;
- improved management of land and property held for regeneration will also reap efficiencies in programmes run by the Regional Development Agencies.

The longer-term context for investment

18. Creating sustainable communities requires a long-term perspective and sustained investment in programmes over a number of years.
19. ODPM already has long-term strategies for Sustainable Communities and Neighbourhood Renewal covering the next 10-20 years and are developing a long-term Strategy for Local Government. These strategies will be taken further as set out in the Office's "Homes for All" Five Year Plan and the forthcoming "People, Places, and Prosperity" Five Year Plan.
20. The longer-term timescale of ODPM's work is also reflected in the timeframe of some of its targets and major programmes. For example, the target for housing growth in the South East is to provide 200,000 extra homes by 2016. The Market Renewal Pathfinder programme, tackling low housing demand, is set to run for 15 years starting from 2003-04. Each Pathfinder has prepared medium to long-term strategies for their areas alongside indicative investment plans. The Government has committed £2 billion over a ten-year period to the 39 New Deal for Communities partnerships – the programme ends in 2011.
21. ODPM is working with HM Treasury, Department for Trade and Industry and the Department for Transport to develop ways to integrate regional economic, transport and spatial development strategies, providing long-term planning assumptions about funding for the regions beyond the spending review period. The Government issued a consultation paper on its proposals on 2 December 2004 [http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr04/assoc_docs/prebud_pbr04_adregional.cfm].

CHAPTER 2

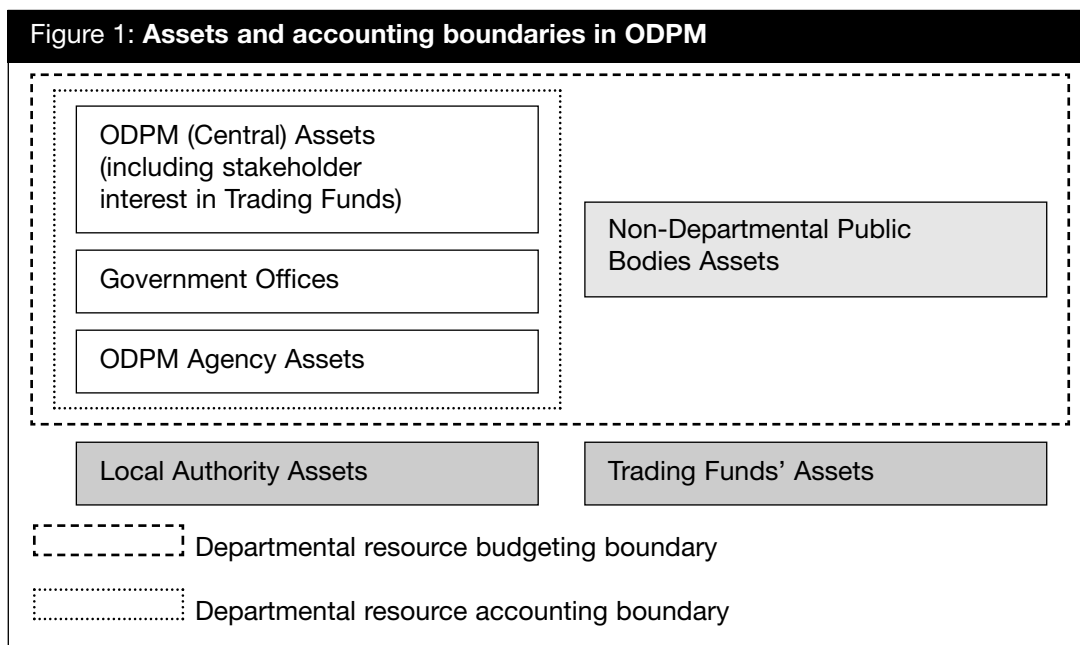
Asset Management

1. This chapter covers the assets owned by ODPM itself and the bodies it sponsors.

ODPM's approach to asset management

2. The main aim of ODPM's asset management is to ensure that appropriate fixed assets are held to meet the Office's objectives. All assets are treated in accordance with the following consistent underlying principles:
 - ensure assets are retained in the public sector only where it is effective and efficient to do so;
 - actively explore the scope for securing greater value from assets, including through innovative techniques, information technology, sharing of assets; outsourcing and public private partnerships;
 - maintain ODPM's asset base in the condition necessary to meet its objectives;
 - maintain, either directly or through bodies sponsored by ODPM, firm management of assets, including strategies for disposing of assets that are not needed for delivering services; and
 - continue to investigate incentives, such as hard charging, to achieve better utilisation of assets.
3. The scope and nature of the assets owned by the Office and its sponsored bodies is varied and subject to many different treatments. Therefore, there is a range of operational procedures for managing assets.
4. The Government's resource budgeting framework requires departments to take account in their budgets of the 'non-cash' costs (depreciation and the cost of capital charges) which relate to capital as well as the capital asset itself.
5. Holding these non-cash costs in departmental budgets means that they compete within the department's budget with other resource costs. This provides an incentive to use assets more efficiently or dispose of them where appropriate. ODPM has therefore made identification of the non-cash requirement associated with proposed investments a mandatory component of investment decision-making processes. The management of capital charges related to the holding of assets is delegated to the area responsible for the assets. Having annual resource charges on the Office's assets also provides the Office with a benchmark against which it can compare resource costs of non-asset owning business solutions (e.g. leaseholds).

6. ODPM's standard practice and decision-making on assets is based on VFM, informed by best practice and using net present value in investment business cases. The net present value includes all charges including non-cash so ODPM's asset management will, like all its business decisions, meet the new resource budgeting requirements. ODPM's asset management also includes careful prediction of assets' lives so that asset replacement maintains a steady non-cash requirement with minimum risk of non-cash write-off charges that have not been planned for.



ASSETS HELD BY ODPM ITSELF

Tangible assets

7. At March 2004, the value of ODPM's (including the Government Office Network) tangible assets was £154m and comprised⁷:

Tangible Assets		
	Corporate (£m)	Non-corporate ⁸ (£m)
Land and buildings (excluding dwellings)	27	0
Dwellings	0	0
IT (mainly specialised IT systems developed in-house for ODPM)	26	0
Plant & Machinery	26	66
Furniture and fittings (mainly in Government Offices)	1	0
Assets Under Construction and Payments on Account	0	8
TOTAL	80	74

⁷ Source: 2003-04 accounts.

⁸ Fire and civil resilience equipment.

8. ODPM has very few property assets. The operations of ODPM and the Government Offices network are accommodated in leased buildings. Within these leased buildings, any building improvement costs (e.g. disability access works) offering benefit for more than one year, incurred by ODPM and the GOs, are capitalised in the asset class “land and buildings”.
9. Until recently, ODPM’s asset base was largely limited to “corporate assets”, described in the section below. Following the transfer from Home Office to ODPM of the old emergency fire service fleet in 2002 and the rapid acquisition of new civil resilience equipment between 2002 and 2004, the profile of the Office’s asset base has been transformed. Its main assets now consist of plant and machinery for use in major incidents and other emergencies.

Corporate assets

10. The Office’s corporate IT systems were nearly all developed in-house to meet the specialist needs of central government e.g. the financial reporting system used for resource accounting, the Grants And Subsidies Payments System and the Electronic Briefing System.
11. The Office’s land and buildings assets comprises two properties assigned to ODPM although not often used in ODPM’s routine operations: the Queen Elizabeth II Conference Centre (which provides a government controlled central London conference facility) and Burlington House (which provides accommodation, under the remit of the DPM’s responsibilities for learned societies). In addition, Government Offices assets for 2004 are valued at £3.9m composed mainly of operational assets (IT, furniture and fittings and office machinery).
12. ODPM’s corporate assets support the delivery of all of its Strategic Priorities and targets, except in the case of the QEII Conference Centre and Burlington House which ODPM holds on behalf of the Government as a whole.
13. In the case of the Government Office Network, the assets contribute to the targets and priorities of all sponsor Departments, not just those of ODPM. They also contribute to an improved IT infrastructure to improve cross-GO working and communications, as well as improving the links between the GO Network and sponsor departments.
14. There is a rolling programme of **replacement and maintenance** of ODPM’s corporate assets (and the operational assets of Government Offices, Agencies and NDPBs) which aims to keep them in reasonable order at all times.
15. The specialised nature of most of these corporate assets means that ODPM plans for asset **disposals** in the knowledge that there will be no market for them at disposal i.e. plans for disposal are based upon a scrap /nil book disposal value. Asset lives are planned on the basis of a cycle of maximum operational use, followed by disposal as waste. (In 2003-04 the value of assets falling into this category was less than 1% of ODPM’s asset base.)

Non-corporate assets

16. ODPM’s main asset-holding is in fire and civil resilience assets. The bulk of these assets are equipment procured to provide civil resilience response to national emergencies, mainly the new level of threat posed by terrorism post-September 11th.

They include new equipment and resources for mass decontamination, which have been strategically positioned around the country ready for use in civil emergencies. In addition, ODPM owns the emergency fire service fleet, based at Marchington, Staffordshire.

17. ODPM's fire and civil resilience assets contribute to the provision of better fire and rescue services (Strategic Priority 4) and reducing the number of fire deaths (PSA 3). They also contribute to the national infrastructure for civil resilience, which is a cross-government priority. ODPM's civil resilience assets have only recently been acquired. Issues relating to their maintenance, enhancement and replacement are currently the subject of consultative appraisal.
18. The current emergency fire service fleet (Green Goddesses) based at Marchington is coming to the end of its working life. It is also the intention that fire and rescue service authorities should provide more of their own equipment to those providing emergency cover. A review of contingency planning is nearing completion. However, it may be necessary to **maintain** a modest pool of vehicles to support fire and rescue services. If this is necessary, and given the age and public perception of the Green Goddess during the last national strike, the vehicles would be of a modern design.
19. The Office plans to **dispose** of the existing emergency fire service fleet in a phased way. Specific plans for their disposal will be based upon the conclusions of the review currently underway.

Intangible assets

20. At March 2004, the Office held intangible assets worth £1m (primarily software licences).

Investments

21. ODPM also has investments of over £46m in its own sponsored bodies consisting of Public Dividend Capital (public sector shareholdings) and loans. At March 2004, these were:

Investments	
	Value (£m)
Ordnance Survey	23
Queen Elizabeth II Conference Centre	1
Fire Service College	21
Housing Corporation	1
Total	46

ASSETS HELD BY ODPM'S NON-DEPARTMENTAL PUBLIC BODIES AND AGENCIES

22. The only Non-Departmental Public Body (NDPB) sponsored by ODPM which has a significant asset-holding is English Partnerships (EP). The Deputy Prime Minister has asked EP to play a leading role in delivering the Sustainable Communities Plan.

The reclamation and development of vacant, derelict or contaminated land carried out by EP promotes job creation, housing development, inward investment and environmental improvement. EP has an increasing focus on facilitating increased housing supply (with an emphasis on affordable housing) in areas of high housing demand. These outcomes help to deliver a better balance between housing supply and demand (Strategic Priority 1), provide more decent places to live (Priority 2) and tackle disadvantage (Priority 3) and contribute directly to PSA targets 1, 5 and 8.

23. EP buys and holds land to facilitate development and regeneration – the assets thus acquired are different in nature to most assets held by public bodies. EP's landholdings at March 2004 consisted of:

Assets	
	Corporate Plan Value (£m)
4,842 hectares (42 identified 'Strategic Sites' and other significant landholdings retained for a range of Government initiatives)	1,411
2,530 hectares of 'Non-Strategic' land (approximately 1,000 ha of amenity land and 1,530 hectares to be disposed of)	287
TOTAL 7,372 hectares	1,698

24. EP's other assets (as at March 2004) comprised:

Assets	
	Value (£m)
Land & buildings	7
Investments (to facilitate re-development)	34
Other	2
TOTAL	43

25. English Partnerships' landholdings are **maintained** (and, where appropriate, enhanced) in line with the use planned for them.
26. English Partnerships holds 2,530 ha of land which is designated for **disposal**. 1,530ha will be available for sale, on the market, for the best consideration obtainable. It will be disposed of by EP's Asset Transfer Directorate, in accordance with a structured programme reflecting various considerations including the planning status of the land involved. The maintenance of the remaining 1,000ha of amenity land constitutes a liability and will be passed (almost certainly, with capital endowments) to appropriate transferees.
27. Although ODPM provides a large proportion of funding for Regional Development Agencies (RDAs) the Department for Trade and Industry, as their sponsor department, is responsible for their asset management.

28. The assets of other NDPBs and agencies sponsored by the Office are minimal⁹.

ODPM's Trading Funds

29. Trading Funds with significant asset-holdings are Ordnance Survey and Fire Service College. They held the following assets at March 2004:

Trading Funds		
Sponsored body	Asset	Value (£m)
Ordnance Survey	Land & buildings	18.2
	Investment property	8.8
	Plant & machinery	10.9
	Assets under construction (development of a new seamless database management system to maintain Ordnance Survey geospatial data)	6.7
	TOTAL	44.6
Fire Service College	Land & buildings (excluding dwellings)	26.4
	Dwellings	5.5
	Other (mainly fire training equipment)	15.5
TOTAL	47.4	

30. Further to a 20% reduction in staff in 2003-04, Ordnance Survey (OS) is in the process of procuring a new Head Office. This will result in OS either occupying a building at its current location on a reduced size of site, or on a new site within the Southampton area having disposed of the current site in its entirety. This process is therefore expected to result in either part or full disposal of the current site.
31. The Fire Service College's assets include the site on which the College itself is located and associated buildings and infrastructure.
32. The Office's other Trading Fund is the QEII Conference Centre. The Conference Centre building itself is held as an asset by ODPM (see paragraph 11 above). QEII's other assets are minimal.

⁹ Other NDPBs and agencies are: the Planning Inspectorate; Housing Action Trusts; the Housing Corporation; the Residential Property Tribunal Service, the Advisory Panel on Standards for Planning Inspectorate; Property Advisory Group; Community Forum; Advisory Panel on Beacon Councils; Building Regulations Advisory Committee; Parliamentary Boundary Commission for England; Parliamentary Boundary Commission for Wales; Standards Board for England; Valuation Tribunal Services; Valuation Offices; Local Government Standards Board; Thames Gateway; West Northants Urban Development Corporation and Commission for Local Administration.

IMPROVEMENTS STEMMING FROM REVIEWS OF ASSET MANAGEMENT AND RELOCATION

33. The Government has been conducting reviews on asset management and relocation. As a result of these reviews, ODPM is likely to undertake re-stacking and rationalisation of its existing leased/rented accommodation to realise the required savings. As ODPM's central accommodation is not owned, the impact on the asset base will not be major, involving only minor capitalisable costs within ODPM's current leased accommodation. However, reductions in staff numbers through relocation and headcount reduction will enable ODPM to reduce its headquarters accommodation from four buildings to three, and make better use of its wider Government Office estate.
34. The Government Office Network is currently considering accommodation options in light of the Lyons review on relocation with the aim of reducing accommodation requirements across the whole estate. The plans are subject to consideration by the Network Estates Committee and to agreed business cases containing full costing information and net present value analysis.
35. The report by Sir Michael Lyons "Towards Better Management of Public Sector Assets", published in December 2004 produced a set of recommendations to improve the management of public sector assets. In particular, it recommended that government departments should be required to develop asset management strategies, covering assets in their own control and that of their agencies and sponsored bodies. In response to the Lyons report, ODPM will produce an asset management strategy, building on the approach to asset management described in this chapter.

CHAPTER 3

New Investment Plans

1. This chapter sets out the Office's plans for capital investment, including investment undertaken by ODPM directly, and through capital grants to local authorities and the private sector. It describes how this capital investment will support delivery of its Strategic Priorities, PSAs and efficiency targets.
2. Table 2, on pages 39-43, gives details of the capital investment allocated to support each Strategic Priority over the period from 2005-06 to 2007-08.

Strategic Priority 1: Delivering a better balance between housing supply and demand

3. In Spending Review 2004, the Government announced significantly increased capital investment to deliver homes where they are needed most, increase the supply of affordable housing and revive communities and housing markets.
4. Regional Housing Boards (RHBs) were established in 2003 to advise Ministers on how funds allocated through the Regional Housing Pot (RHP) should be allocated in each region to meet strategic housing priorities, as set out in Regional Housing Strategies. The RHP consists of a number of separate housing investment funding streams for local authorities, and housing associations (through the Approved Development Programme managed by the Housing Corporation). In 2004-05, the RHP provided £2.5bn for housing investment. The RHP will provide £2.5/2.6/2.9bn over 2005-2008.
5. ODPM is currently consulting on the mechanism for determining regional allocations, within which RHBs will make recommendations to Ministers for 2006-07 and 2007-08 housing investment spending in support of their regional strategic priorities.

Homes where they are needed most

6. The Government's approach is to focus new housing development in the Thames Gateway and three other Growth Areas in the wider South East of England where housing supply has not increased at the same rate as housing demand. By 2008, ODPM will be funding capital investment worth over £300m in growth areas, compared with £245m this year – keeping us on track to deliver 200,000 extra homes in the South East by 2016.

7. The aim of ODPM's capital investment is to:
 - i lay the foundations for achieving large scale growth over a 15 year period to 2016 and beyond, in sustainable communities, in key locations with suitable delivery vehicles and infrastructure;
 - ii pump prime the growth process so as to deliver a rapid and early increase in housing completions on early win growth sites (2004-7), drawing on additional delivery and infrastructure funding.
8. To achieve this, ODPM will invest in projects which result in direct housing outcomes, directly contributing to increasing supply. It will also invest to deliver economic regeneration stimulating employment, environmental improvements to town centres, new educational and training facilities and other community facilities. In each case, the aim is to create a more attractive and sustainable living environment that will strengthen the housing market.
9. In the short-term, outcomes will include housing and related developments brought forward earlier than would otherwise have been the case. In the longer-term – up to 2016 – outcomes include legally binding plans, infrastructure in place or committed, private sector commitments and delivery agencies in operation with agreed strategies to deliver the rates of growth required.
10. The main delivery agents through whom ODPM will invest are local authorities, Regional Development Agencies, English Partnerships and other NDPBs and Urban Development Corporations.
11. Strategies for these areas have been developed jointly by the ODPM and its partners. For instance, in the case of the Thames Gateway, the initial framework was developed by a strategic partnership, supported by sub-regional analysis and investment programmes prepared by the three sub-regional partnerships. Latterly, local delivery bodies have been established in the Gateway's key development areas, and are in the process of developing local regeneration frameworks and three-year action plans to provide the context for future programme funding. All schemes must be thoroughly appraised before they are approved. A similar process is underway in the other Growth Areas.
12. ODPM monitors progress through regular reporting, with payments related to delivery of prescribed milestones. All delivery agents are asked to make a comparison of the planned and actual outputs and costs on completion of schemes. They are also asked to carry out a full evaluation after the project is completed.
13. ODPM works closely with the relevant Government Offices to obtain early notice of problems and agree corrective action with project personnel. If a project does not proceed, there are mechanisms in place to ensure that funding can be transferred to alternative projects or programmes.
14. In addition, the Government will be investing an extra £200m up to 2008 through a new Community Infrastructure Fund, to complement mainstream transport funding to enable faster housing development in those areas. The fund is held in the Department for Transport (DfT) budget but allocation of funds will be jointly agreed

by DfT and ODPM Ministers. Decisions on the specific transport schemes to which the funding will be allocated are expected in Spring/Summer 2005, following consultation with regional partners on priorities.

15. Local authorities will be the main agents for delivery of the Community Infrastructure funding and Transport for London, the Highways Agency and the Strategic Rail Authority may also have important roles to play.
16. Bids for funding will be subject to DfT's appraisal process for transport schemes with an extra emphasis on the housing delivered by the schemes. Financing and monitoring arrangements are being developed.
17. Spending Review funding will also allow us to respond to some new proposals from local partners for sustainable growth in other areas.

Investing in the Planning System

18. In the three years to 2007-08, ODPM will fund capital investment of £40m, £31m and £28m out of totals of £170m, £135m and £120m respectively, in planning through Planning Delivery Grant. Reductions in ODPM funding will be offset by increases in fees. Investment in e-planning over the same period is expected to be £1.4m, £2m and £2m.
19. Planning Delivery Grant is awarded to Local Planning Authorities (LPAs) in line with published criteria. The criteria against which allocations will be made during the SR04 period are currently being consulted on. The main aim of the funding is to incentivise performance improvement in making planning decisions, and to deliver sustainable development outcomes through efficient and high quality planning and development management processes. E-planning funding is awarded in line with agreed criteria and an e-planning delivery plan. Recipients of both sets of funding must also meet Best Value standards.
20. LPAs' performance is measured, reported and published quarterly. There is an established process for naming under-performing LPAs and setting standards for them to reach in the following year. A programme for intervention in LPAs is also being established.

The role of English Partnerships

21. English Partnerships has been given an enhanced role in delivering sustainable communities by the Deputy Prime Minister. Its increased investment in support of housing development for sustainable and regenerated communities will provide a significant contribution to improving the balance of housing supply and demand.
22. Core outcomes for English Partnerships include:
 - an increase in the supply of high quality low cost affordable, first time buyers and key worker housing in areas experiencing housing pressure in the wider south east including assembling a portfolio of strategic sites for development;
 - helping to reduce the stock of low demand and abandoned housing in the market renewal pathfinder areas and other areas suffering low demand;

- an increase in the quality and quantity of private sector investment in housing and regeneration; and
 - ensuring surplus Government land is used to support the Government's wider objectives, including housing growth.
23. English Partnerships involves itself in a variety of development activities including:
- joint ventures with private partners;
 - brokering agreements in large complex schemes, particularly where infrastructure needs to be provided early on;
 - taking on some risks of bringing a site to the market;
 - purchasing key sites and then disposing of them for development; and
 - funding the gap between the costs and returns to developers.
24. All English Partnerships' investment decisions are supported by appraisals and business cases. Amongst other things these will assess:
- the rationale on which the involvement is based;
 - the appropriate method of involvement to be used;
 - the procurement strategy being adopted – such as how and when partners and the private sector would be involved; and
 - how the risks of involvement are to be mitigated and managed and who will bear these risks.
25. In order to improve efficiency, English Partnerships has agreed that it will:
- focus on fewer, but more strategic interventions;
 - become more flexible to avoid long-term land commitments;
 - aim to be involved early on in projects and leave others to complete the development once objectives have been secured; and
 - co-operate closely with Government and other agencies on how best to take forward public sector land such as surplus NHS sites.
26. English Partnerships will be publishing its Corporate Plan for 2005-06 shortly.
- Increasing the supply of affordable housing**
27. High demand for housing in some parts of the country has made it increasingly difficult to obtain affordable housing (whether social rented housing, low cost home ownership or other intermediate housing). Kate Barker's review of housing supply underlined the need to provide more homes at a price people can afford, calling for a step change in housing supply. The Government accepts this and will set out its

full response to the detailed recommendations in the Barker report towards the end of 2005. As part of this, the Government will consider setting a new national “housing affordability goal”.

28. As a result of SR04, ODPM will be investing £430m more in direct investment on affordable housing by 2007-08 than in 2004-05. Together with an expanded Private Finance Initiative (PFI) programme and significant efficiency gains, this will provide an extra 10,000 social rented homes each year by 2008 – a 50% increase. During the three years starting in April 2005, ODPM will invest in 75,000 new properties for social rent. This investment will be delivered by Registered Social Landlords and non-Registered Social Landlords through programmes managed by the Housing Corporation. The Housing Corporation will be publishing its Corporate Plan later this year. This investment will make an important contribution to our aim of halving the number of people living in temporary accommodation by 2010.
29. As a result of the Efficiency Review, there is now a dedicated programme to generate efficiencies in social housing with a target of efficiencies of £835m by 2007-08. The Housing Corporation is seeking greater efficiency within RSLs and encouraging the use of modern methods of construction to accelerate delivery of quality social housing. It is making major changes to the way funds are allocated to improve targeting and value for money. The provisions in the Housing Act to allow the Housing Corporation to pay grant to private companies will also have a role to play in increasing efficiency in new supply.
30. ODPM also wants to see more use of supply chain partnering, to generate efficiencies through the whole construction process. Research commissioned from the Housing Forum shows that its demonstration projects have reduced new build project costs by up to 8% through partnering.
31. The Housing Corporation and National Housing Federation are working together to produce a strategy to champion good procurement practice in the construction sector, in particular to promote use of procurement consortia. These improvements in procurement are expected to result in a lower average grant per unit and free up funds previously allocated to corporate service administration. These freed up funds will provide additional resources for more homes, making more homes decent and more capital works than would otherwise have been possible, with units being of the same or higher quality than currently. In addition, a national collective purchasing agent for the social landlord sector, Procurement for Housing, was launched this year, to offer savings through joint procurement of commodity goods and services (telecoms, gas, office supplies etc). This is expected to result in efficiency gains worth £195 million in 2007-08 alone.
32. In addition, an enhanced service on Housing Mobility Grants at lower cost will free up programme funds for re-allocation to other ODPM programmes.
33. ODPM’s capital programmes are supported by housing receipts generated by local authorities who no longer have any debt. ODPM takes forecast receipts into account when devising its overall capital investment plans. It keeps the receipt forecasts under regular review.

Sustainable home ownership

34. ODPM aims to offer as many people as possible the opportunity to own a home if they can sustain the commitments of home ownership. This includes helping over 80,000 people into home ownership by 2010, through: a new First Time Buyers initiative to help 15,000 first time buyers; investment in 30,000 new properties for key workers; and help for over 35,000 people through other low cost home ownership schemes.

Reviving communities and housing markets

35. In some areas in the North and the Midlands, there are whole areas of cities that are suffering from low demand for and abandonment of housing, even when the rest of the city is doing well. To ensure that the conditions for a successful housing market exist, ODPM are working with local authorities and developers to plan and manage the replacement of housing more effectively, ensuring that where new housing is built that meets the needs and aspirations of the community, older, less popular housing is not left to be abandoned.
36. However, there are some areas that suffer from entrenched problems of low demand. In these areas, intensive action is needed to kick-start a revival. To support this activity, ODPM will have invested over £1.2 billion by 2008 from the Housing Market Renewal Fund – and other funding streams included in this strategy will support complementary action in the same location.
37. The majority of this funding will be invested in support of the nine existing Housing Market Renewal Pathfinders. Each Pathfinder has developed a market renewal scheme setting out how it intends to tackle low demand over a 15-year period. This is supported by an investment strategy, with detailed investment plans developed for each spending period.
38. Pathfinders' funds are boosted through their ability to recycle capital receipts received as a result of grant contribution from the Housing Market Renewal Fund. These receipts will mostly result from sale of assets (land and property). Sales will only be encouraged where this is consistent with the strategy for market renewal in the area, and receipts will be used for the purposes of ongoing market renewal in the pathfinder area.
39. Early activity in Pathfinder areas is focused on acquiring land, demolishing obsolete properties, refurbishing or remodelling properties and developing high quality design of homes and public spaces.
40. The Pathfinders cover around half the homes in low demand in England. As well as applying the lessons learned from Pathfinder areas, we have set aside £65 million from the Housing Market Renewal Fund to tackle low demand in other areas. This funding will be available from April 2006. It will be targeted on areas where there is a clear need for investment and the capacity to succeed. Funding will be distributed through Regional Housing Boards – we expect the main beneficiaries to include the Tees Valley, West Yorkshire and West Cumbria.
41. As well as directly supporting Strategic Priority 1 and PSA 5 (by reviving housing markets), the low demand programmes contribute to Strategic Priority 2 by ensuring people have decent places to live (through redesigning neighbourhoods through master-planning and funding physical action for housing improvements and environmental works) and tackling disadvantage (Priority 3) and PSA 1.

Strategic Priority 2: Decent places to live

42. The Government is committed to investing in improving the quality of people's homes and the surrounding environment.

Improving social homes

43. In order to ensure that all social tenants have a decent home by 2010 (PSA 7), local authorities seeking additional investment in their housing stock have three options: Arms Length Management Organisations (ALMOs); Private Finance Initiative (PFI) schemes; and stock transfer to a housing association. Authorities have until July 2005 to agree with their tenants which option to pursue and if they do not pursue any of these options, they cannot expect increased investment above that provided through mainstream housing funding.
44. As a result of Spending Review 2004, ODPM will provide more than £3.7bn for ALMOs and PFI in the three years to 2007-08. In addition, £180m has been made available to 'gap fund' negative value stock transfers.
45. ODPM has set up a £33 million Efficiency Challenge Fund to support social landlords to deliver improvements more efficiently. By forming networks of local procurement consortia, social landlords can maximise efficiencies throughout the supply chain and reduce the costs of housing capital works projects. The savings made can be re-invested in improving homes.

Improving homes in the private sector

46. To improve the condition of the homes of vulnerable households in the private sector, local authorities may spend mainstream housing funding¹⁰. ODPM is also helping local authorities to attract private sector funding to help vulnerable homeowners make their homes decent. As part of SR04, DEFRA has allocated an additional £140 million between 2005-08 for its Warm Front programme – which also contributes to delivery of decent homes in the private sector.

Creating cleaner, safer and greener communities

47. To improve the quality of local environments, ODPM's Liveability Fund is providing capital grants of £35.5m this year and £37.5m in 2005-06 to 27 local authority pilots. The pilots are running demonstration projects to illustrate the benefits, in terms of sustainability, of reforming management and maintenance services before investing in the improvement of the physical infrastructure of public spaces. The outcomes will be to improve parks and other green spaces, urban squares, market places and residential streets.
48. From next year, a new Safer and Stronger Communities Fund (SSCF) will be introduced, which will help focus investment on priorities and reduce administrative burdens. The SSCF will be the single route through which funding will be channelled from 06-07. By being part of the new Local Area Agreements (LAA), the fund will be spent on what really matters to local communities, as LAAs will allow considerable discretion for local delivery of liveability outcomes and will be subject to local negotiation and agreement with the relevant Government Office.

¹⁰ Research just published shows that over half of local authorities are offering loans, or packages of loans and grants, to improve private sector housing.

49. In relation to liveability, ODPM envisages local areas will want to focus on the priorities of the new PSA target (PSA 8), namely:
- creating attractive and welcoming parks, play areas and public spaces;
 - improving the physical fabric and infrastructure of streetscapes;
 - making places cleaner and maintaining them better; and
 - improving people's perception of the quality of their local environment.
50. In addition, ODPM funds Groundwork to help take forward the Government's aim of bringing about environmental regeneration in deprived urban areas. Groundwork aims to build sustainable communities through environmental action. ODPM grant contributes to some of the project activity of individual Groundwork trusts – it helps to lever additional private sector and other funding at a ratio of 10:1. Over the three year SR04 period, Groundwork will progress over 20,000 projects. They will improve more than 38,000 hectares of land, including community gardens, play areas, local parks, kick-about areas, skate parks and courts and squares.

Strategic Priority 3: Tackling disadvantage

51. ODPM has identified tackling disadvantage as key to delivering its aim of creating sustainable communities. Therefore, much of the investment described in this chapter seeks to reduce social exclusion and deprivation. The latest estimate is that about three-quarters of ODPM's 2005-06 budget will contribute directly to tackling disadvantage. In particular:
- increasing housing supply will reduce homelessness and reliance on temporary accommodation, make housing more affordable and be accompanied by regeneration;
 - making all social housing decent, improving private sector housing inhabited by vulnerable households and the liveability work to improve local environments will disproportionately benefit deprived groups;
 - Pathfinders will tackle concentrations of deprivation through developing low demand areas into sustainable, mixed-tenure communities;
 - Regional Development Agencies have a strong focus on regeneration not least through stimulating economic prosperity;
 - as local government is a key provider of services to deprived groups, improving these services is vital; and
 - action to prevent fire deaths, such as the new programme to install free smoke alarms, will yield the greatest benefit in areas of high deprivation, where fire incidents and deaths are highest.

TACKLING DISADVANTAGE BY REVIVING THE MOST DEPRIVED NEIGHBOURHOODS

New Deal for Communities

52. In addition to the mainstream investment targeted at deprived areas and groups, ODPM is directing £900m capital investment over 10 years to 39 deprived neighbourhoods through the New Deal for Communities (NDC) programme. This includes £380m to be spent during the SR04 period.
53. Capital projects undertaken by NDC Partnerships support the five key themes of the programme: health; education; crime; jobs; and housing and the physical environment. They include refurbishment of housing estates, new primary care facilities and community facilities attached to schools.

Capital investments planned by NDC partnerships include:

- a £10 million leisure centre project in Braunstone, Leicester, funded in partnership with Leicester City Council;
- in Tower Hamlets, the Ocean NDC partnership is due to use around £20 million of its overall 10 year budget to support a housing stock transfer, in conjunction with the local authority, a Registered Social Landlord and ODPM; and
- the development of the Village Centre project in Hull – the NDC is contributing £7 million in 2005-06. The centre, located on a 9.3 acre site, will include a police station, community and health facilities, shops and a college.

The Coalfields Enterprise Fund

54. The Coalfields Enterprise Fund is a venture capital fund launched in March 2004 to provide funding for growing smaller businesses located in or near to the English coalfields. Government has invested £10m in the Fund and the Fund will match this with funding from other sources. This will bring over £20m of investment to small firms with high growth potential in the former coalfield areas.

Coalfields Regeneration Trust

55. £5m per annum is allocated to the Coalfields Regeneration Trust in support of the Government's commitment to regenerate the coalfield communities. The Trust spearheads the social and economic regeneration of the coalfields by providing grants to a wide range of organisations, supporting initiatives such as one-stop shops, credit unions, community chests, and strategic regeneration initiatives such as Skillsbuilder that enables ex-miners to retrain for careers in the construction industry. An independent evaluation of the Trust, undertaken by York Consulting in 2003, concluded that the Trust's investments are making an impact. A more wide ranging evaluation covering all the ODPM coalfield initiatives is due to be carried out in the near future.

REDUCING SOCIAL EXCLUSION AND SUPPORTING SOCIETY'S MOST VULNERABLE GROUPS

56. Over the SR04 period, ODPM will commit £90m to a programme to reconfigure and improve the quality of hostel accommodation for homeless people. Investment will be targeted on areas where rough sleeping remains significant. This will address major problems with ageing and inappropriate hostel provision with a focus on quality rather than quantity. It will also complement revenue expenditure by local authorities, and ODPM's programmes that aim to tackle and prevent homelessness, including the most severe problems of rough sleeping and families with children living in B&B hotels. ODPM's aim is to halve the number of people in temporary accommodation by 2010.
57. Independent research and regular monitoring information have shown that hostels play an important role in helping rough sleepers to move away from the streets. This can only be achieved effectively in good quality accommodation.

Disabled Facilities Grant

58. Over the SR04 period, over £340m capital investment will be committed to the Disabled Facilities Grant allocated to adapt housing for disabled people. Current funding allows for local housing authorities to carry out 30,000 adaptations per year. Delivery and financial allocations are monitored through housing strategies and research evaluations. Where there is evidence of unsatisfactory performance, the policy is reviewed and changes are made to legislation and/or guidance as required.

Providing for Gypsies and Travellers

59. There are also plans to continue to invest in gypsy site grants (£8m p.a.) in order to promote better integration and raise the quality of life in the gypsy community. Funding will be allocated in accordance with recommendations made in the Regional Housing Strategies. The bids are assessed for value for money. Local authorities investing in gypsy sites keep ODPM informed of the needs in their areas.

Strategic Priority 4: Delivering better services through strong, effective local government

60. ODPM has responsibility for co-ordinating central government's relationship with local government and strengthening governance at a local level. As part of that responsibility, the Office leads for the Government on policy on local authority capital finance.

Changes to the local authority capital finance framework

61. The prudential capital finance system for local authorities was introduced from 1 April 2004. Authorities are now free to borrow and take out leases without Government consent – provided they can afford these commitments without extra Government support. The new system is much simpler, relying extensively on standard accounting practice and local discretion rather than prescriptive legislation. Authorities' decisions on what they can afford to borrow are guided by a Prudential Code provided by the independent accounting body CIPFA (the Chartered Institute of Public Finance and Accountancy). The system allows extra self-financed investment – on top of the capital programmes that are given Government support.

It is encouraging authorities to explore schemes which generate the revenues or savings to cover their borrowing costs.

62. The Government announced in Spending Review 2004 that ODPM, with other government departments and the Local Government Association (LGA), would take forward work on the implications of moving to a system of capital support linked to the depreciation of local authorities' asset bases. The Capital Programmes Working Party (involving the LGA, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Audit Commission), the main central-local government forum for considering issues affecting local authority capital finance, is drawing up a Work Programme for the system of depreciation-based support. This system will supplant the existing arrangements, which do not properly cater for the capital maintenance of assets, and provide incentives for authorities to achieve better value in management of their asset bases.
63. There are existing Government commitments to provide greater forward certainty of capital support to local authorities. In Spending Review 2004, the Government announced that priority should be given to introducing three-year settlements for both capital and resource. Subject to consultation, these will be introduced in 2006/07. They will:
- increase stability and predictability in local authorities' budgets to allow better planning of spend, vital for delivering large capital projects;
 - deliver greater efficiencies through improved planning; and
 - help authorities to meet the requirements of the new prudential capital finance system and provide a more robust basis on which to plan.

ODPM plans for capital support to local authorities

64. Individual government departments provide capital support to local authorities in respect of the services for which they have policy responsibility. In the case of ODPM, this includes housing, planning, liveability and fire & rescue services, the plans for which are described elsewhere in this chapter.
65. In addition to service-specific capital support, the Office will provide capital funding in support of Local Public Service Agreements (LPSAs); and PFI credits for multi-service projects ('Joint Service Centres').
66. The Office has earmarked £233m a year from 2005-06 to 2007-08 for LPSA Pump-Priming Grant and the capital element of LPSA Performance Reward Grant. LPSAs are individual agreements between the government as a whole and individual local authorities. They address key national and local priorities in sectors such as education, health & social services, crime reduction and transport. They contain targets to achieve improvements over and above what authorities would anyway be expected to achieve over three years. The Pump-Priming Grant will help local authorities to deliver the demanding LPSA service improvement targets, by contributing to the costs of projects determined by authorities.
67. Local authorities will be able to bid for PFI credits of £65m a year to support private sector investment in the Joint Service Centre programme. Joint service centres are multi-agency and multi-service premises, aimed at improving accessibility of

information and front-line services to local communities where face-to-face contact is important. In many cases, where links to health services are important, projects will be developed under the Local Improvement Finance Trusts (LIFT) initiative. As well as being appropriate for service delivery reasons, this provides a mechanism designed to procure small value projects. In line with general PFI policy, single PFI contracts will not be agreed for less than £20 million. Non-LIFT projects will therefore either be fairly large (and therefore uncommon), involve a number of buildings or be linked to other PFI projects (e.g. schools, leisure centres). Local authorities were invited to submit proposals for new projects in November 2004 to use the majority of new funding agreed in Spending Review 2004.

Supporting improved local authority procurement

68. The National Procurement Strategy for Local Government, published jointly by ODPM and the LGA in the autumn of 2003, outlined a range of measures to develop and improve procurement in Local Government. Building on the Kelly Review into competition and capacity planning in public sector procurement markets, this Strategy:
- encourages all councils to interact with a diverse range of suppliers;
 - sets out a range of milestones to (among other things) help local authorities engage pro-actively with small businesses – for example, by ensuring that their corporate procurement strategies address how the authority will encourage a diverse and competitive supply market; and
 - provides a list of actions that authorities should adopt, e.g. publish “selling to the council” guides to stimulate markets.
69. Innovative councils have already streamlined procurement, worked in partnerships, redesigned the delivery of services and pooled buying power. The Strategy sets out mechanisms for achieving a step-change in overall performance across the sector, in particular through the introduction of nine Regional Centres of Procurement Excellence.
70. The Local Government On-line programme supports more effective procurement of e-services. ODPM will invest £107m in the programme in 2005-06 (the final year of targeted ODPM capital funding) to ensure that all councils have access to key electronic services and building blocks, without having to build them from scratch. It offers councils proven, cost effective, standard products, services and implementation roadmaps, to build effective and tailored e-services. Indicative estimates from the National e-Procurement Project (NEPP) suggest that efficiency gains of at least £800m in 2007/08 can be realised by extending the programme across local government. Total efficiencies from 2005/06 to 2007/08 are estimated at £1.1bn.
- ### **Fire and Civil Resilience**
71. ODPM is investing significant sums to modernise the Fire and Rescue Service and provide it with the capability to address counter terrorism and civil resilience priorities. This includes investment in:
- new equipment for search & rescue;

- a new national communications system, integrated with the introduction of regional fire and rescue control centres; and
- a programme to provide smoke alarms to homes at high risk.

72. ODPM's investment in fire and civil resilience contributes to the provision of better fire and rescue services (Strategic Priority 4) and reducing the number of fire deaths (PSA 3). They also contribute to the national infrastructure for civil resilience, which is a cross-government priority.

Firelink

73. The Firelink project will deliver a digital single national radio system for the Fire and Rescue Service. The tendering process is underway, with decisions expected by summer 2005.

FiReControl

74. In parallel, the Office is taking forward – in partnership with local government – the FiReControl project, to rationalise the 46 control rooms in England to 9 regional centres. ODPM is funding the infrastructure centrally, contributing towards any additional costs arising from resilience and security requirements as part of the Critical National Infrastructure and as necessary in line with New Burdens principles. Invitations to Tender have been issued in every region to shortlisted developers to provide the buildings for the regional control centres. Tenders have been received back in three regions and evaluation is in progress. All the remaining tenders are due back by the start of February 2005. The target is to select a developer and site in each region by the end of March 2005. The invitation to submit outline proposals for the infrastructure services contract was issued in December 2004 to the 8 short-listed potential prime contractors. The response deadline is 23 March 2005. The aim is to establish most of the Regional Control Centres by the end of 2008.

Further fire prevention measures

75. ODPM will invest £5m a year from 2004-05 to 2006-07, and £10m in 2007-08 in a programme to install free smoke alarms in around 1.25m homes at high risk from fire who do not currently possess one. This will help to achieve the new Fire PSA target (PSA 3). The programme will be directed towards areas with low smoke alarm ownership and high deprivation. There is strong evidence that this investment will prevent fire deaths in the home. Smoke alarm ownership has risen from 9% in 1987 to 76% now, saving about 50 lives a year, based on analysis of national fire statistics.

Smoke Alarms

Merseyside Fire and Rescue Service (among others) has successfully piloted an approach whereby 200,000 homes were visited and fitted with 300,000 smoke alarms. 100 homes have also been fitted with automatic fire suppression systems. The result of their work has been independently verified by the University of Liverpool which found that accidental fire deaths in the home fell 40%, injuries fell 49% and cost to the local economy fell 23%

Search and rescue

76. Over £39m will be invested in 2005-06 in search and rescue resources and equipment ready for use in civil emergencies.

Additional funding

77. As well as direct investment, ODPM will continue to provide Fire and Rescue Authorities with supported capital expenditure of up to £58m in 2005-06 and each of the following two years, as well as access to PFI credits of £50m in 2005-06, £65m in 2006-07 and £75m in 2007-08. A 5th round of PFI projects will be announced in the first half of 2005. This will enable further investment in assets such as new fire and rescue stations, Divisional Headquarters, community safety centres and new vehicles and equipment.

Modernisation and efficiency

78. The Fire and Rescue Service's modernisation programme will produce efficiency gains through using front-line resources more effectively both by enhancing preventive work and by matching resources better to demand in terms of minimising local risk to life and deliver improved public safety. Firelink maintenance efficiencies will result from providing a new nation-wide digital communications system for fire and rescue services. This will improve effectiveness, flexibility of front line workers and thus provide an improved service to the public, especially in case of civil emergency.
79. Regional Control Centres alone, based on prudent estimates, will deliver £100m savings from 2008-09 over 10 years. Regional Management Boards, exploiting the benefits of regional control centres and boundary transparent Integrated Risk Management Plans are expected to remove situations in which fire cover provision is duplicated between adjoining Fire and Rescue Authority areas. Over the next few years, the Fire and Rescue Service's investment decisions in respect of new fire engines, special appliances, equipment, training and fire stations will increasingly be taken with regard to "the big picture" rather than the traditional single authority perspective.

Procurement

80. The Draft National Procurement Strategy for the Fire and Rescue Service aims to ensure a collaborative and national approach is taken to the procurement of major items of fire service-specific spend such as vehicles, equipment and key services through a proposed national body titled 'FiReBuy'. The draft strategy proposes that FRAs be required to join the national arrangements as their current commitments expire. The responses to a consultation on the draft strategy are currently being considered. Non-specialist Fire and Rescue Service purchasing would be managed through the local government Regional Centres of Procurement Excellence, established under the Local Government National Procurement Strategy.
81. As part of this National Procurement Strategy, the London Fire and Emergency Planning Authority is also pursuing a national procurement arrangement for the provision of Firefighters' Personal Protective Equipment and clothing. It is proposed that FiReBuy will take on responsibility for the arrangement when it comes into being.

Strategic Priority 5: Promoting the development of the English Regions

Regional Development Agencies (RDAs)

82. RDAs are funded by six Government Departments, including ODPM. The principal sponsoring department is the Department for Trade and Industry and more information

on RDAs can be found in their Departmental Investment Strategy. In the 2004 Spending Review, the Government announced increases in RDA funding and an increased emphasis on the RDAs' role as strategic drivers of regional economic development. ODPM will invest over £2.89bn in capital projects through the RDAs between 2005-06 and 2007-08.

83. The RDAs' agenda includes regional regeneration, taking forward regional competitiveness, taking the lead on regional inward investment, working with regional partners and ensuring the development of a regional skills action plan to ensure that skills training matches the needs of the labour market.
84. The RDAs incur capital expenditure for various purposes in support of this agenda. They acquire and develop parcels of land for regeneration purposes in areas of deprivation where there is a stock of available brownfield land needing remediation which the private sector cannot undertake (eg former coalfields). They make capital grants to local authorities which deliver regeneration projects with economic and social benefits. They also make capital grants to non-profit making bodies for social and economic regeneration or contracted out regeneration projects.
85. The three northern RDAs are leading on the "Northern Way" – a comprehensive strategy for growth and prosperity across the North to narrow the prosperity gap between the North and the rest of the UK. SR04 announced several measures to devolve more freedom, flexibilities and funding to support economic growth in the North including ODPM's commitment of £25m capital investment in 2007-08. This, together with a further £19m from ODPM End-Year Flexibility and the RDA contribution to the Northern Way Investment Fund, will kick start the Northern Way strategy into practical action.
86. The Efficiency Review will also improve the programmes run by the Regional Development Agencies through improved management of land and property held for regeneration.

European Regional Development Fund

87. ODPM manages the European Regional Development Fund (ERDF) for England (through Government Offices). Currently, 37% of ERDF spend in England is attributed to ODPM. On this basis, capital investment through ERDF in support of ODPM's agenda will be £160m, £183m and £183m over the three SR04 years.
88. Three ERDF programmes in England (in Cornwall, Merseyside and South Yorkshire) are part of ERDF's Objective 1: to support sub-regions where the average GDP per capita is less than 75% of the EU average. Every region in England receives ERDF funding for Objective 2: to support the economic and social convergence of regions facing structural difficulties.
89. ERDF is intended to stimulate economic development in the least prosperous regions of the EU, thereby supporting PSA2. Measures supported by ERDF include:
 - investment in sites and facilities;
 - infrastructure projects;
 - local initiatives to support regional economic development;

- tourism and cultural projects; and
 - environmental protection and improvement measures linked to regional economic development.
90. To monitor delivery, every programme has to prepare a programme plan called the Single Programming Document that must be agreed with the European Commission. They are revised over the delivery period.
91. EU regulations require ERDF programmes to be evaluated at mid-term of the programme cycle. The European Commission also sets financial annual targets for ERDF spend. Failure to achieve targets leads to unspent funds being returned to the Commission.

THE OFFICE'S INVESTMENT PLANS 2005-06 TO 2007-08

92. Table 2 below shows the investment allocated to support each of ODPM's Strategic Priorities over the period to 2007-08. The Table has been split into four sections:
- Table 2.1 –Capital Expenditure¹¹ – ODPM DEL¹². This covers direct capital investment by ODPM and its sponsored bodies, and ODPM support for capital investment by local authorities on services for which ODPM has policy responsibility;
 - Table 2.2 – Resource Investment – ODPM DEL. This covers investment through capital grants to the private sector;
 - Table 2.3 – Capital Expenditure – Local Government DEL¹³;
 - Table 2.4 – ODPM investment through the Private Finance Initiative
93. In addition to the investment shown here, ODPM and the Department for Transport (DfT) will be investing £50m in 2006-07 and £150m in 2007-08 through a Community Infrastructure Fund to complement mainstream transport funding in the Growth Areas (see paragraph 14 above). This is held on DfT's Departmental Expenditure Limit.

11 For accounting purposes, the Government defines its own capital expenditure and capital to local authorities as "capital" expenditure, whereas capital grants to the private sector and related bodies are defined as "resource" expenditure.

12 ODPM is responsible for two Departmental Expenditure Limits (DELs): ODPM DEL and Local Government DEL. ODPM DEL covers the main programmes for which ODPM has lead responsibility.

13 Local Government DEL covers the Government's Revenue Support Grant for local authorities, and a number of local government-related programmes which cut across service boundaries.

Table 2.1: Capital Expenditure by Strategic Priority/Programme – ODPM DEL¹⁴

By ODPM	£ million		
	2005-06	2006-07	2007-08
Housing Supply and Demand			
Planning Inspectorate	1	1	1
E-Planning	1	2	2
Home Buying and Selling	4	2	0
Tackling Disadvantage			
Supporting People Administration	0.3	0	0
Better Services			
Fire Services	0.09	0.09	0.09
Resilience programmes	69	49	18
Development of English Regions			
Government Offices capital	3	3	3
Other			
ODPM (central) capital	21	21	21
Departmental Unallocated Provision	-1 ¹⁵	-1	-1
QEII Conference Centre Short Term Loans	-0.08	-0.08	-0.08
SUB-TOTAL	98	77	44
By NDPBs			
Housing Supply and Demand			
Housing Corporation	0.005	0.005	0.005
English Partnerships	29	9	9
Development of English Regions			
Regional Development Agencies (ODPM support)	130	134	137
SUB-TOTAL	159	143	146

¹⁴ Totals may not add up due to rounding.

¹⁵ In government accounts, a negative is used to denote receipts and positive figures are expenditure.

Table 2.1: Capital Expenditure by Strategic Priority/Programme – ODPM DEL¹⁴ (continued)

	£ million		
	2005-06	2006-07	2007-08
Capital grants to local authorities			
Housing Supply and Demand			
Planning Delivery Grant	40	31	28
Housing defects grants	0.07	0.07	0.07
Gypsy site grant	8	8	8
Thames Gateway	154	160	141
Growth Areas	53	77	139
Communities Plan adjustments	-173	0	0
English Partnerships	211	145	100
Decent Places to Live			
Capital Housing Receipts	-103	-145	-186
Procurement Efficiency & Social Housing	5	11	11
Tackling Disadvantage			
Disabled Facilities Grant	101	121	121
New Deal for Communities	107	104	94
New Ventures Fund ¹⁶	0	1	1
Better Services			
Smoke alarms	5	5	10
Development of English Regions			
ERDF (European Regional Development Fund (ODPM))	128	143	143
London Development Agency (ODPM support)	170	175	180
Northern Way ¹⁷	0	0	25
SUB-TOTAL	706	836	815

¹⁶ From 05-06 onwards, funds previously allocated through the Liveability Fund, Living Spaces and New Ventures Fund will go into the new Safer and Stronger Communities Fund.

¹⁷ An additional £19m capital investment for the Northern Way will be available from End-Year Flexibility from 05-06, but how this will be allocated between years is still to be decided.

Table 2.1: Capital Expenditure by Strategic Priority/Programme – ODPM DEL¹⁴ (continued)

	£ million		
	2005-06	2006-07	2007-08
Supported Capital Expenditure			
Housing Supply and Demand/Decent Places to Live			
Housing – Supported Capital Expenditure ¹⁸	911	885	897
Decent Places to Live			
Arms Length Management Organisations	888	891	887
Lea Valley (Supplementary credit approvals: Local Environmental Services)	0.5	0.5	0.5
Better Services			
Fire – Supported Capital Expenditure	67	115	104
SUB-TOTAL	1,866	1,891	1,888
TOTAL – CAPITAL	2,830	2,946	2,892

¹⁸ Figures shown here are indicative. Final decisions about how the single capital housing pot will be split between Supported Capital Expenditure for local authorities and Housing Corporation funding in 06-07 and 07-08 will depend on recommendations from Regional Housing Boards in Spring 2005. Announcements will be made in Summer 2005. There will be a £50m contribution to the First Time Buyers Initiative from the single housing pot in 07-08.

Table 2.2: Resource Investment by Strategic Priority/Programme – ODPM DEL			
	£ million		
	2005-06	2006-07	2007-08
Housing Supply and Demand			
Housing Corporation ¹⁹	1,630	1,761	2,035
Housing Market Renewal Fund	284	335	450
Thames Gateway	30	30	30
Growth Areas	8	8	21
Communities Plan adjustments	216	0	0
English Partnerships	72	137	150
Housing Action Trusts	17	3	1
Decent Places to Live ²⁰			
Liveability programmes ²¹	56	56	56
Tackling Disadvantage			
Coalfields Regeneration Trust	5	5	5
Better Services			
Fire Services	8	5	5
Development of English Regions			
ERDF (European Regional Development Fund (ODPM))	32	40	40
Regional Development Agencies (ODPM support)	641	652	672
TOTAL – RESOURCE INVESTMENT	2,999	3,031	3,464

Table 2.3: Capital Expenditure – Local Government DEL by Strategic Priority/Programme			
	£ million		
	2005-06	2006-07	2007-08
By NDPBs sponsored by ODPM			
Better Services			
Valuation tribunals	1	1	1
Capital grants/supported borrowing to local authorities			
Better Services			
Local Government on Line	107	7	7
PSA Performance Fund	233	233	233
Commutation supplementary credit approvals	8	8	8
TOTAL – LG CAPITAL EXPENDITURE	349	249	249

¹⁹ See footnote 18.

²⁰ This excludes £180m for gap funding Large Scale Voluntary Transfers from the 04-05 budget to be spent over the SR04 period.

²¹ See footnote 16.

Table 2.4: Private Finance Initiative by Strategic Priority/Programme²²

	£ million		
	2005-06	2006-07	2007-08
Housing Supply and Demand/Decent Places to Live			
Housing PFI	360	610	610
Better Services			
Fire & Rescue Service PFI	50	65	75
Joint Service Centres PFI	65	65	65
TOTAL – PRIVATE FINANCE INITIATIVE	475	740	750

CORPORATE INVESTMENT PLANS

94. In addition to the investment plans described above, focused on delivering specific Strategic Priorities, the Office is investing in its corporate capacity as part of its corporate change programme.
95. A new Information Systems strategy is currently under development which is expected to lead to a number of significant investments. This investment in corporate capacity will assist the delivery of all the Office's Strategic Priorities and Efficiency Targets. It includes:
- improved corporate ICT services, incorporating HQ-wide content and records management and a new internet and intranet platform;
 - electronic data and statistics services that are more joined up, easier to use, widen the use of mapping for data and include significant new areas of data;
 - better tools for business and financial planning; and
 - electronic grants administration platforms that are more generic in nature and end to end.

²² All programmes are expected to be off-balance sheet and contracts are expected to last between 25 and 30 years.

Table 2.5: Information on the Office's top forthcoming contracts

No.	Key outputs	Details	Key dates	Key contact
Housing				
1.	Up to 1000 homes of good standards of design and environmental performance that cost no more than/on average £60,000	English Partnerships' "Design for Manufacture" competition launched in ODPM's "Homes for All" strategic plan.	February 2005: Publish notice in Official Journal of European Communities. By end March 2005: Expressions of Interest requested April 2005: Invitation to negotiate mid-June 2005: Submission August 2005: Selection ends	Paul McGivern (Paulmcgivern@englishpartnerships.co.uk)
2.	Decent homes, affordable housing, key worker accommodation, supported housing	Housing PFI contracts cover refurbishment and new build of social housing. ODPM also supports extra care and sheltered housing schemes.	During 2005: 3rd round housing PFI schemes expected to go to market. January 2005: 4th round expressions of interest from local authorities due. By May 2005: ODPM expects to announce successful schemes. 2007-08: Contract signature/award expected. Autumn 2005: 5th bidding round launched. 2008-09: Signatures expected.	Julie Pearce (Julie.Pearce@odpm.gsi.gov.uk)
3.	Affordable housing (social housing for rent, low cost home ownership products and intermediate rent products)	Programme of £200m to be approved in 2005-06 following a competition for Housing Corporation's grant for which both RSLs and non-RSLs will bid. From 2006-07, the whole of the Housing Corporation's grant will be open to both RSLs and non-RSLs.	11th January 2005: Housing Corporation's consultation ended. February 2005: Expressions of interest requested and prospectus to be published Autumn 2005: Grant to be allocated.	Liam Sage (Liam.Sage@odpm.gsi.gov.uk)

Table 2.5: Information on the Office's top forthcoming contracts (continued)

No.	Key outputs	Details	Key dates	Key contact
4.	Home Condition Databank	The Home Condition Databank is a key component to deliver the Home Information Pack (HIP) Programme. The databank will store information on housing conditions and certified Home Inspectors. This electronic information will be accessible via a private network or via the Internet to authorised parties. It will be key to making home buying and selling more transparent, certain, fast and consumer-friendly.	1st February 2005: Market Testing initial design March 2005: OGC Gateway 1 Review starts April 2005: Delivery of Business Model and Requirements May 2005: Scope and produce business process models November 2005: completion of Gateway Review 3 end November 2005: Invitation to Tender contract for build and operate December 2005: Award Contract March 2006: Delivery of full function prototype April 2006: Dry run test and run system for the HIPs	Debbie Brown (Debbie.Brown@odpm.gsi.gov.uk)
Better local services				
5.	Multi-agency and multi-service joint service centre premises and possibly buildings as part of other PFI projects on schools, leisure centres etc	PFI contracts for Joint Service Centres and small value projects linked to them	By 12th March 2005: Proposals for new projects invited. Likely to be further invitations next year.	Simon Oliver (Simon.Oliver@odpm.gsi.gov.uk)

Table 2.5: Information on the Office's top forthcoming contracts (continued)

No.	Key outputs	Details	Key dates	Key contact
Fire and Civil Resilience				
6.	Capital assets to support modernisation and increased efficiency of the Fire and Rescue service.	A 5th round of Fire and Rescue Service PFI projects.	5th Round to be announced in the first half of 2005.	David Green (David.Green@odpm.gsi.gov.uk)
Corporate Programmes				
7.	Electronic Content and Records Management	The introduction of an HQ-wide system to streamline the handling of content of different types	2005: Launch	Tim Murray (tim.murray@odpm.gsi.gov.uk)
8.	New internet and intranet platform	The growing demand for different ways of working on the web, and the need to rationalise the number of ODPM websites mean that the current corporate platforms need to be replaced with a more integrated and functionally rich one	2005: Launch	Edward Venning (edward.venning@odpm.gsi.gov.uk)
9.	Increased Maps on Tap Capability	Maps on Tap (MoT) is ODPM's corporate geographical system (GIS) platform. 2005 will see the start of a programme to develop the system further – in particular to make it more interoperable, allowing the participation of other government departments and local government. As a cross-government service, MoT should deliver significant savings, through a “build once, re-use many times” strategy	2005: Launch	Jonathan Rhind (jonathan.rhind@odpm.gsi.gov.uk)

CHAPTER 4

Systems and Procedures

1. This chapter describes the Office's systems and procedures for ensuring that its capital investment plans are delivered; the steps which have been taken to improve these systems over the past two years; and actions in hand to build further on these improvements.

THE ROLE OF THE ODPM BOARD

2. Since the establishment of ODPM in May 2002, the ODPM Board has made it a priority to strengthen the Office's capacity to deliver, including a focus on performance and financial management. The corporate change programme, "Excellence in Delivery" (EiD), includes key themes of "managing delivery" and "effective financial management".
3. This emphasis has led to:-
 - greater Board involvement in monitoring key programmes and projects, and in risk management;
 - a drive to improve programme and project management capacity across ODPM;
 - enhanced budgeting guidance for all staff;
 - improved forecasting, with significantly reduced underspending;
 - improved appraisal systems;
 - action to derive better results from procurement, including greater use of the Gateway Review process; and
 - strengthened central sources of professional advice and more extensive training.

APPRAISAL

4. Shortly after the creation of the ODPM, a review of appraisal processes across the Office was initiated. This resulted in a programme of work to improve appraisal in the light of best practice.
5. ODPM's general approach to programme and project appraisal is guided by HM Treasury's "Green Book" (*Appraisal and Evaluation in Central Government*), last revised in 2003. This high-level framework informs more specific approaches in

particular policy areas. For investments supporting spatial policy actions (e.g. regeneration, renewal and regional development), appraisal is informed by ODPM's "3Rs" guidance, *Assessing the Impacts of Spatial Interventions*, published in May 2004. This framework is fully consistent with the higher-level Green Book.

6. Appraisal best practice is supported within ODPM by clear approval systems. In the case of investments delivered by local authorities, accountability ultimately rests locally but the Green Book remains the best practice framework.
7. Best value for money is promoted in all ODPM transactions and the capital expenditure option is only taken after consideration of alternative solutions (e.g. leasing).

Appraisal processes for centrally run investment programmes

8. ODPM's own corporate investments (in Information and Communications Technology, e-Business and accommodation) are subject to appraisal systems which comply with Green Book principles, and are approved according to an established financial delegation system. Large fire and civil resilience projects developed at the national level, such as Firelink, FiReControl and New Dimension, are also subject to economic appraisal conforming with Green Book principles.
9. In designing new programmes, the Office ensures that robust appraisal systems are in place. The boxes below describe the approach for two major investment programmes.

Pathfinders

The nine "Pathfinders" have now received the first tranche of the Housing Market Renewal Fund. Prior to allocation of funding, pathfinders' strategic schemes were assessed by ODPM and independently scrutinised by the Audit Commission. Each Pathfinder is responsible for project appraisal for individual projects that contribute to the schemes to ensure value for money. The Office has sought to ensure that programmes fit well with ODPM strategies, are evidence-based and likely to be effective. In advance of a second tranche of funding being made available, methods for assessing the VFM of Market Renewal Pathfinder programmes are being improved.

New Deal for Communities

The relevant Government Office (GO) is responsible for approval of **New Deal for Communities** (NDC) Partnerships' projects with a large financial commitment (the exact level varies by Partnership). NDC partnerships must develop strategies using option appraisal techniques and rigorously appraise individual projects before approving them. The Government Offices monitor and review progress regularly to ensure the partnerships meet their objectives and achieve their outcomes. The GO scrutiny focuses on value for money. The ODPM Central Investment Appraisal team plans to run appraisal workshops for GOs and reissue NDC appraisal guidance for April 2005.

Appraisal processes for ODPM's NDPBs

10. Programmes funded by the **Housing Corporation** (HC) are structured in accordance with regional strategies determined by Regional Housing Boards and Ministers. Project-level appraisal within the HC aims to ensure that projects submitted to it by Housing Associations and others fit with agreed strategies and are cost-effective. Project costs are assessed in comparison with benchmarks. The HC currently has unlimited delegated financial authority and ODPM does not approve any individual projects.
11. Investments made by **English Partnerships** (EP) are appraised according to systems compliant with the Green Book and "3Rs" guidance. All projects must be appraised regardless of the amount of expenditure being committed. EP may commit expenditure up to £10m on any individual project without the prior approval of ODPM. For all projects over and above EP's delegation limit of £10m, the relevant appraisal is scrutinised by the Central Project Review Group (CPRG) to ensure value for money. CPRG's membership includes finance, land & property, economists and policy representatives and, if appropriate, a Government Office representative. For EP projects, it is chaired by ODPM. Approval for projects with costs in excess of £10m rests with ODPM ministers, whom CPRG advises. Any project where EP's financial contribution exceeds £20m or is deemed novel, contentious or repercussive is subject to both CPRG and Treasury approval. In addition, Intervention Principles for EP's involvement in strategic land purchases to further the objectives of the Sustainable Communities Plan are being developed.
12. Contributions by ODPM and other Departments to **Regional Development Agency** budgets are subject to the requirement that investments must be appraised according to Single Programme Appraisal Guidance (SPAG). This Guidance, developed jointly by the contributing government departments, is fully compliant with the Green Book and "3Rs" guidance. CPRG scrutinises the appraisal of projects in excess of £10m but it is chaired by DTI as policy sponsor. ODPM (as the major funder of the RDAs) holds Deputy Chair. CPRG processes as they apply to the RDAs are currently being reviewed as a condition of the SR04 settlement. DTI is leading on this. Where an RDA project's costs exceed £20m or it is deemed "novel, contentious or repercussive", appraisals are scrutinised by both CPRG and HM Treasury, and approval rests with Treasury Ministers.

RESOURCE ALLOCATION

13. ODPM allocates resources as follows:
 - budgets are issued for a spending review period to programme budget managers. The programme budget is firm for the first year and indicative for years two and three. Budgets are reassessed each year and revised budgets are issued where necessary;
 - for administration costs, three year budgets are issued following the business planning round. These are also firm for the first year and indicative for years two and three;
 - EYF (except for ringfenced programmes) is held centrally, to be used on priority programmes as agreed by Ministers and the Board;

- capital, resource consumption and resource investment budgets are identified separately. Treasury rules on virement are maintained and Finance approval to any virement has to be obtained; and
- ‘non-cash’ costs (depreciation and the cost of capital charges) are charged to the resource consumption budget. Where fixed or development assets are held under a programme, a budget for these holding costs is required in addition to the capital budget for the purchases. This provides an incentive for the efficient use of assets.

PROCUREMENT

Corporate

14. ODPM's Procurement Strategy includes a range of measures to develop and improve ODPM corporate procurement by the new Corporate Procurement Division, in order to:
 - bring it into line with current best practice in procurement;
 - improve value for money (VFM);
 - further minimise risks associated with procurement activity;
 - secure procurement efficiencies and savings;
 - respond to recommendations from the NAO Report “Improving Procurement”, and subsequent PAC enquiry; and
 - contribute to, and complement, initiatives to improve programme and project management and governance arrangements across ODPM.
15. Specific advances to procurement, some of which have also been prompted by the Efficiency Review, include:
 - centralisation of all ICT procurement by April 2005: and of all non-ICT procurement tendering over £20k in phases; first phase by December 2004 and second phase by end March 2005 to optimise efficiency and VFM;
 - establishment of a new Procurement Forum (with representatives from the Centre, GOs, agencies and NDPBs) in January 2005;
 - regular gauging of customer satisfaction on procurement activity by end March 2005;
 - development of a first set of appropriate procurement performance indicators to include in regular reports to the Board in 2005;
 - performance management of the highest value ODPM suppliers and those framework providers on BuyNet by December 2004, and for other suppliers by post-supply evaluation on a targeted sample basis;

- provision of e-procurement services and solutions (including BuyNet) to support improvements to the wider objectives of the ODPM, deliver benefits and VFM, specifically by developing BuyNet and encouraging its use through new framework agreements and standardising choice;
 - ensuring procurement and PPM guidance and toolkits complement each other and that major projects are better forecast to ensure proper PPM and governance arrangements and early engagement of procurement professionals; and
 - training staff to become improved clients, focusing on specification drafting and contract management.
 - identification of new framework agreements including scope for collaboration with other departments.
 - standardisation and consistency in the internal procurement process;
 - improved use of OGC, other departments and ODPM's framework contracts, regularly identifying opportunities to develop use of others; and
 - learning from earlier procurement experiences to ensure continuous improvement.
16. In addition, actions are well underway to disseminate best practice in e-procurement. The National e-Procurement Project is holding regional experience sharing workshops and monitoring roll-out of e-procurement. The project is also providing a taskforce to support authorities in implementation of e-procurement.

An understanding of the market's readiness and capacity to deliver

17. Two-way communications between ODPM and industry, including its agencies, NDPBs and other related ODPM bodies, are key to the delivery of ODPM's investment programmes. ODPM:
- has developed a supplier portal with Business Information Publications solutions (www.procurementportal.odpm.gov.uk). The portal contains details of ODPM's procurement processes and policy, future and current contract opportunities and contact points. It also has the facility to hold general, or contract specific, Prior Information Notices (PINs);
 - advertises contract opportunities in the national press, technical journals and magazines, where appropriate; and
 - holds contract specific and non-contract specific bidders' conferences when appropriate.
18. ODPM is looking to enhance its interactions with the market through:
- optimising use of Framework agreements and encouraging use of joint and collaborative procurement models to encourage greater involvement of industry at the outset;
 - exploring future expansion of the supplier portal with ODPM agencies, NDPBs and local government colleagues, particularly to provide a "one stop shop" for procurement reference; and

- assessing the ODPM supplier base and making recommendations for the development of a Supplier Management strategy, including the instigation to review and better manage key suppliers.

The use of Gateway Reviews

19. ODPM currently applies the Office of Government Commerce (OGC) Gateway™ Review Process to all acquisition-based mission-critical and high risk programmes and projects, including those in agencies and NDPBs. This includes the e-Planning Programme (including the Planning Inspectorate's Planning Casework Service), the Fire and Rescue Service Modernisation Programme (including FiReControl and Firelink), and the Home Information Packs Programme. Medium risk projects are also subject to internal review, as are low risk projects although the effort expended must be proportionate to their value. Where a full Gateway™ Review is not considered appropriate, a project healthcheck may be carried out by OGC or by ODPM's internal audit team.
20. When an ODPM programme or project undergoes a Gateway™ Review, it is carried out at a key decision point by a team of experienced people who are independent of the project team. There are five reviews (Gates 1 – 5) during the lifecycle of a procurement project, three before contract award and two looking at service implementation and confirmation of the operational benefits. A programme-only review has also been developed which is repeatable and can be applied to policy implementation, business change or other types of programme such as the management of benefits or grants expenditure.

PFI

21. ODPM has an established Private Finance Unit (PFU). Recent and on-going measures to improve PFI performance, some of which result from the "PFI: Meeting the Investment Challenge" report include:
 - integration of the PFU into the Office's Corporate Procurement Unit to ensure financial considerations are mainstreamed at an early point in the procurement cycle;
 - establishment of a PPP/PFI forum to ensure consistency, share expertise, develop PFI in other parts of the Office and consider mechanisms other than PFI to lever in private finance;
 - provision of a central call-off contract/support budget for staff across the Office to buy in financial and legal PFI expertise;
 - additional resources to strengthen housing PFI to optimise the substantial additional PFI credits for housing awarded in SR04;
 - reviews of PFI projects, particularly in the Fire PFI sector, have identified best practice and led to development of a PFI procurement strategy. This will include procurement packs for all PFI programmes with standardised sector specific documentation to help speed up procurement time;
 - application of Treasury's VFM assessment model across the Office. Projects will not be put forward unless they pass this robust assessment. In particular, housing leads are incorporating this into their housing PFI financial appraisal model as part of improving their existing procurement pack;

- regular workshops in the Housing and Fire PFI sector to ensure best practice is shared amongst the procuring authorities;
 - marketability and capacity of local authorities to deliver are now key criteria in selecting housing PFI deals; and
 - stage 2 assessments will be tracked and approved by the Project Review Group.
22. ODPM supports PFI as a procurement method because it utilises the ability of the private sector to provide greater innovation and efficiencies in service delivery, meaning that it can offer better value for money against conventional procurement. PFI increases the options available to local authorities to enable them to lever in investment in key areas. The application of the latest Value for Money (VfM) assessment tests, introduced by the Treasury, confirms that PFI is capable of delivering better VfM.
23. The qualitative benefits expected from investment through PFI include contributions to regeneration, with links with reducing crime and unemployment; and enabling partnership with other government bodies, including local authorities. There is clear evidence that PFI allows for sufficient level of innovation in the way services and assets are delivered, therefore offering greater levels of service flexibility. Our quantitative assessment of three ODPM PFI sectors (housing, fire and rescue, and joint service centres) indicates that PFI is capable of delivering VfM savings ranging from 12% to 7% compared to conventional procurement.

PROJECT AND PROGRAMME MANAGEMENT

24. Embedding programme and project management (PPM) within ODPM is a major part of the “Managing Delivery” workstream of Excellence in Delivery. There are four objectives:
- to fully establish and embed a PPM Support Team for ODPM, to co-ordinate, provide strategic oversight, scrutiny and challenge across the Office’s portfolio of PSAs, programmes and projects. It will drive through improvements to increase the Office’s PPM capability and capacity and use of key practices.
 - to adopt Portfolio Management in order to provide the ODPM Board with a comprehensive picture of the Office’s programmes and projects. This will provide a means by which programmes and projects can be aligned and prioritised to strategic objectives in accordance with their overall contribution. A centralised database is being created to monitor resource capability. To provide an ODPM board performance reporting process for key programmes and projects. Mission Critical programmes and projects are currently reported, but the portfolio will expand in line with Board requirements.
 - to establish a common approach to the delivery of programmes and projects within ODPM, based on recognised best practice in PPM techniques backed up with a central resource providing the tools, techniques, templates and guidance necessary to enable delivery teams to follow the common approach. Guidance will provide a framework to allow appropriate integration and link for complementary guidance, such as procurement. To ensure effective Gateway review process and develop the internal resource to carry out low risk reviews.

- to ensure that all programmes and projects in ODPM are managed and delivered by staff with the right level of skill and experience for their role.
25. The PPM Support Team has been established. It is developing a ‘Programme and Project Management Framework’, to be launched by March 2005. The Framework will enable a common approach to be adopted across the complete range of the Office’s delivery work. It is being designed to be adaptable and flexible, so that it can cater for the whole range of delivery work. For example, there will be sufficient rigour for it to be applied to a high-risk, mission-critical, acquisition-based project, whilst flexible enough to be used for policy projects, and accessible for novice and expert alike. PPM specialism will also be introduced. This is aimed at supporting staff who wish to follow a PPM development path recognised by the civil service and accredited by professional bodies.
 26. The Support Team also provides a range of training packages, from an ‘Introduction to PPM’ (accredited by the Association for Project Management) and a ‘PPM Induction’ package for new joiners, to ‘SRO Masterclasses’. An intranet site helps staff to select suitable training dependent on their PPM role, level of experience, type of knowledge required and learning style. An interactive e-learning ‘Introduction to PPM’ training package is available on the desktop via the intranet and PPM workshops are held throughout the year.
 27. Each mission-critical project is run by a Senior Responsible Officer and reports to a Project Board. The Office has brought in a very experienced programme director to co-ordinate the major Firelink, FireControl and New Dimension projects, each of which has its own project management structure in accordance with PRINCE2 guidelines.

Monitoring and financial management

28. Every month, the ODPM Board receives reports on the Office’s Strategic Priorities and PSA targets, its mission-critical projects and financial information. This allows for regular assessment of progress on projects and budgets and, where necessary, adjustments are made.
29. A permanent finance support team with expertise in resource accounting and budgeting has been set up to equip those in policy divisions to manage their budgets effectively and efficiently. All policy divisions responsible for managing programmes have professionally qualified staff available to them to provide expertise in resource accounting and budgeting. This enables programme budget managers to manage their budgets effectively and efficiently, ensuring that spending forecasts are accurately profiled and all expenditure is properly accounted for in a timely manner. This is being extended by trialling Local Management Accountant-led teams responsible for both transaction processing, and accounting and budgeting advice.

30. Individual programmes have specific frameworks for monitoring investment programmes. These include:

New Deal for Communities

The New Deal for Communities programme team has taken measures to ensure that partnerships have improved financial and project management and increased the level of over-programming to prevent underspending in the NDC programme. Updated finance guidance was issued to Government Offices and NDCs in November 2003. As a result, NDCs outturned at 97% against allocation for the financial year 03-04, and at the end of quarter 1 of 04-05, NDCs were on target for the same percentage expenditure. From the end of January 2005, System K will be used by Government Offices and the NDC programme team to monitor spend and project progress.

Market Renewal Pathfinders

Market Renewal Pathfinders: Each Pathfinder operates its own financial management systems, but ODPM maintains an overall financial management function informed by monthly returns from Pathfinders on spend to date and forecast, with details of variance as appropriate. In order to reduce the risk of underspend, ODPM has over-programmed (over-allocated) by 20%. This helps to ensure maximum impact for investment whilst recognising the practical difficulties in project delivery of complex programmes of this nature. Pathfinders' performance is managed by independent scrutiny of proposals before they are approved, and ongoing monitoring on a six-monthly basis by the Audit Commission. Both Scrutiny and Monitoring reports highlight any weaknesses in the underlying work to develop a strategy for market renewal, or the operational arrangements for delivery. Key recommendations from the scrutiny reports must be addressed as a pre-requisite for future funding.

Regional Housing Boards

Regional Housing Boards: have been set up to establish strategic priorities for investment within each region. Using these regional strategic priorities as a guide, the Regional Housing Boards make recommendations for distribution of regional housing pots between local authorities and the Housing Corporation. Furthermore, investment provided to Registered Social Landlords via the Housing Corporation must meet these regional strategic priorities. This new approach for allocating regional funding for housing should improve targeting of funding as allocations will be based on advice from practitioners knowledgeable about regional needs. ODPM is also taking forward Kate Barker's recommendation to merge Regional Housing Boards and Regional Planning Boards to strengthen regional decision-making and ensure integration of planning and housing strategies.

RISK MANAGEMENT

31. Risk is managed throughout the Office through integration into planning, policy development and implementation, delivery, performance assessment and project and programme management. General principles of risk management, assessment tools, register templates, guidance and training are widely promulgated and their application encouraged through systems of assurance, performance monitoring and review, research and planning and training and workshops.

32. The monthly Board monitoring process, covering Public Service Agreement targets and business critical projects and programmes, enables the identification and management of cross-cutting, strategic and generic Corporate Risks. This is in addition to the identification, assessment, management and reviews of risk in the context of option appraisal, project and programme management, procurement and financial management.

EVALUATION

33. In line with the Green Book, ODPM's Finance Manual stresses that: "the future of a policy or programme and its design should not be taken for granted. Every policy must be assessed from time to time, to test whether its current objectives are being met; whether those objectives remain appropriate and, indeed, whether the rationale for the policy continues to be valid; and whether policy design should be altered". It also explains that "policy evaluation must inform future decisions". This provides good practice lessons, feeds into the appraisal of new policies and recommends that "every policy and programme should be evaluated at least once every five years and more often if necessary".
34. The ODPM Research Programme Evaluation Guidance²³ proposes that evaluations should cover efficiency, outcomes and effectiveness and appropriateness and alternatives.
35. The evidence used to evaluate programmes and policies draws on a range of data sources including operational information that is of value to the programme deliverers as well as for evaluation purposes. In addition, in most cases, an external contractor is commissioned to undertake an evaluation. Contractors employ a variety of methods to assess implementation of the programme, outcomes and cost effectiveness. All evaluations are published, often providing interim as well as final reports. Feedback is usually provided regularly to policy colleagues.
36. ODPM is developing its policy evaluation framework. The purpose of the framework will be to co-ordinate and monitor all evaluations of ODPM policies and programmes, and ensure that full use is made of the evidence and lessons emerging. The framework is expected to:
- provide a tracking system for the major evaluation exercises underway in ODPM;
 - help develop a strategic overview across policy areas of how ODPM's policies are collectively influencing outcomes and affecting specific groups and areas;
 - help identify gaps in ODPM's evaluations;
 - improve the conduct of evaluations by promoting best practice;
 - encourage the wider use of evaluation across the Office;

²³ <http://odpm-intranet/Services/Research/Research>.

- improve the dissemination and application of policy relevant results from evaluations to underpin continuous improvements in performance;
- promote a better understanding of the benefits of policy evaluation;
- support the Office's Racial Equality Scheme; and
- give support and add value to ODPM's Strategy work, the ODPM Analytical Programme and the Excellence in Delivery programme.

37. The overall programme of evaluations will be overseen by an internal group comprising key analysts and policy representatives, chaired by the Director of Analytical Services. Each part of the Office will be encouraged to put together their own policy specific evaluation programmes, and notify the Analytical Co-ordination Team (ACT) of their evaluation programmes and progress on individual evaluation projects. ACT will bring these together into an ODPM programme that will be reviewed on a six-monthly basis and an annual report made to the Board on progress.

38. ODPM's evaluations can be found at www.odpm.gov.uk. Current examples of ODPM evaluations include:

- Choice Based Lettings pilot programme;
- New Deal for Communities nationally; and
- Local Strategic Partnerships.

CONCLUSION

39. The aim of each of these processes is to ensure that ODPM selects the most appropriate investment options to deliver its strategic priorities and PSA targets, and delivers its investment plans effectively.