The performance of the Department for Communities and Local Government 2012-13
Our vision is to help the nation spend wisely.
Our public audit perspective helps Parliament hold government to account and improve public services.
Introduction

Aim and scope of this briefing

1 The primary purpose of this report is to provide the Communities and Local Government Select Committee with a summary of the Department for Communities and Local Government’s activity and performance since September 2012, based primarily on published sources, including the Department’s accounts and the work of the National Audit Office (NAO).

2 Part One of the report focuses on the Department’s activity over the past year. Part Two concentrates on NAO analyses of that activity. Part Three looks in greater detail at the Department’s capacity and capability to deliver through others, a key issue for the Department at the current time.

3 The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.
Part One

About the Department

The Department’s responsibilities

1.1 The Department for Communities and Local Government (the Department) sets policy on supporting local government; communities and neighbourhoods; regeneration; housing; planning, building and the environment; and fire (including supporting the Fire and Rescue Service). Overall, it has an important role in supporting local development and promoting economic growth.

1.2 In June 2013, the Department updated its Business Plan¹ for 2013–2015 to reflect the commitments made in the government’s Mid-Term Review.² The Department has four specific priorities, to:

- support and incentivise local sustainable growth;
- meet people’s housing aspirations;
- decentralise power as far as possible; and
- reinvigorate accountability, democracy and participation (including transparency).

How the Department is organised

1.3 The Department’s Secretary of State is supported by six ministers and chairs the Department’s board. The board’s role is to advise and support ministers on the operational implications and effectiveness of policy proposals, focusing on getting policy translated into results. It advises on five key areas: strategic clarity; commercial sense; talented people; focus on results; and management information.³ The board is supported by an Executive Team responsible for managing the Department’s daily business.

¹ Available at: transparency.number10.gov.uk/business-plan/2
³ Available at: www.gov.uk/government/organisations/department-for-communities-and-local-government/groups/dclg-management-board
1.4 The Department is organised into three groups: Neighbourhoods, Localism, and Finance and Corporate Services, plus a cross-cutting Strategy function and the Troubled Families team (Figure 1). This structure aims to enable the Department to provide strong leadership across government on localism and decentralisation. The Department has a number of programme boards to manage various aspects of its business. These boards provide a formal structure for risk management and aim to ensure effective delivery.

1.5 The Department works with 12 arm’s-length bodies to deliver its programmes. The arm’s-length bodies in operation during 2012-13, and plans for changes, are shown in more detail at Appendix One.

**Where the Department spends its money**

1.6 In 2012-13, the Department group’s net resource and capital outturn was £28.23 billion (Figure 2). Of this, £26.41 billion was used to support local government through core grant funding. The Department’s support for local economies and growth includes grant funding of £384 million for European Regional Development Fund projects and £161 million for the Regional Growth Fund.

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**Figure 1**
How the Department is organised

<table>
<thead>
<tr>
<th>Neighbourhoods Group (Peter Schofield)</th>
<th>Localism Group (Helen Edwards)</th>
<th>Finance and Corporate Services Group (Sue Higgins)¹</th>
<th>Strategy (Andrew Campbell)</th>
<th>Troubled Families (Louise Casey)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible for creating the conditions which empower individuals, communities and businesses to build successful cities, towns and neighbourhoods</td>
<td>Responsible for the transfer of power and funding from Whitehall to individuals and communities, and building the Big Society</td>
<td>Responsible for support services – expected to deliver efficiency savings by internal consolidation and setting up shared services with other departments</td>
<td>Responsible for Business Plan implementation, corporate governance, localities, London policy, and departmental strategy</td>
<td>Responsible for driving forward the Prime Minister’s commitment to turn around the lives of 120,000 most troubled families</td>
</tr>
</tbody>
</table>

Note ¹ Since the Departments’ Annual Report and Accounts was published Andrew Campbell has replaced Sue Higgins.

Source: Department for Communities and Local Government, Annual Report and Accounts 2012-13, June 2013
The performance of the Department for Communities and Local Government 2012-13

Part One

Figure 2
Where the Department spent its money in 2012-13

Notes
1. All amounts shown are net.
2. In 2012-13, the Department recorded programme income of £635 million, of which the largest amount is £384 million from the European Regional Development Fund (reimbursement of grant payments). The Department also recorded Consolidated Fund Extra Receipt income of £114 million, which it collects and pays into the Consolidated Fund. This does not form part of the overall net resource and capital budget or outturn. The remaining income of £161 million supports the net expenditure of the Department.

Source: National Audit Office analysis of the Department for Communities and Local Government Annual Report and Accounts 2012-13
Most of the remaining budget was used to fund the Department’s arm’s-length bodies. The largest of these, the Homes and Communities Agency, had resource and capital spending of £1.19 billion, mainly financed by the Department through grant-in-aid to support a range of programmes, including Decent Homes (£364 million), the Affordable Homes Programme (£250 million) and the National Affordable Housing Programme (£247 million).

Recent and planned changes to the Department’s spending

Spending reviews set departmental spending plans for future years and establish the Departmental Expenditure Limits (DELs) for resource and capital spend within which departments can operate. The Department is responsible for two DELs: the Communities DEL, which is the Department’s core budget, and the Local Government DEL, which is mainly used to fund local authorities.

Figure 3 shows the budgeted reduction in the Communities DEL over the 2010 Spending Review and 2013 Spending Round periods. It illustrates that the 2013-14 and 2014-15 capital budgets were revised upwards to grant additional funding to the Department to support the Local Infrastructure Fund, the Regional Growth Fund and a range of time-limited growth programmes. When taking account of the closure of time-limited growth programmes, the Department’s total Communities DEL budget is planned to move from £10.7 billion in 2010-11 to £4.1 billion in 2015-16, a decrease of 62 per cent.

To deliver the required core budget savings, the Department (excluding arm’s-length bodies) has reduced its headcount on a like-for-like basis by 37 per cent since April 2010. As part of the Public Bodies Reform Programme, the Department is on track to reduce the number of arm’s-length bodies it sponsors, from 26 to 9, through abolition, merger or reform. Since last year’s departmental overview, the Department has closed two arm’s-length bodies and completed the sale of the operational arm of the Fire Service College to the private sector. Overall, the Department expects to save £231 million in running costs over the 2010–2015 Spending Review period.

The Department’s Improvement Plan (published in June 2013) identifies short- and medium-term actions required to deliver the Department’s business plan. It sets out other savings, including:

- Reducing the overall size and cost of the estate. By autumn 2014, the Department will vacate Eland House and co-locate with the Home Office in Marsham Street. This move is estimated to save £9 million per year and realise savings of £220 million over the lifetime of lease commitments to 2025.

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4 The Department for Communities and Local Government, Annual Report and Accounts 2012-13, June 2013.
5 The Department for Communities and Local Government, Improvement Plan, June 2013.
6 The Department for Communities and Local Government, Annual Report and Accounts 2012-13, June 2013.
• Moving to new cross-government arrangements for shared back-office services, including Finance, Human Resources and Payroll, in line with the Next Generation Shared Services strategy. The Department’s wider corporate services are planned to be outsourced or shared with other departments by April 2015.

• A new IT desktop contract, in operation since August 2013, which aims to provide an improved service, while delivering annual savings of £3.4 million.

• Seeking opportunities for delivering through new commercial models, such as exploring the market’s interest in the Planning Portal and continuing to use innovative funding mechanisms, including payment by results and the Help to Buy scheme.

**Figure 3**
The Department’s budgeted Communities DEL

<table>
<thead>
<tr>
<th>Year</th>
<th>Resource Administration</th>
<th>Resource Programme</th>
<th>Capital Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>3.7</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>2011-12</td>
<td>4.0</td>
<td>1.6</td>
<td>0.4</td>
</tr>
<tr>
<td>2012-13</td>
<td>2.7</td>
<td>1.1</td>
<td>0.4</td>
</tr>
<tr>
<td>2013-14</td>
<td>4.1</td>
<td>2.1</td>
<td>0.3</td>
</tr>
<tr>
<td>2014-15</td>
<td>4.6</td>
<td>0.9</td>
<td>0.3</td>
</tr>
<tr>
<td>2015-16</td>
<td>2.9</td>
<td>0.9</td>
<td></td>
</tr>
</tbody>
</table>

**Notes**
1. Amounts stated are in 2012-13 terms, adjusted for inflation using GDP deflators produced by HM Treasury in June 2013. Amounts have been rounded to one decimal place.
2. Figures for 2010-11 to 2013-14 reflect subsequent revisions to Spending Review 2010 data, as part of the in-year estimates process. Figures for 2014-15 to 2015-16 are from the Spending Round 2013.

Source: National Audit Office analysis
1.12 Figure 4 shows the budgeted reduction in the Local Government DEL over the 2010 Spending Review and 2013 Spending Round periods. From April 2013, local authorities as a whole will retain 50 per cent of the business rate income they have collected, and the Local Government DEL has been reduced to take account of this locally-retained element. The combined Local Government DEL and locally retained business rates are planned to decrease from £27.0 billion in 2010-11 to £22.1 billion in 2015-16.

1.13 Figure 5 compares the total budgeted reduction of the Department’s two Expenditure Limits with outturns since 2010-11. They are planned to decrease from an outturn of £37.1 billion in 2010-11 to a budget of £15.3 billion in 2015-16, a decrease of 59 per cent. Between April 2010 and March 2013, the Department managed its resources within its budget allocations, except for the breach in control totals in 2012-13, which is discussed in Part Two.

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**Figure 4**

The Department’s budgeted Local Government DEL and localised business rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Localised business rates</th>
<th>Local Government DEL budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>27.0</td>
<td>27.0</td>
</tr>
<tr>
<td>2011-12</td>
<td>27.1</td>
<td>27.1</td>
</tr>
<tr>
<td>2012-13</td>
<td>24.0</td>
<td>15.8</td>
</tr>
<tr>
<td>2013-14</td>
<td>10.7</td>
<td>10.7</td>
</tr>
<tr>
<td>2014-15</td>
<td>10.7</td>
<td>13.3</td>
</tr>
<tr>
<td>2015-16</td>
<td>11.2</td>
<td>10.9</td>
</tr>
</tbody>
</table>

**Notes**

1. Amounts stated are in 2012-13 terms, adjusted for inflation using GDP deflators produced by HM Treasury in June 2013.
2. Figures for 2010-11 to 2013-14 reflect subsequent revisions to Spending Review 2010 data, as part of the in-year estimates process. Figures for 2014-15 to 2015-16 are from the Spending Round 2013.
4. Figures are for resource spending only. DEL Local Government capital spending is negligible.

Source: National Audit Office analysis
Policy and delivery: major developments in 2012-13

1.14 The Department set out its achievements against its coalition priorities in the Annual Report and Accounts 2012-13. During 2012-13, the Department reported that it:

- saw the enactment, in October 2012, of the Local Government Finance Act 2012, which is designed to encourage local economic growth; and to shift more financial power from central government to local government;
- started payment by results for the Troubled Families Programme, which began working with 35,000 troubled families;
- introduced, in October 2012, a new Growth and Infrastructure Act which aims to reduce barriers to growth. The Act came into effect in April 2013; and
- secured funding to support home ownership and to increase the number of homes available, as part of its Housing Strategy.
1.15 Following the passing of the Local Government Finance Act 2012, two major reforms came into effect from April 2013:

- The new business rates retention scheme will enable local authorities to keep a share of any growth in business rates in their area instead of returning it to central government, as an incentive to promote local business growth. Local authorities as a whole will retain approximately 50 per cent of business rate income.

- Under council tax benefit reforms local authorities in England design their own council tax support schemes. The national system of council tax benefit in England was replaced by 326 local council tax support schemes, with overall funding reduced by £410 million – a reduction of 10 per cent from the forecast 2013-14 council tax benefit expenditure.

1.16 The Department is leading on the government’s objective of turning around 120,000 troubled families by 2015 and commenced working with 35,000 families in 2012-13. The Department highlighted this £448 million programme as one of its key risks for 2012-13 due to its large-scale delivery targets and the budgeting risks inherent in using a payment by results model. The 2013 Spending Round announced a further £200 million for 2015-16 as the first year of a five-year programme to work with 400,000 families.

1.17 The Department is a key stakeholder in supporting and incentivising local growth through reforms such as Enterprise Zones, Local Enterprise Partnerships and City Deals and through focused interventions and resources such as the Regional Growth Fund and Growing Places Fund. In its response to Lord Heseltine’s review No stone unturned: in pursuit of growth,7 the government committed to devolve economic power further through the creation of a Single Local Growth Fund by April 2015.

1.18 In November 2011, the Department published its Housing Strategy which aims to increase the number of homes available, create jobs and give people the opportunity to get on the housing ladder. In September 2012, the Department was allocated £425 million capital funding to bring 5,000 empty homes back into use, and to deliver up to 15,000 affordable homes, 16,500 units under the First Buy Scheme and up to 5,000 additional homes under the private rented sector schemes. It also received £474 million of Local Infrastructure Funding, which aims to accelerate delivery of large housing sites, enable quicker disposal and redevelopment of public sector land, and support infrastructure delivery in Enterprise Zones.

1.19 Since September 2012, the government has announced new funding to support the Department’s various housing initiatives. These include:

- a £3.5 billion Help to Buy: Equity Loan scheme, which aims to help homebuyers, with small deposits, secure affordable mortgages. The scheme will provide equity loans worth up to 20 per cent of the value of a new-build home;

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7 HM Treasury, Government’s response to the Heseltine review, Cm 8587, March 2013.
an increase from £200 million to £1 billion for the Build to Rent scheme, which is intended to support the construction of new homes specifically for private rent; and

- a £10 billion debt guarantee scheme which aims to support investment in affordable housing and the private rented sector. This includes a maximum guarantee of £3.5 billion for the Affordable Homes Guarantee programme, which the Department expects to deliver up to 30,000 additional affordable homes, and the remaining £6.5 billion debt guarantee is for new private rented housing.

**The Department’s digital strategy**

1.20 By December 2012, each government department was required to produce a digital strategy, an indication of the central part that digital communications now play in government business. As at September 2013, the Department has not yet published its digital strategy, the only department not to have done so. The Department has compiled a draft digital strategy, but is discussing a number of practical steps relating to the Department’s content on GOV.UK, to help make its website more accessible to its local government users. The Department is working with the Government Digital Service (within the Cabinet Office and responsible for GOV.UK) to resolve these issues before publishing its digital strategy.

1.21 In March 2013, the Department launched its ‘Love Digital’ programme, which focuses on increasing digital capacity across the Department. The Department is also working with the Local Government Association, and other local authority partners, to support the transformation of local public services using digital means of communication.

**Staff attitudes**

1.22 The government has conducted its Civil Service People Survey annually for the past four years. The most recent survey was carried out during October 2012. Continuing our practice in past briefings, we summarise here the views of the Department’s staff on a number of key issues, and compare them to benchmarks for the civil service as a whole. Detailed results for all departments are reproduced at Appendix Two.

1.23 The survey includes a range of questions across nine themes which seek to measure the experiences of civil servants at work. For consistency with last year, we present here the results for the Department, excluding its agencies, covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (Figure 6 overleaf). Across these two themes the Department has improved its 2011 score for each question, but remains below the civil service average.
### Figure 6

**2012 Civil Service People Survey: Department for Communities and Local Government (excluding agencies)**

<table>
<thead>
<tr>
<th>Theme</th>
<th>Theme score (% positive)</th>
<th>Difference from 2011 survey</th>
<th>Difference from civil service average 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Leadership and managing change</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I feel that the Department as a whole is managed well</td>
<td>31</td>
<td>+8</td>
<td>-11</td>
</tr>
<tr>
<td>Senior civil servants in the Department are sufficiently visible</td>
<td>45</td>
<td>+10</td>
<td>-3</td>
</tr>
<tr>
<td>I believe the actions of senior civil servants are consistent with the Department’s values</td>
<td>33</td>
<td>+9</td>
<td>-9</td>
</tr>
<tr>
<td>I believe the executive team has a clear vision for the future of the Department</td>
<td>31</td>
<td>+8</td>
<td>-9</td>
</tr>
<tr>
<td>Overall, I have confidence in the decisions made by the Department’s senior civil servants</td>
<td>30</td>
<td>+8</td>
<td>-10</td>
</tr>
<tr>
<td>I feel that change is managed well in the Department</td>
<td>22</td>
<td>+2</td>
<td>-8</td>
</tr>
<tr>
<td>When changes are made in the Department they are usually for the better</td>
<td>14</td>
<td>+3</td>
<td>-11</td>
</tr>
<tr>
<td>The Department keeps me informed about matters that affect me</td>
<td>54</td>
<td>+4</td>
<td>-3</td>
</tr>
<tr>
<td>I have the opportunity to contribute my views before decisions are made that affect me</td>
<td>32</td>
<td>+3</td>
<td>-4</td>
</tr>
<tr>
<td>I think it is safe to challenge the way things are done in the Department</td>
<td>29</td>
<td>+4</td>
<td>-11</td>
</tr>
<tr>
<td><strong>Organisational objectives and purpose</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I have a clear understanding of the Department’s purpose</td>
<td>67</td>
<td>+10</td>
<td>-17</td>
</tr>
<tr>
<td>I have a clear understanding of the Department’s objectives</td>
<td>63</td>
<td>+10</td>
<td>-15</td>
</tr>
<tr>
<td>I understand how my work contributes to the Department’s objectives</td>
<td>72</td>
<td>+11</td>
<td>-10</td>
</tr>
</tbody>
</table>

**Notes**

1. Percentage positive measures the proportion of respondents who selected either ‘agree’ or ‘strongly agree’ for a question.
2. The 2012 benchmark is the median per cent positive across all organisations that participated in the 2012 Civil Service People Survey.

**Source:** Department for Communities and Local Government People Survey Results, autumn 2012
1.24 As part of the annual survey, each department receives an engagement index assessing the level of staff engagement determined by the extent to which: staff speak positively of the organisation; are emotionally attached and committed to it; and are motivated to do the best for it. In 2012, the Department achieved an engagement index of 43 per cent, an increase of 3 percentage points on the prior year, but 15 percentage points below the civil service average. Improvement in staff engagement is a key priority for the Department.

Major developments for the year ahead

1.25 To meet the required savings to its core budget, the Department is moving to new cross-government arrangements for shared back-office services and will co-locate with the Home Office in Marsham Street in the coming financial year (paragraph 1.11).

1.26 The Department’s structural reform plan, first published in July 2010, sets out the steps the Department is taking to deliver its coalition priorities. To date, the Department’s actions mainly relate to developing new policies and bringing in new legislation. The Department has also announced a series of funding packages and initiatives to support the changes. The significant changes (outlined in paragraphs 1.14 to 1.19) include the introduction of the Business Rates Retention scheme, localisation of council tax support schemes, expansion of the number of housing guarantee schemes and the new Single Local Growth Fund. The Department has substantial challenges ahead in terms of implementing its policies, and, in particular, monitoring and evaluating the intended outcomes.

1.27 The Department is also managing risks relating to housing and local government that come about because of the Department for Work & Pensions’ programme of welfare reforms. These risks include:

- uncertainty about local authorities’ role in relation to reforms, such as loss of Housing Benefit administration, and local authorities’ involvement in the transition to Universal Credit while localising support for council tax and elements of the social fund;
- the impact on the Housing Strategy of potentially high levels of rent arrears and the implications for social and private landlords;
- potential increases in homelessness; and
- in some areas, disruption to local housing markets and local public services where people migrate to areas with cheaper housing.

In these and other key areas, such as the Troubled Families programme, the Department is undertaking joint work and analyses with the Department for Work & Pensions.
1.28 The Department has a major role in implementing the government’s plan to
establish ‘growth deals’ with the 39 Local Enterprise Partnerships, details of which
were announced as part of the 2013 Spending Round. The primary element of the
growth deal is a Single Local Growth Fund of £2 billion in 2015-16, to be allocated in
part through formulae and in part through competition on the basis of new multi-year
growth plans. These growth plans are currently being developed by the Local Enterprise
Partnerships in negotiation with central government.

1.29 Alongside this, government has provided Local Enterprise Partnerships with
a provisional allocation of some £5 billion of EU structural and investment funds for
2014–2020. For the 2014–2020 funding period, the government will bring european
funds, including the European Regional Development Fund which the Department
manages on behalf of government, together into the European Structural and Investment
Funds Growth Programme for England (the ‘European Growth Programme’). The
large majority of the European Growth Programme funds will be notionally allocated to
Local Enterprise Partnerships on a preliminary basis. Working with local partners, the
partnerships have been asked to set out how they intend to use their allocation in a
European Structural and Investment Funds Strategy. Local Enterprise Partnerships were
asked to submit these strategies by the end of September 2013 and final versions will be
agreed with the government by early 2014.

1.30 A key element of the Department’s legislative programme that is still to be
implemented is the Local Audit and Accountability Bill, which will put in place
a new framework for local public audit. The Bill provides for the abolition of the
Audit Commission and for the local appointment of auditors. The Department plans
to complete the legislation by March 2015. It has established project management
arrangements to assist the transition to the new audit framework.
Part Two

Recent NAO work on the Department

Our audit of the Department’s accounts

2.1 The NAO’s financial audits of government departments and associated bodies are primarily conducted to allow the Comptroller and Auditor General (C&AG) to form an opinion of the truth and fairness of the public accounts. In the course of these audits, the NAO learns a great deal about government bodies’ financial management and sometimes this leads to further targeted work to examine particular issues. In this section, we look at the outcome of our most recent financial audit of the Department for Communities and Local Government (the Department) and its arm’s-length bodies.

2.2 The C&AG qualified the regularity part of his audit opinion on the Department’s 2012-13 accounts because the Department breached two of its parliamentary spending limits. The Department exceeded:

- the voted limit for its Net Cash Requirement by £55 million. It had an estimate of £28.972 billion and an outturn of £29.027 billion; and
- the net Local Government Capital Departmental Expenditure Limit by over £1 million. It had a limit of £80,000 and an outturn of £1,221,000.

2.3 The Net Cash Requirement breach arose because the Department failed to identify and adjust for all movements in working capital when deriving its Net Cash Requirement Estimate. Although the Department monitored its cash forecasts on a monthly basis, it did not monitor its position against the Net Cash Requirement spending limit. As a result, the Department did not detect that the outturn was above the normal profile from the start of the year and only became aware of the shortfall when the Treasury notified it in February 2013. As a result, the Department did not use the opportunity of the Supplementary Estimate process in December 2012 to seek approval for an increase in its Net Cash Requirement.
2.4 The breach of the Local Government Capital Expenditure Limit arose because two arm’s-length bodies – the Valuation Tribunal Service and the Commission for Local Administration in England – exceeded their delegated capital budgets. In both cases the excess concerned spending relating to IT system changes. In the first instance, the Department’s sponsorship team did not recognise the budgetary and accounting implications of decisions that were taken about IT changes, and in the second, the Commission for Local Administration in England did not recognise similar implications.

2.5 The Department carried out a full internal audit investigation in response to each control total breach, resulting in recommended actions for the future. For the breach of the Net Cash Requirement, the Department will focus on improving its systems and monitoring. For the breach of the Local Government Capital Expenditure Limit, the Department is to examine whether smaller arm’s-length bodies have the capacity and capability to meet their accounting obligations. It is also to revise the delegation letters that it sends to arm’s-length body Accounting Officers and to take steps to increase financial awareness within its own sponsorship teams.

2.6 The Department’s Annual Report and Accounts also disclose the following matters:

- Thurrock Thames Gateway Development Corporation (TTGDC) closed during the year. The closure monitoring process uncovered regularity issues, with the Department recognising £166,478 as potentially irregular expenditure. The primary responsibility for closure rested with the senior officers and board of the Development Corporation. The Department acknowledged that it should have been more involved with the Corporation’s activities during the closure period. TTGDC’s Accounting Officer was asked to step down and the Department’s Finance Director was appointed as Accounting Officer.

- During May 2013, the European Commission imposed a payment interruption on the Department’s outstanding European Regional Development Fund claims. The Department’s outstanding claims amount to £270 million. The Commission interrupted payment because of inadequate management checks and some lost files, both issues that were identified in the Fund’s audit report. The Department is currently discussing these issues with the Commission. It estimates that it may take until late 2013 for the interruption to be lifted. In the short term, the payment interruption affects the Department’s cash flow as it will not receive reimbursement for any outstanding or future claims until the matter is resolved.
The Department's Accountability System Statement for spending on local government

2.7 In the Department’s Accountability System Statement, the Accounting Officer sets out arrangements, which he is responsible for maintaining, to provide accountability to Parliament for spending on local government. The statement sets out the current funding systems, along with relevant legislation and guidance, and signposts any changes that are expected to be made during the year.

2.8 For 2012-13, the Department’s Accountability System Statement, which was published in March 2012, was unchanged from the previous year. For 2013-14, however, the Department will need to consider what changes it needs to make to the statement to reflect recent legislative and funding changes, such as the retention of business rates by local authorities. The Department is proposing to provide a revised system statement in September 2013.

2.9 The Department is currently considering what evidence the Accounting Officer will need on an annual basis in order to check that the new, more devolved system is functioning effectively. Should the evidence show that the system is not providing all the necessary assurances, the Accounting Officer will make the appropriate recommendations to ministers for the system to be changed. The Department will publish highlights of how the system has worked over the previous year in its future governance statements.

Our audits of the Department's effectiveness and value for money

2.10 The NAO’s work to test the effectiveness and value for money of government spending in 2012-13 included a number of projects which focused on the Department. Our principal findings since last year’s departmental overview are summarised below.

Financial sustainability of local authorities

2.11 Our report Financial sustainability of local authorities9 examined central government’s approach to local authority funding and reviewed local authorities’ financial sustainability against the backdrop of changes to their funding (Figure 7 overleaf). The report highlighted the increasing difficulty local authorities would face over the rest of the spending review period in managing reductions in their central government funding without reducing services.

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Figure 7
Timeline of major changes to local authority funding

2010 Comprehensive Spending Review
A 26 per cent reduction in central government contributions to local government funding and 14 per cent forecast reduction in local authority income

Council Tax Freeze Grant
Introduction of funding for local authorities that do not increase their council tax

2011–2015 New Homes Bonus
Funding to provide an incentive to build new homes

Start of academies programme expansion
Increasing numbers of schools converting to academies (directly funded by central government) reduces the school support funding received by local authorities

Local transport funding
Major capital funding is being given to new local transport bodies which councils are encouraged to be involved with but are no longer the sole recipient

Council tax referendums
Requirement on local authorities to hold a referendum for council tax increases above a certain level

Localisation of council tax benefit
Responsibility for providing financial assistance to help claimants with their council tax is being transferred to local government

Business rates retention
Local authorities will retain 50 per cent of the rates they collect, the remaining half will be distributed by central government. This ends the Formula Grant system

Transfer of public health responsibilities
Local authorities will receive additional funding for taking on some public health responsibilities transferred from NHS bodies

Universal Credit
Centrally administered benefit is replacing locally administered housing benefit

Source: National Audit Office
2.12 In the 2010 Spending Review, government announced that funding to local authorities was to be reduced by 26 per cent between April 2011 and March 2015. Including council tax, the overall reduction in local authority income was forecast to be 14 per cent (Figure 8). In our report, we found that local authorities had so far generally been able to absorb central government funding reductions. However, there was increasing evidence that some local authorities were reducing service levels, for example in adult social care and libraries.

2.13 The Department had assessed the impact of changes to local authority funding to some extent but its approach needed to be more comprehensive in future. Given the range of changes being implemented, we found that it was increasingly important for the Department to understand the cumulative effects of successive changes. We recommended that the Department should better evaluate the impact of decisions on local authority finances and services, before and after implementation.

Figure 8
Planned decrease in central government funding and the overall effect on local authority income, April 2010 to March 2015

Percentage of cumulative real reduction from 2010-11 baseline

<table>
<thead>
<tr>
<th>Year</th>
<th>Local Authority Income</th>
<th>Central Government Contributions to Local Authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>-5</td>
<td></td>
</tr>
<tr>
<td>2011-12</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>2012-13</td>
<td>-8</td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td>-11</td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td>-14</td>
<td></td>
</tr>
</tbody>
</table>

Notes
1. Local authority income includes the Office for Budget Responsibility’s council tax forecast at the time of the 2010 Spending Review.
2. The figures are in real terms and have been rounded to the nearest percentage point.

Source: HM Treasury, Spending Review 2010
2.14 Along with the funding reductions, changes are being made to the resourcing mechanism of local authorities. These changes increase local authorities’ financial uncertainty. This risk will not manifest itself evenly across the sector, with some local authorities being more affected than others. The Department will need to be able to detect emerging problems and respond flexibly and quickly.

2.15 In its report on *Financial sustainability of local authorities*,\(^1\) the Committee for Public Accounts identified that while the Department collected a significant amount of data from local government, it had not focused enough on getting the information it would need to understand councils’ spending and performance. The Department had not made clear how it would monitor councils’ ability to cope with funding changes, or the extent to which councils are able to make reductions by increasing efficiency rather than reducing services.

2.16 The accountability framework for local government, as described in the Department’s Accountability System Statement (paragraphs 2.7 to 2.9), currently relies on long-established safeguards and assurances. Where there have been ‘one-off’ failures requiring central government intervention, the failure regime has managed them. It is not known how the system would respond if there were to be multiple simultaneous financial failures in the more challenging times that lie ahead for local authorities.

New Homes Bonus

2.17 Our report on *The New Homes Bonus*\(^2\) examined whether the Department is meeting its objective for the New Homes Bonus (the Bonus) to incentivise local authorities to encourage new homes locally. The scheme aims to deliver 140,000 new homes over the next ten years. Although it is too early for the scheme to have achieved its full impact, we chose to examine the Bonus now because it is an important part of the government’s efforts to incentivise growth (Figure 9).

2.18 Our report welcomed the simplicity of the Bonus, making it easy for councillors and local authority officers to understand what was available and explain it to communities. We found that the Department had communicated the scheme to local authorities clearly and transparently, and had incorporated design features that were welcomed by local authorities following consultation. However, we found errors in the Department’s modelling which, when corrected, reduced the estimated number of new homes the Bonus would lead to by 25 per cent, or 32,000 homes over ten years. More generally, we found that the Department’s estimate had been produced using very limited evidence.

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2.19 We found that the Department was not adequately monitoring the £1.3 billion Bonus paid to local authorities for the period 2011-12 to 2013-14. Some local authorities face substantial and increasing financial risks because the Bonus redistributes core funding between authorities. We recommended that the Department urgently carry out a review, to monitor the impact of the Bonus and other financial pressures on the spending power of local authorities, so those pressures can be managed effectively. The Department had plans to carry out such a review in 2013-14 but had not decided upon its scope or methodology.

2.20 By not monitoring the early impact of the Bonus more closely, the Department had missed an opportunity to gain insights, which it might have applied to other incentive-based funding that was introduced in April 2013. For example, changes to business rate retention could have a more substantial impact on local authority budgets than the Bonus.
2.21 It is too early to tell whether the Bonus will increase new housing. Overall, we found little evidence that the Bonus had yet made significant changes to local authorities’ behaviour towards increasing the housing supply. We found little evidence that the Bonus was increasing planning approvals for new housing: numbers of residential planning applications have reduced in recent years and the proportion approved had already increased considerably before the Bonus came in (Figure 10). However, we found some evidence of an incentive effect in relation to bringing empty homes back into use, and that the Bonus has given local authorities resources to allow them to protect activities relating to new and empty homes.

Figure 10
Number of major residential planning application decisions made and permissions granted, England, 2004-05 to 2011-12

The number of planning applications and approvals stabilised around 2009-10 following downward trends over the preceding decade

Note
1 ‘Major’ applications cover ten or more homes.

Source: National Audit Office analysis of Department for Communities and Local Government’s data on planning
Measuring the costs and benefits of Whole-Place Community Budgets

2.22 In *Measuring the costs and benefits of Whole-Place Community Budgets*, we examined how four local areas – Essex, Greater Manchester, West Cheshire and the West London Tri-borough (Westminster, Hammersmith and Fulham, and Kensington and Chelsea) – have gone about assessing the costs and benefits of more integrated services. We also examined the Department’s role in supporting and overseeing this process.

2.23 We concluded that the ‘co-production’ approach between central government and local bodies in planning Whole-Place Community Budgets is a promising model for future policy design and delivery. The Department provided £4.8 million from its annual budget which included funding for 33 senior members of staff, who were seconded from a range of government departments to work directly with staff from local government and other local partners in area teams. This approach was viewed very positively by local areas.

2.24 We found a strong commitment to evaluation and our report encourages central and local government to continue working closely to develop the approach further. The Whole-Place Community Budget areas have undertaken the kind of robust evaluation that is necessary to test potentially significant and beneficial changes to how public services are provided. The Department should seek a commitment from local areas and other departments to continue to work together – including sharing of data – to sustain the enabling elements of the programme and to maximise the potential of Whole-Place Community Budgets.

Data assurance review

2.25 In 2012, we began a three-year programme to examine the data systems underpinning the Department’s business plan indicators and other key management information. In March 2013, we completed our second *Data Assurance* review on the Department. We examined six Business Plan indicators that we had not reviewed in 2011-12 and for which reporting systems are in place.

2.26 Overall, we found the Department had achieved a better balance of performance indicators across its key business areas since our 2011-12 review. The indicators we reviewed were fit for purpose but there was some scope for improvement. Some of the Department’s indicators cover complex areas such as local government finance, so clarity around key concepts is an important part of making the data helpful for a non-expert audience.

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2.27 The Department collects and holds a wide range of data from a number of sources, but we found that it does not have an overall strategy for the systematic use of these data. Given cost reduction pressures within the Department and on bodies that provide data, such as local authorities, it is all the more important that the Department collects and retains only the information that it needs to support effective decision-making. We urged the Department to finalise and issue its knowledge management and information strategies to provide staff with clear guidance on how to work with information and to provide a reference point for determining non-compliance.

The Department in a cross-government context

2.28 In addition to our work on individual departments, the NAO increasingly looks at performance across government in order to understand how different departments measure up on important issues. Of the cross-government reports we published in the last year, Financial management in government, Integration across government, Managing budgeting in government and Confidentiality clauses and special severance payments included coverage of the Department for Communities and Local Government.

2.29 Finance teams in departments and other public bodies have a vital role to play if the government is to deliver planned public service reforms. Our report on Financial management in government found signs of improvement in financial management within government. However, given the scale of the challenges, the pace of change must be accelerated. The Department’s recent breaches of control totals indicate that basic financial management continues to be an important issue for the Department to address (paragraphs 2.3 and 2.4).

2.30 More than half of the government’s programme and administration spending is devolved to local public bodies. The report’s commentary on the management of spending reductions being made through local bodies is especially relevant to the Department. The report echoes our findings in Financial sustainability in local government, suggesting that departments need to make sure that they understand the effects of decisions about funding provided to local bodies, and that Accounting Officers can provide assurance about system-wide value for money. This, the report indicates, means identifying appropriate management information, and possessing sufficient analytical capability, as well as ensuring that local public bodies have the financial management capability to make savings successfully, while maintaining the delivery of services.

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2.31 In our report on *Managing budgeting across government*\(^{15}\) we found that departments’ submissions for the 2010 Spending Review varied in nature, which hindered straightforward comparisons. The Department’s submission had provided additional details of proposals for its five main areas of spending, beyond what was required by HM Treasury. This had included a high-level discussion of the benefits and impact of reductions. The submission included cost–benefit assessments for three of the Department’s four largest revenue programmes, accounting for 76 per cent of the relevant resource that was eventually allocated. Our report also highlighted the Department’s innovative challenge process, which it used to help decide which areas to invest in.

2.32 Our report on *Integration across government*\(^{16}\) highlighted the Whole-Place Community Budgets (paragraphs 2.22 to 2.24) as an example of successful integration. It reported that a pragmatic approach to collaboration had been taken. However, we found from our analysis of all departments’ business plans that they were not capturing and were therefore understating the extent of joint working between departments. For example, business plans did not record joint actions between the Department and particular other departments (including Education, Work & Pensions, Health, the Home Office and the Ministry of Justice), even when they had an interest in particular collaborative programmes, such as Community Budgets and Troubled Families.

2.33 Our report on *Confidentiality clauses and special severance payments*\(^{17}\) concluded that there was a lack of transparency, consistency and accountability in the use of compromise agreements in the public sector and that little was being done to change this situation. Within the central departments we found, in general, that policies on special severance payments were clear and based on, or made reference to, *Managing Public Money*.\(^{18}\) However, there was less clarity around the policies and guidance between the departments and their arm’s-length bodies. We found that oversight arrangements for bodies within wider departmental groups were often limited. Departments we reviewed were unable to tell us how often confidentiality clauses were used in compromise agreements, as the information was not routinely collected.

2.34 The Department does not hold information on the number or value of severance payments within local authorities in England. Constitutionally, local authorities in England are accountable to their electorates for the spending decisions that they make, and are not required to refer special severance payments to the Department.

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17 Comptroller and Auditor General, *Confidentiality clauses and special severance payments*, Session 2013-14, HC 130, National Audit Office, June 2013.
2.35 However, the Department does provide guidance. In February 2012, it published *Openness and accountability in local pay*[^19] to which authorities must have regard when exercising their duties on pay accountability. In February 2013, the Secretary of State sent supplementary guidance to the leaders of local authorities in England and to chairs of fire and rescue authorities. This stated that the full Council should be given the opportunity to vote on severance payments over £100,000.

**NAO work in progress**

2.36 Our current value-for-money programme is designed to provide informed evaluation of the Department’s development and implementation of government policy, while generating evidence of delivery at the local level. We have studies under way into the funding and structure for local economic growth, local council tax support, and using payments by results to help troubled families. We expect to publish our findings on each of these subjects in autumn 2013. We also have studies starting on adult care and housing.

2.37 Our study on local economic growth is exploring whether government policy is being implemented in a way that is likely to achieve its objectives and deliver value for money. The report will focus on strategic issues while looking at progress locally.

2.38 On 1 April 2013, the national system of council tax benefit in England was replaced by 326 local council tax support schemes, with overall funding reduced by £410 million. We are examining the Department’s role in: planning for the transition; supporting local authorities to implement local schemes; and understanding local authorities’ delivery of the policy’s key objectives.

2.39 Our study on using payment by results to help troubled families is examining the design and early stages of implementation of two payment by results schemes, one run by the Department for Communities and Local Government through local authorities and the other by the Department for Work & Pensions through the private and third sectors.

2.40 Adult social care is undergoing major policy change and funding reductions. It is the largest area of local authority spending and a significant area of health spending. We are planning a programme of work on adult care over the next few years, which will include examination of the interface with health services. The programme is starting with an overview of adult care, setting out policy, funding and delivery, organisational structures and accountability, as well as describing care users and their needs.

2.41 We are also planning a value-for-money study on the government’s shared equity schemes to help homebuyers, and whether the lessons learned from these schemes have been applied to the development and introduction of Help to Buy.

[^19]: Department for Communities and Local Government, *Openness and accountability in local pay: guidance*, February 2012.
Part Three

The Department’s transformation: building the capacity and capability to deliver through others

3.1 The Department for Communities and Local Government (the Department) is fundamentally changing the way it operates, moving away from a predominantly grant-giving role. For 2012 and 2013, the Department’s priorities place much more emphasis on its influencing and enabling role. These priorities are:

- to promote economic growth by supporting local authorities and businesses to bring new business and jobs to their areas;
- to influence the housing market to provide more homes to buy and rent;
- to support council tax payers in getting value for money and making their local council accountable;
- to turn around the lives of troubled families, giving them the chance of a better life and reducing the cost to the taxpayer; and
- to bring people together in strong, united communities.

3.2 The Department is significantly smaller than it was three years ago. Its new operating model relies largely on others to deliver policies and priorities. Alongside local authorities, the Department’s priorities are delivered through third parties such as Local Enterprise Partnerships, housing developers and commercial organisations. As budgetary pressures increase, the Department is seeking more innovative commercial models and using new funding mechanisms to deliver its business, such as the £10 billion debt guarantee scheme for new housing (paragraph 1.19). In total, the Department estimates that the proportion of its spending on such financial instruments will increase from 9 per cent in 2012-13 to 71 per cent in 2015-16.

3.3 The Department will need to ensure it has the capability to successfully deliver its changing priorities; in particular, it will need strong commercial, financial and influencing skills. The Department acknowledges that it needs to acquire additional commercial skills to manage the significant increase in its use of financial instruments. In addition, as we stated in our report on Central government’s communication and engagement with local government, now more than ever it is essential that central government communicates and engages well with local government.

20 Comptroller and Auditor General, Central government’s communication and engagement with local government, Session 2012-13, HC 187, National Audit Office, June 2012.
3.4  These are capabilities that the government as a whole is also looking to develop further. The Cabinet Office’s Civil Service Capability Plan,\(^*\) published in April 2013, sets out a new strategy for improving skills and performance in four priority areas:

- leading and managing change;
- commercial skills and behaviours;
- programme and project management; and
- digital skills.

3.5  The wider government requirement to develop these skills and capabilities provides an opportunity for the Department to collaborate with others in Whitehall. At the same time, however, it will create a higher premium on certain skills, meaning that in practice the Department will have to compete with other parts of government to obtain them.

3.6  We have reported on a number of areas where the Department has already demonstrated its skills in influencing and enabling, for example:

- In our report on *Central government communication and engagement with local government*\(^{22}\) we cited the Department’s regular newsletter to local authority chief executives as good practice in communicating key issues of relevance to local authorities. Local authorities also welcomed the launch in June 2011 of the Department’s 70 ‘locality leads’ across 14 regions. These are senior departmental officials who spend about 5 to 10 per cent of their time familiarising themselves with the specific issues local authorities are facing and keeping in touch.

- In our report *Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets* the ‘co-production’ described in paragraph 2.23 included the provision of funding for 33 senior members of staff who the Department seconded to local areas to work in teams developing the Whole-Place Community Budget business plans.

- In our report *The New Homes Bonus* we found that the simplicity of the Bonus calculation was a feature that helped local authority officers explain its benefits to communities and therefore provided a potentially incentivising effect (paragraph 2.18).


\(^{22}\) Comptroller and Auditor General, *Central government’s communication and engagement with local government*, Session 2012-13, HC 187, National Audit Office, June 2012.
3.7 We have also identified areas where the Department could improve its capabilities and skills, for example:

- **Assessing the impacts of policies:** The Department’s impact assessments can be limited in scope and sometimes contain errors, as for the estimate of the potential increase in new house building that the New Homes Bonus might achieve (paragraphs 2.18 and 2.19). For the 2010 Spending Review, the Department assessed the scope for local efficiencies when it set the overall level of the Formula Grant, but this was not based on an explicit assessment of local authorities’ statutory service obligations (paragraph 2.13).

- **Financial capability and skills:** Our financial audit highlighted gaps in the Department’s financial capability. As described in Part Two, the Comptroller and Auditor General qualified the regularity part of his audit opinion on the Department’s 2012-13 accounts because the Department breached two of its parliamentary spending limits, in part because of a lack of understanding of the financial consequences of decisions relating to IT systems (paragraphs 2.3 and 2.4).

### The Department’s actions to build capability

3.8 In April 2012, the Department reorganised its internal structure (Figure 1 on page 6) and adopted a more flexible resourcing model within the departmental groups led by their Director Generals, which made it easier for staff to be deployed to higher priority areas. Some work was also stopped or scaled back. The Department is currently looking to build on this approach to systematise a more flexible approach to deployment across the whole Department.

3.9 The Department is currently undertaking a review of the longer-term operating model for the Department and its arm’s-length bodies. The review is examining the structures, skills and capabilities the Department will need to deliver its policy priorities and to maximise effectiveness.

3.10 During 2012-13, the Department launched its ‘Better Department’ programme, which sets out how it will deliver business and change over the next two years. The programme was recently revised and is now focusing on four areas of change: strong and visible leadership; people development; getting the basics right; and collaborative working (known as ‘One Department’). Progress against the ‘Better Department’ plan is monitored through the People subcommittee and Executive Team. The Department attributes the improvements in its 2012 People Survey results (paragraph 1.23) to its work through the ‘Better Department’ programme. However, the Department acknowledges that leadership and managing change remains a particular area for development.

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23 Part of the Department’s ‘Better Place to Work’ core priority launched by the Permanent Secretary alongside the Business Plan in May 2012 and updated early 2013.
3.11 The Department’s priorities for 2013-14 continue to be around capacity and capability, especially around commercial, corporate finance and financial skills. In its June 2013 Improvement Plan, the Department has committed to increasing the capability of its staff so that it can deliver its business objectives and support career development and aspirations. In particular, the Department aims to establish a body of commercially astute civil servants through a programme of commercial capability activities. It has delivered 35 commercial capability events and workshops aimed at raising awareness and building understanding, and held a ‘commercial skills’ week. The Department’s improvement plan to build capability, based on the Capabilities Plan for the Civil Service, is set out in Figure 11.

3.12 The Department is currently reviewing its finance function with the assistance of independent advisers, and using a diagnostic tool used to assess the strength of an organisation’s financial management performance against best practice. The review will assess the Department’s current financial skills and consider its future needs in the light of changing requirements. In addition, the Department is working with the Shareholder Executive to identify the skills and capabilities it needs because of the increase in its use of financial instruments.

3.13 In terms of better engagement with local authorities, the Department’s main action will be to continue to foster local links through ‘locality leads’ (paragraph 3.6). The Department’s directors have personal responsibility for strategic connections with other departments to help ensure that all of central government has a joined-up approach to local government. Examples of the Department’s influence and joined-up delivery to date include:

- joint Executive Team Meetings with the Departments for Education, Business, Innovation & Skills, and the Department of Health;
- setting up Enterprise Zones and the 39 Local Enterprise Partnerships with the Department for Business, Innovation & Skills;
- leading delivery of the Troubled Families programme; and
- the Whole-Place Community Budgets programme.
Figure 11  
The Department’s improvement plan to build capability, 2013-14

<table>
<thead>
<tr>
<th>Improvement being made</th>
<th>Metric used to measure progress</th>
<th>Review date and by who</th>
<th>Trigger that will signal mitigating action needs to be taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build effective leadership and management capability</td>
<td>Ambition is to match or exceed the highest increase in the relevant questions in the Staff Survey across Whitehall over the next three years</td>
<td>Executive Team and People Committee through the Pulse and Staff Survey results in 2013 and 2014</td>
<td>Pulse and Staff Survey results in 2013 and 2014 fail to demonstrate upward trajectory</td>
</tr>
<tr>
<td>Increase learning and development activity</td>
<td>All staff undertake at least 5 days of Learning and Development per year 95 per cent of staff registered with Civil Service Learning by 2015</td>
<td>Through line managers at the end of 2013-14</td>
<td>Staff fail to take their entitlement</td>
</tr>
<tr>
<td>Develop digital awareness and capability</td>
<td>Increase active staff interest in digital from 8 per cent to 25 per cent, by March 2014</td>
<td>Quarterly through the People Committee</td>
<td>Failure to increase staff interest</td>
</tr>
<tr>
<td>Enhance specialist commercial and general commercial acumen</td>
<td>25 per cent of staff engaged with programme of Commercial Capability initiatives by March 2014</td>
<td>Executive Team and People Committee every six months</td>
<td>Training for Specialist commercial Network and wider Department is not perceived to meet new commercial demands</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Relevant, appropriate expertise not available or not secured</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No commercial champion identified</td>
</tr>
<tr>
<td>Strengthen project and programme management capabilities</td>
<td>Increase in number of accredited Department Gateway Reviewers Active engagement in newly formed Programme and Project Management Head of Profession meeting</td>
<td>Six monthly through the People Committee</td>
<td>Training strategy not in place</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Failure to increase number of Reviewers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Indication of a low take-up/interest in training opportunities among Programme and Project Management specialists at mid-year period</td>
</tr>
<tr>
<td>Build policy expertise</td>
<td>Applications for, and take up of, policy summer school</td>
<td>Through the Department Head of Profession, autumn 2013</td>
<td>Lack of interest and participation</td>
</tr>
</tbody>
</table>

Notes
1. The Staff Survey refers to the annual Civil Service People Survey.
2. The People Committee is a subcommittee of the Executive Team responsible for overseeing the development and delivery of the Department’s People Strategy. It provides oversight of the people-related issues, including overall resourcing levels, arising from changes to the shape and size of the Department and its arm’s-length bodies.
3. The Pulse survey is the Department’s internal survey which it uses to understand the progress it is making towards being a better place to work.

Source: The Department for Communities and Local Government, Improvement Plan, June 2013
The Department’s arm’s-length bodies in 2012-13 and future plans

<table>
<thead>
<tr>
<th>Arm’s-length bodies</th>
<th>Changes since 1 April 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Executive Agencies</strong></td>
<td></td>
</tr>
<tr>
<td>Planning Inspectorate</td>
<td>The functions of the Infrastructure Planning Commission were transferred to the Planning Inspectorate on 1 April 2012</td>
</tr>
<tr>
<td><strong>Trading Funds</strong></td>
<td></td>
</tr>
<tr>
<td>Fire Service College</td>
<td>Trading activity sold to the private sector on 28 February 2013</td>
</tr>
<tr>
<td>Queen Elizabeth II Conference Centre</td>
<td>No change</td>
</tr>
<tr>
<td><strong>Executive Non-Departmental Public Bodies</strong></td>
<td></td>
</tr>
<tr>
<td>Homes and Communities Agency</td>
<td>The functions of the Tenant Services Authority were transferred to the Homes and Communities Agency on 1 April 2012</td>
</tr>
<tr>
<td>Independent Housing Ombudsman Ltd</td>
<td>Responsibility for receiving complaints from local authority tenants was transferred from the Commission for Local Administration in England on 1 April 2013</td>
</tr>
<tr>
<td>London Thames Gateway Development Corporation</td>
<td>Abolished on 28 February 2013</td>
</tr>
<tr>
<td>The Leasehold Advisory Service</td>
<td>Currently working to develop a more commercial business model</td>
</tr>
<tr>
<td>Thurrock Thames Gateway Development Corporation</td>
<td>Abolished on 31 October 2012</td>
</tr>
<tr>
<td>West Northamptonshire Development Corporation</td>
<td>Proposed to abolish and transfer functions to local government (working to 31 March 2014 timetable, subject to parliamentary approval)</td>
</tr>
<tr>
<td>Valuation Tribunal Service</td>
<td>Transfer of functions to the Ministry of Justice under consideration</td>
</tr>
<tr>
<td><strong>Advisory bodies</strong></td>
<td></td>
</tr>
<tr>
<td>Building Regulations Advisory Committee</td>
<td>No change</td>
</tr>
</tbody>
</table>
### Arm's-length bodies

<table>
<thead>
<tr>
<th>Public Corporations</th>
<th>Changes since 1 April 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Architects Registration Board</td>
<td>No change</td>
</tr>
<tr>
<td>Audit Commission for Local Authorities and the National Health Service in England</td>
<td>Proposed to abolish (working to 31 March 2015 timetable, subject to parliamentary approval)</td>
</tr>
</tbody>
</table>

### Tribunals

| Valuation Tribunal for England                              | Proposed that jurisdiction transferred to the Land, Property and Housing Chamber in the First-tier Tribunal |

### Other body

| Commission for Local Administration in England (commonly known as the Local Government Ombudsman) | Responsibility for receiving complaints from local authority tenants was transferred to the Independent Housing Ombudsman on 1 April 2013 |
Appendix Two

Results of the Civil Service People Survey 2012

Question scores (% strongly agree or agree)

**Leadership and managing change**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Civil Service overall</th>
<th>Department for Business, Innovation &amp; Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>I feel that the department as a whole is managed well</td>
<td>43</td>
<td>39</td>
</tr>
<tr>
<td>Senior civil servants in the Department are sufficiently visible</td>
<td>48</td>
<td>51</td>
</tr>
<tr>
<td>I believe the actions of senior civil servants are consistent with the Department’s values</td>
<td>42</td>
<td>40</td>
</tr>
<tr>
<td>I believe that the departmental board has a clear vision for the future of the Department</td>
<td>40</td>
<td>41</td>
</tr>
<tr>
<td>Overall, I have confidence in the decisions made by the Department’s senior civil servants</td>
<td>39</td>
<td>37</td>
</tr>
<tr>
<td>I feel that change is managed well in the Department</td>
<td>29</td>
<td>26</td>
</tr>
<tr>
<td>When changes are made in the Department they are usually for the better</td>
<td>25</td>
<td>19</td>
</tr>
<tr>
<td>The Department keeps me informed about matters that affect me</td>
<td>56</td>
<td>59</td>
</tr>
<tr>
<td>I have the opportunity to contribute my views before decisions are made that affect me</td>
<td>36</td>
<td>31</td>
</tr>
<tr>
<td>I think it is safe to challenge the way things are done in the Department</td>
<td>40</td>
<td>37</td>
</tr>
</tbody>
</table>

**Organisational objectives and purpose**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Civil Service overall</th>
<th>Department for Business, Innovation &amp; Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have a clear understanding of the Department’s purpose</td>
<td>84</td>
<td>81</td>
</tr>
<tr>
<td>I have a clear understanding of the Department’s objectives</td>
<td>79</td>
<td>74</td>
</tr>
<tr>
<td>I understand how my work contributes to the Department’s objectives</td>
<td>82</td>
<td>79</td>
</tr>
</tbody>
</table>

**Note**

1  The score for a question is the percentage of respondents who strongly agree or agree to that question.

## Appendix Two

### Results of the Civil Service People Survey 2012

#### Question scores (% strongly agree or agree)

<table>
<thead>
<tr>
<th>Question</th>
<th>Cabinet Office</th>
<th>Department for Communities and Local Government</th>
<th>Department of Business, Innovation &amp; Skills</th>
<th>Cabinet Office</th>
<th>Department of Energy &amp; Climate Change</th>
<th>Department of Environment, Food &amp; Rural Affairs</th>
<th>Department for Education</th>
<th>Department of Health (excluding agencies)</th>
<th>HM Revenue &amp; Customs</th>
<th>HM Treasury</th>
<th>Home Office</th>
<th>Ministry of Justice</th>
<th>Department for International Development</th>
<th>Department for Transport</th>
<th>Department for Work &amp; Pensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership and managing change</td>
<td>38</td>
<td>47</td>
<td>40</td>
<td>47</td>
<td>40</td>
<td>40</td>
<td>40</td>
<td>39</td>
<td>56</td>
<td>39</td>
<td>31</td>
<td>40</td>
<td>39</td>
<td>38</td>
<td>26</td>
</tr>
<tr>
<td>Senior civil servants in the Department are sufficiently visible</td>
<td>40</td>
<td>47</td>
<td>48</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>46</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>29</td>
</tr>
<tr>
<td>I believe the actions of senior civil servants are consistent with the Department's values</td>
<td>39</td>
<td>47</td>
<td>40</td>
<td>40</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>30</td>
</tr>
<tr>
<td>I believe that the departmental board has a clear vision for the future of the Department</td>
<td>38</td>
<td>37</td>
<td>39</td>
<td>30</td>
<td>30</td>
<td>30</td>
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</tr>
<tr>
<td>Overall, I have confidence in the decisions made by the Department's senior civil servants</td>
<td>38</td>
<td>37</td>
<td>39</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
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<td>30</td>
</tr>
<tr>
<td>I feel that change is managed well in the Department</td>
<td>38</td>
<td>37</td>
<td>39</td>
<td>30</td>
<td>30</td>
<td>30</td>
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</tr>
<tr>
<td>When changes are made in the Department they are usually for the better</td>
<td>38</td>
<td>37</td>
<td>39</td>
<td>30</td>
<td>30</td>
<td>30</td>
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<td>30</td>
</tr>
<tr>
<td>The Department keeps me informed about matters that affect me</td>
<td>40</td>
<td>43</td>
<td>43</td>
<td>38</td>
<td>38</td>
<td>38</td>
<td>38</td>
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<td>38</td>
</tr>
<tr>
<td>I have the opportunity to contribute my views before decisions are made that affect me</td>
<td>40</td>
<td>43</td>
<td>43</td>
<td>38</td>
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</tr>
<tr>
<td>I think it is safe to challenge the way things are done in the Department</td>
<td>40</td>
<td>43</td>
<td>43</td>
<td>38</td>
<td>38</td>
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<td>38</td>
<td>38</td>
</tr>
<tr>
<td>Organisational objectives and purpose</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
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<td>84</td>
<td>84</td>
</tr>
<tr>
<td>I have a clear understanding of the Department's purpose</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
<td>84</td>
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<td>84</td>
</tr>
<tr>
<td>I have a clear understanding of the Department's objectives</td>
<td>84</td>
<td>84</td>
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<td>84</td>
</tr>
<tr>
<td>I understand how my work contributes to the Department's objectives</td>
<td>84</td>
<td>84</td>
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</tbody>
</table>
## Appendix Three

### Publications by the NAO on the Department since we last reported

<table>
<thead>
<tr>
<th>Publication date</th>
<th>Report title</th>
<th>HC number</th>
<th>Parliamentary session</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reports presented to Parliament</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 March 2013</td>
<td>The New Homes Bonus</td>
<td>HC 1047</td>
<td>2012-13</td>
</tr>
<tr>
<td>13 March 2013</td>
<td>Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets</td>
<td>HC 1040</td>
<td>2012-13</td>
</tr>
<tr>
<td>30 January 2013</td>
<td>Financial sustainability of local authorities</td>
<td>HC 888</td>
<td>2012-13</td>
</tr>
<tr>
<td><strong>Other published reports</strong></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
## Appendix Four

### Cross-government reports of relevance to the Department

<table>
<thead>
<tr>
<th>Publication date</th>
<th>Report title</th>
<th>HC number</th>
<th>Parliamentary session</th>
</tr>
</thead>
<tbody>
<tr>
<td>21 June 2013</td>
<td>Confidentiality clauses and special severance payments</td>
<td>HC 130</td>
<td>2013-14</td>
</tr>
<tr>
<td>13 June 2013</td>
<td>Financial management in government</td>
<td>HC 131</td>
<td>2013-14</td>
</tr>
<tr>
<td>13 Mar 2013</td>
<td>Integration across government</td>
<td>HC 1041</td>
<td>2012-13</td>
</tr>
<tr>
<td>18 October 2012</td>
<td>Managing budgeting in government</td>
<td>HC 597</td>
<td>2012-13</td>
</tr>
</tbody>
</table>
Where to find out more

The National Audit Office website is
www.nao.org.uk

If you would like to know more about the NAO’s work on the Department for Communities and Local Government, please contact:

**Aileen Murphie**
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aileen.murphie@nao.gsi.gov.uk

**Helen Booth**
Director
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helen.booth@nao.gsi.gov.uk

If you are interested in the NAO’s work and support for Parliament more widely, please contact:

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Director of Parliamentary Relations
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