

To deliver sustainable communities and respond to the Barker Review to increase housing supply, this Spending Review provides for:

- a 50 per cent increase in new social house building – an extra 10,000 homes a year – funded by a £430 million increase in direct investment by 2007-08 compared to 2004-05, an expanded Private Finance Initiative (PFI) programme and significant efficiencies, to turn around the growth in homelessness;
- increased housing supply and improved affordability by funding the Sustainable Communities Plan to deliver 200,000 additional homes in the Thames Gateway and other growth areas and going further to respond to new proposals for growth, assisted by a new Community Infrastructure Fund, of £150 million by 2007-08, within the Department for Transport; and
- a trebling in investment to regenerate areas suffering from low housing demand with funding of over £450 million a year by 2007-08 compared to £150 million in 2004-05, enabling an expanded programme for the North and Midlands.

The 2004 Spending Review also provides:

- a strengthened approach to improving outcomes in the most deprived areas through continued support for neighbourhood renewal of £525 million a year through to 2007-08, and a refined PSA target to narrow the gap in key outcomes between the most deprived areas and the rest of the country;
- increased funding to strengthen our counter-terrorism capability, the continued modernisation of the Fire and Rescue Service, and a new PSA target to reduce the number of deaths in the home caused by fire;
- an enhanced focus on ‘liveability’, with a single Safer and Stronger Communities Fund, and a national target to make local public spaces cleaner, safer and greener; and
- measures to promote economic development in the regions, through an increase in funding for Regional Development Agencies (RDAs).

To achieve this, the Office of the Deputy Prime Minister (ODPM) will have over £1.3 billion a year more to spend on its main programmes in 2007-08 than in 2004-05, equivalent to an annual average growth rate of 3.3 per cent in real terms. Housing spending – including regional and local programmes – will also be £1.3 billion higher in 2007-08 than in 2004-05, equivalent to an annual average growth rate of 4.1 per cent in real terms.

CREATING SUSTAINABLE COMMUNITIES

Objectives 10.1 ODPM’s aim is to create sustainable communities – places where people want to live and which promote opportunity and a better quality of life for all. To deliver this aim, ODPM’s work is focused around five strategic priorities:

- delivering a better balance between housing supply and demand;
- ensuring people have decent places to live;
- tackling disadvantage;
- delivering better services through strong, effective local government; and
- promoting the development of the English regions.

Key reforms 10.2 ODPM's settlement will deliver key reforms, to:

- improve the affordability of housing and increase housing supply, while ensuring all new housing is built to high environmental standards;
- deliver structural reform to make the planning system more responsive; and
- enhance people's enjoyment of their local area ('liveability'), through a simplified funding stream and **a new target to make local public spaces cleaner, safer and greener.**

Box 10.1 Efficiency

Agreed target

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 new affordable housing provision.

Implementation plan

As part of this programme of efficiencies ODPM plans, by 2007-08, to:

- achieve a total reduction of 400 posts, including at least 250 headquarters and Government Office civil service posts, be on course to have relocated 240 posts out of its London headquarters and have made progress in relation to its key sponsored bodies;
- improve social housing procurement methods by introducing new partnering arrangements, achieving efficiencies of £160 million to be reinvested in delivery of new social housing;
- realise efficiencies of £195 million in the Registered Social Landlord (RSL) sector on capital works, management and maintenance and commodities;
- deliver efficiency gains in Regional Development Agencies of £120 million; and
- continue the modernisation of the Fire and Rescue Service to provide efficiencies to fund further enhancements in the effectiveness of the service reaching £105 million.

ODPM will also target and monitor an aggregate of £835 million of efficiencies, in all of the social housing sector, that includes the housing efficiencies listed here for central government and the Registered Social Landlord sectors and further efficiencies in local government.

Increasing housing supply 10.3 In March 2004, Kate Barker published her review of housing supply *Delivering Stability: Securing Our Future Housing Needs*¹ which examined the reasons for the weak response of housing supply to increased demand. The review sets out a series of recommendations to increase housing supply and improve the functioning of the housing market. A summary of Kate Barker's recommendations is in Chapter 4. The Government accepted the need for reform at Budget 2004, and undertook to begin to address the need for additional investment in this Spending Review.

10.4 As a result of this Spending Review, spending on housing – including on regional and local programmes – will be £1.3 billion higher in 2007-08 than in 2004-05, equivalent to an annual average growth rate of 4.1 per cent in real terms. This builds on the investment

¹ *Delivering Stability: Securing Our Future Housing Needs*, Kate Barker, March 2004.

made in previous Spending Reviews, to deliver the vision outlined in the Deputy Prime Minister's Sustainable Communities Plan *Sustainable Communities: Building for the Future*² and help meet the challenges set out in the Barker Report.

Homelessness 10.5 Since 1997, the Government has tackled the worst manifestations of homelessness through:

- a reduction of more than two thirds in rough sleeping since 1998 to an all-time low; and
- an end to use of bed and breakfast (B&B) hotels for homeless families with children, and the first sustained reduction in total use of B&B as accommodation for homeless people for more than a decade.

10.6 This Review will build on these successes and will turn around the growth in homelessness by providing for **10,000 additional units of social housing a year by 2007-08**, a 50 per cent increase compared to 2004-05, funded by a £430 million increase in direct investment, substantial efficiency savings, and an expanded PFI programme. Hostel provision for homeless people will also be one of the six priority areas for the new Invest to Save – Inclusive Communities fund, worth £90 million over the Review period (see Box 5.2).

Growth areas 10.7 To develop new sustainable communities in areas of high housing demand, this Spending Review provides the resources that will deliver the 200,000 new homes identified in the Sustainable Communities Plan in the Thames Gateway and the other growth areas³ by 2016, and go further by responding to new proposals for growth. As recommended by Kate Barker, this will be supported by a new Community Infrastructure Fund, of £150 million by 2007-08, for local infrastructure needs held as part of the Department for Transport's budget.

Sustainable development 10.8 It is important that new housing development is sustainable, has good design quality and meets high environmental standards. The Government is committed to preserving or increasing the area of land designated as green belt and to raising the density of development to minimise land take, with at least 60 per cent of new housing development taking place on previously developed ('brownfield') land. The Government is committed to ensuring that new housing will be built to high standards in relation to energy and water efficiency, waste and building materials, taking into account the findings of the Sustainable Buildings Task Group (SBTG) in its report *Better Buildings – Better Lives*⁴. The Government will publish its formal response to the findings of the SBTG later this month.

Low demand 10.9 As a result of this Spending Review, spending to help regenerate communities suffering from low housing demand in the North and Midlands will be over £450 million in 2007-08 compared to £150 million in 2004-05, and will be directed through the nine existing Market Renewal Pathfinders, and by expanding the approach to wider areas of low demand.

Planning 10.10 Critical to achieving greater affordability in the housing market will be delivering structural reforms to the planning system. The 2004 Spending Review provides investment to implement the planning reforms set out in the Barker Review, including the provision of £425 million through the Planning Delivery Grant over the Spending Review period.

A decent home for all 10.11 This Spending Review confirms the Government's commitment to its target to make all social housing decent by 2010 and address decency for vulnerable groups in the private sector. **The number of non-decent social rented homes will be reduced by 1.6 million between 1997 and 2008.** Progress towards the target will be assisted by the **gap-funding**

² *Sustainable Communities: Building for the Future*, ODPM, February 2003.

³ *Milton Keynes/South Midlands; Ashford; and London – Stansted – Cambridge*.

⁴ *Better Buildings – Better Lives: Sustainable Buildings Task Group Report*, May 2004.

scheme for ‘negative value’ transfers announced by the Deputy Prime Minister on 5 May 2004, which will help in particular deprived areas with a legacy of poor housing.

10.12 In the private sector, the Government is also delivering an additional £95 million a year by 2007-08 in new capital grants for the Warm Front Programme – overseen by the Department for Environment, Food and Rural Affairs – to ensure further progress towards its target to end fuel poverty for vulnerable households by 2010 (see Chapter 17).

Box 10.2: Key Public Service Agreement (PSA) targets

ODPM’s new PSA set includes targets to:

- improve affordability and the balance between the demand and supply of housing while protecting valuable countryside;
- make all social housing decent by 2010 and reduce the numbers of children living in sub-standard accommodation;
- reduce social exclusion and tackle deprivation by narrowing the gap in outcomes between deprived areas and the national average in health, crime, education, worklessness, housing and liveability;
- help make public spaces cleaner, safer and greener, and improve quality of the built environment, in deprived areas and across the country;
- reduce the number of deaths in the home caused by fires by 20 per cent by 2010 through improved fire safety and a more modern Fire Service; and
- improve the effectiveness and efficiency of local government.

Better services **10.13** The Spending Review funds the modernisation of the Fire and Rescue Service to improve fire safety and reduce fire related deaths in the home by 20 per cent by 2010. It also provides our Fire and Rescue Service with the capability and equipment to address our counter-terrorism and civil resilience priorities.

Neighbourhood renewal **10.14** The Government has made good progress on the National Strategy for Neighbourhood Renewal, having reduced crime in high crime areas, improved schools in deprived areas and increased employment in the poorest performing local authority areas. In recognition of the ongoing challenge, this Spending Review rolls forward provision of £525 million a year for deprived areas through the Neighbourhood Renewal Fund. It also strengthens PSA floor targets for key public services to improve standards of delivery in the most deprived areas (see Box 5.1), supporting the Government’s aim of narrowing the gap in key outcomes between these communities and the rest of the country.

‘Liveability’ **10.15** In recognition of the negative impact of high levels of anti-social behaviour and disorder and the poor quality of some public spaces, particularly in deprived areas, this Spending Review introduces a **new national PSA target to deliver cleaner, safer and greener local public spaces**. It also announces the **creation of a single funding stream** to improve these ‘liveability’ outcomes. **This Safer and Stronger Communities Fund** draws together existing funding streams held by ODPM and the Home Office, enhancing flexibility and reducing bureaucracy at the local level and progressing towards the principles underpinning Local Area Arrangements. (See Chapter 11 for further details on these.)

Development of the English Regions **10.16** The Government is committed to promoting economic development and regeneration in the regions. This Spending Review continues ODPM's contribution to the Regional Development Agencies (RDAs) and significantly increases the flexibility of the RDAs to manage their own resources through the wind-down of the Single Regeneration Budget. This will enhance the capacity of the RDAs to pursue the recommendations of the Northern Way Growth Strategy and similar strategies in other parts of the country. Full details of the RDAs' settlement are set out in Chapter 23.

Elected Regional Assemblies **10.17** ODPM will also lead in the delivery of the Government's plans to establish Elected Regional Assemblies in those regions where people vote for them in a referendum. The Government is committed to meeting the costs of setting up Elected Regional Assemblies, in those regions that want them, as and when they are established. Further details are in Chapter 23.

Table 10.1: Key figures

	£ million			
	2004-05	2005-06	2006-07	2007-08
Office of the Deputy Prime Minister				
Resource Budget ¹	4,712	5,048	5,393	5,896
<i>Of which Administration Budget</i>	328	334	332	330
Capital Budget	2,329	2,428	2,471	2,518
Total Departmental Expenditure Limit²	7,026	7,460	7,836	8,377

¹ The resource budget includes capital grants to the private sector, including Registered Social Landlords, classified as capital in National Accounts.

² Full resource budgeting basis, net of depreciation.

Table 10.2: Housing

	£ million			
	2004-05	2005-06	2006-07	2007-08
Housing ¹	5,505	5,844	6,002	6,296
Other Housing ²	407	564	649	915
Total³	5,911	6,408	6,651	7,211
<i>Of which:</i>				
Housing investment	3,556	3,992	4,179	4,656

¹ England Housing and Community Amenities measure consistent with international definitions from the UN Classification of the Functions of Government (COFOG). Actual outturns are subject to spending decisions by local authorities.

² Housing-related expenditure, including Market Renewal Pathfinders and Growth Areas, classified as regional policy expenditure within the HM Treasury interpretation of COFOG.

³ Numbers may not sum due to roundings.

