



National Audit Office

Departmental Overview 2020-21

Department for Levelling Up, Housing & Communities

November 2021

This overview summarises the work of the Department for Levelling Up, Housing & Communities including what it does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

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What this guide is about

On 19 September 2021 the government announced the Ministry of Housing, Communities & Local Government would become the Department for Levelling Up, Housing & Communities (DLUHC, the Department).

The Department's new name is used throughout this guide.

This guide summarises the key information and insights that can be gained from our examinations of the Department and related bodies in the sector in England.

The guide includes:

- ➔ how the Department is structured and where it spends its money;
- ➔ how the Department manages its money and its people;
- ➔ major programmes and key developments within the Department and the local government sector over the past year; and
- ➔ information drawn from relevant NAO reports on the work of the Department including how it responded to the COVID-19 pandemic.



The Department has overall responsibility in central government for local authorities' funding. Along with other bodies the Department oversees the core accountability system for local authorities. You can read more about this relationship in our previous overview, *Departmental Overview 2019-20: Ministry of Housing, Communities & Local Government* published in January 2021.

How we have prepared this guide

The information in this guide draws on the findings and recommendations from our financial audit and value-for-money programme of work, and from publicly available sources, including the annual reports and accounts of the Department and its bodies.

We have cited these sources throughout the guide to enable readers to seek further information if required. Where analysis has been taken directly from our value-for-money or other reports, details of our audit approach can be found in the appendix of each report, including the evaluative criteria and the evidence base used.

Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.

Other relevant publications

More information about our work on the Department and the local government sector in England, as well as information about our other recent and upcoming reports can be found on the [NAO website](#).



About the National Audit Office

The National Audit Office (NAO) is the UK's independent public spending watchdog. We scrutinise public spending for Parliament and are independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2020, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £926 million.

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About the Department

The Department for Levelling Up, Housing & Communities aims to support communities across the UK to thrive, making them great places to live and work. Its work includes investing in local areas to drive growth and create jobs, delivering homes the country needs, supporting community and faith groups, and overseeing local government, planning and building safety.

The Department had seven strategic priorities for its work in 2020-21

- 1 Getting more people on the housing ladder and building safer and greener homes.
- 2 Supporting communities to respond, recover and emerge from COVID-19 stronger.
- 3 Ensuring local government has access to the powers and funding to support communities and level up.
- 4 Driving growth.
- 5 Bringing about and ensuring building safety.
- 6 Ending rough sleeping.
- 7 Supporting corporate activities.

The Department's four priority outcomes for 2021-22 continue its focus on a number of these areas:

- 1 Raise productivity and empowering communities so that everyone across the country can benefit from levelling up.
- 2 More, better-quality, safer, greener and more affordable homes.
- 3 End rough sleeping through more effective prevention and crisis intervention services and reduce homelessness by enabling local authorities to fully meet their statutory duties.
- 4 A sustainable and resilient local government sector that delivers priority services and empowers communities.

The Department currently has one executive agency and 12 other arm's-length bodies.

Executive agency

- Planning Inspectorate

Advisory non-departmental public body (NDPB)

- Building Regulations Advisory Committee

Tribunal

- Valuation Tribunal for England

Executive NDPB

- Homes England (trading name for Homes and Communities Agency)
- The Leasehold Advisory Service
- Regulator of Social Housing
- The Housing Ombudsman
- Valuation Tribunal Service
- Ebbsfleet Development Corporation
- The UK Holocaust Memorial Ltd

Other body (not classified as an NDPB)

- Commission for Local Administration in England (Local Government and Social Care Ombudsman)

Trading fund

- Queen Elizabeth II Conference Centre

Public corporation

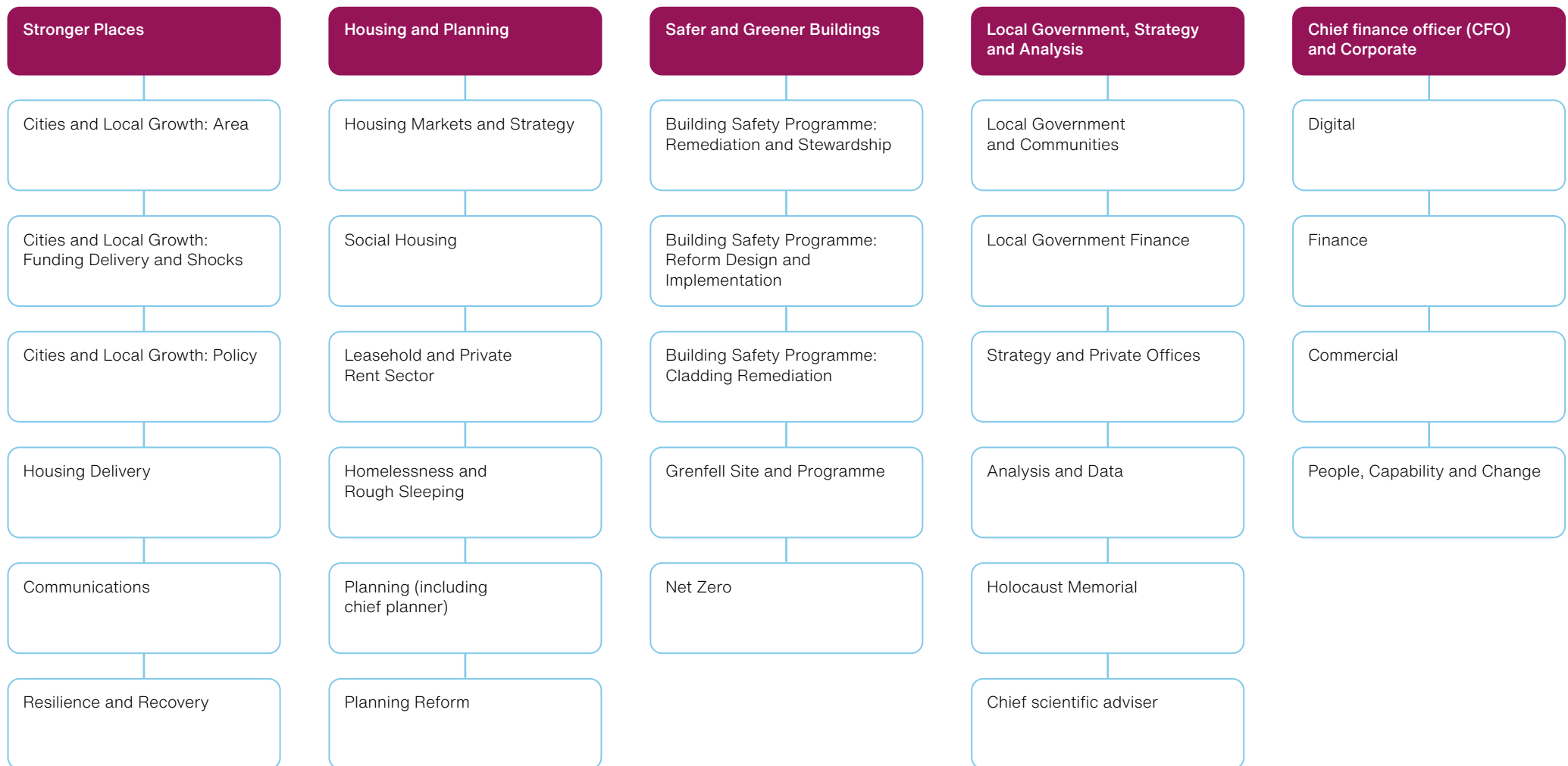
- Architects Registration Board

1 All bodies apart from the Queen Elizabeth II Conference Centre, Ebbsfleet Development Corporation and the Architects Registration Board are consolidated into the departmental accounts.

2 The Leasehold Advisory Service is a non-statutory company set up under the Companies Act and the C&AG is not its auditor

3 The UK Holocaust Memorial Ltd was incorporated on 12 July 2019, remained dormant during the year and was dissolved on 23 March 2021. The UK Holocaust Memorial Foundation programme continues to operate within the core Department.

How the Department is structured



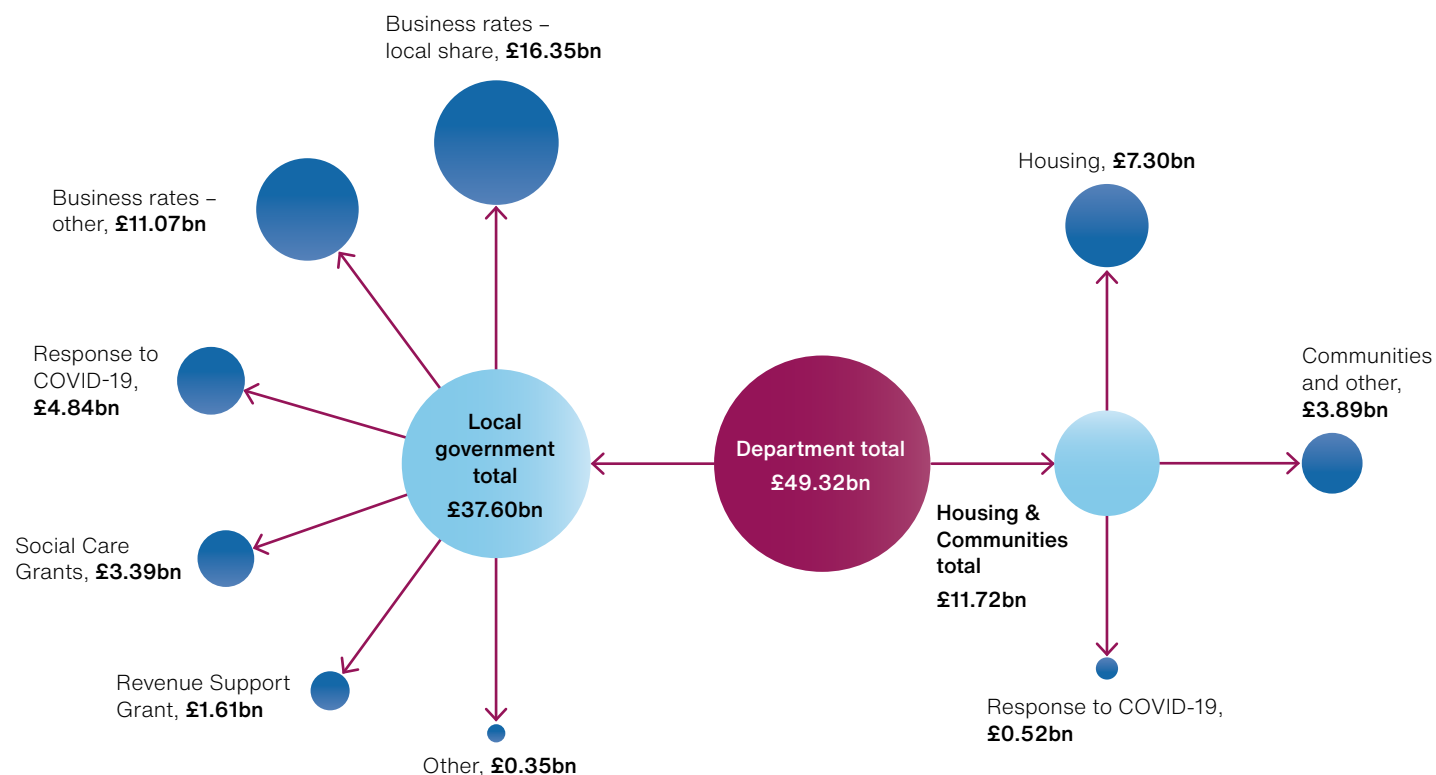
How the Department spends its money

In 2020-21, the Department had a net spend of £49.3 billion, which was split between £11.7 billion within its housing and communities' budget and £37.6 billion within its local government budget.

In 2020-21 the Department spent the majority of its housing and communities' budget, £7.3 billion, on housing to support its strategic objectives to deliver homes, reduce rough sleeping and improve building safety with much of this funding going to Homes England. The Department spent a further £3.9 billion on its strategic objectives to support communities.

The Department spent £5.36 billion in 2020-21 responding to the COVID-19 pandemic. This included support to local authorities to enable them to respond to service pressures, support the clinically extremely vulnerable and support the hardship fund, which enabled local authorities to reduce council tax bills for working age people receiving local council tax support. This expenditure also included grants to voluntary and community sector organisations, and the Department's additional operating staff and non-staff costs.

Department for Levelling Up, Housing & Communities spending 2020-21



Notes

- 1 Figures are rounded. As a result, adding up sub-totals does not always give exactly the same number as is shown for totals.
- 2 The £0.35 billion 'Other' bubble includes £0.16 billion for the Independent Living Fund, and smaller funding streams.
- 3 'Business rates – other' includes £10.8 billion of additional funding provided in response to COVID-19 for further business rate reliefs, such as the expanded retail discount.
- 4 The total £5.36 billion COVID-19 response spending is split between the housing and local government sections of the figure.

Source: National Audit Office analysis of financial data underlying The Ministry of Housing, Communities & Local Government's (as was) Annual Report and Accounts 2020-21

Section Two

The Department's activities in 2020-21

Financial management within the Department

Overall, the Department for Levelling Up, Housing & Communities' (the Department's) expenditure rose by 31% from £37.5 billion in 2019-20 to £49.3 billion in 2020-21, representing £40.2 billion of resource spend and £9.1 billion of capital spend.

The main driver of growth was an increase in revenue grants to local authorities from £10.3 billion to £21.8 billion, principally representing COVID-19 support funding. Resource spending is expected to drop back to £35.7 billion in 2021-22, still 22% higher than levels in 2019-20.

Other financial management issues include:

- Grenfell Tower site: The Department's provisions include £77 million relating to its responsibilities for keeping the site safe and secure until a decision is reached about its future.
- Help to Buy: In 2020-21 Homes England had given outline approval for a further £1.1 billion of investments in Help to Buy, which are likely to be drawn down in 2021-22.
- Queen Elizabeth II Conference Centre (the Centre): In response to the revenue lost during the Centre's closure due to the pandemic the Department in June 2021 increased the Centre's borrowing limit from £2 million to £12 million. As at 31 March 2021 the Department had loaned the Centre £1.18 million.

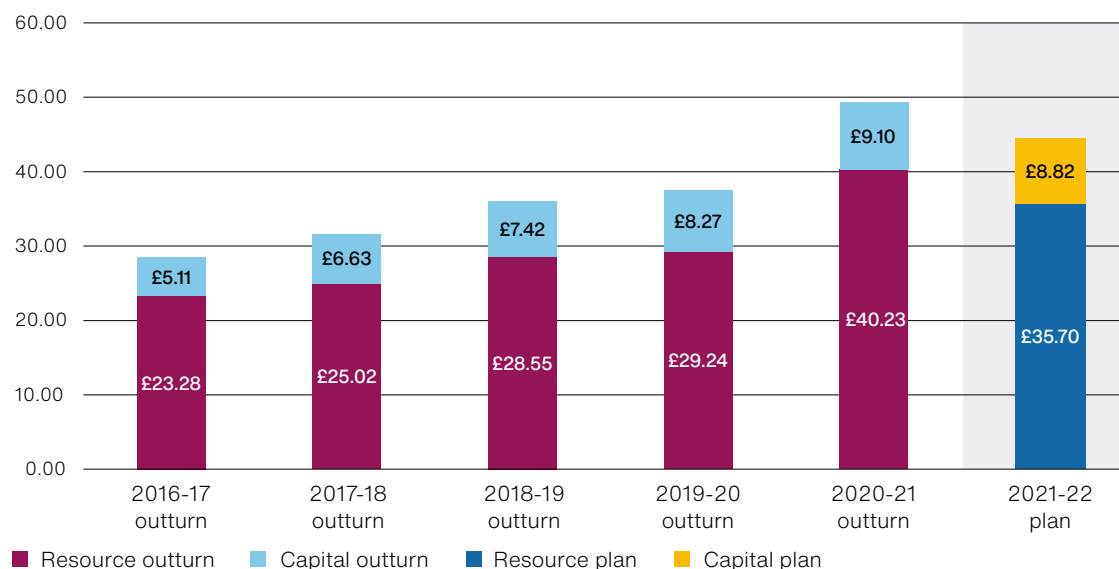
The Department reported a £3 billion increase in the value of its financial assets.

This principally represents increasing investments through the Homes England Help to Buy scheme. These assets are highly sensitive to changes in assumptions, in particular about market prices. Departmental estimates suggest market uncertainties could cause changes in value up to a range of £1.7 billion in 2021-22, with a £330 million decline in value the most likely scenario.

Departmental expenditure outturn 2016-17 to 2020-21 and planned expenditure in 2021-22

The Department's expenditure is forecast to drop in 2021-22 but still be above pre-COVID-19 levels

£ billion



Notes

- 1 Expenditure is in nominal terms, without adjustment for inflation.
- 2 Resource spending relates to day-to-day operations. Capital budgets are spent on investments that add to the public sector's fixed assets, including transport infrastructure and public buildings.

Source: Ministry of Housing, Communities & Local Government (as was), Annual Report and Accounts 2020-21

The Department's response to COVID-19

The Department's response to COVID-19 included coordinating financial support to address financial pressures in the local government sector, and leadership of specific government response programmes.

Our March 2021 report into *Local government finance in the pandemic* found action by the Department and wider government to support the sector averted system-wide financial failure at a very challenging time.

The unprecedented challenge of the COVID-19 pandemic placed significant pressure on local authorities' finances. By December 2020, local authorities were forecasting combined cost and income pressures of £9.7 billion for 2020-21, representing 17.6% of revenue expenditure across the sector. In response we estimated that the government had announced £9.1 billion in financial support. The Department developed a multi-stranded approach to address different levels of need across the sector, including tranches of un-ringfenced funding to address cost pressures, compensation schemes to partially offset income losses and an exceptional support programme to provide a safety net for individual authorities.

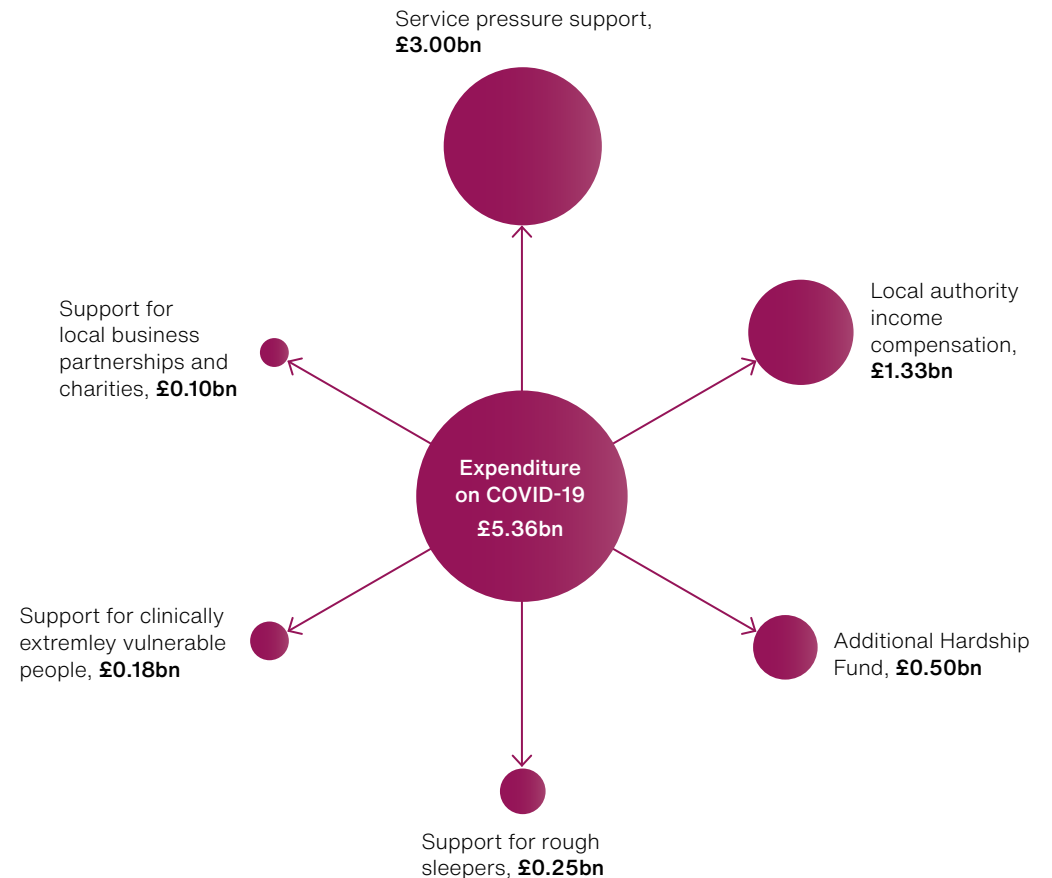
The Department was also responsible for leading specific government responses in support of vulnerable people.

These included:

- overseeing and delivering the shielding programme, a cross-government response to support clinically extremely vulnerable people to stay at home and avoid non-essential contact, providing support accessing food, medicines and basic care. See page 15 of this document for further details; and
- leading the government's 'Everyone In' campaign, supporting local authorities to offer accommodation immediately to all rough sleepers and those at risk of being on the streets, due to the health risks posed. See page 16 of this document for further details.

Departmental expenditure on COVID-19 in 2020-21

The Department spent **£5.36 billion** in 2020-21 supporting local responses to COVID-19



Notes

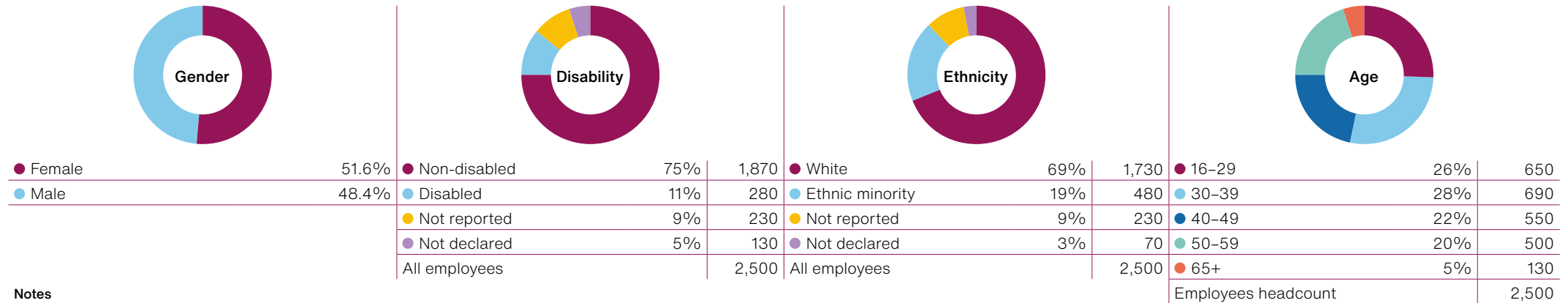
1 Figures are rounded.

2 Further COVID-19 support was provided via business rates. 'Business rates – other' as shown on page 6 includes additional funding provided in response to the pandemic for further business rate reliefs, such as the expanded retail discount.

Source: Ministry of Housing, Communities & Local Government Annual Report and Accounts 2020-21 (as was) (Annex E)

Staff and pay

Workforce in the Department for Levelling Up, Housing & Communities – Core Department data



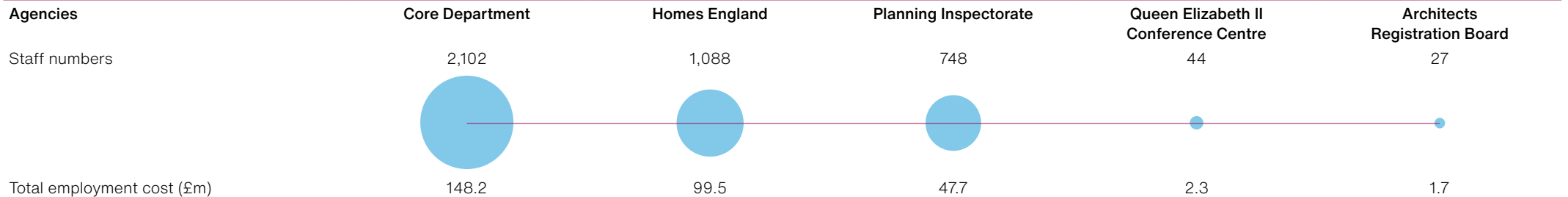
Notes

1 All employees numbers rounded to nearest 10.

2 Figures are rounded. As a result, adding up sub-totals does not always give exactly the same number as is shown for totals.

Source: Civil service statistics: 2021, available at: www.gov.uk/government/statistics/civil-service-statistics-2021. Figures are for the Department for Levelling Up, Housing & Communities excluding agencies as of 31 March 2021

Staff breakdown 2020-21 (full-time equivalent)



Pay multiples 2020-21

	Inspector		Support			
Ratio	4.30	5.80	2.40	5.20	3.78	3.54
Band of highest paid director's total remuneration (£000)	180-185	310-315	140-145	135-140	130-135	
Median total remuneration (£)	42,130	53,419	59,389	27,607	36,209	37,910

Notes

- The Leasehold Advisory Service accounts are prepared under Companies Act rules and do not include the equivalent disclosures and so are not included in this figure. Other bodies under the Department's umbrella, listed on page 4, are excluded because they do not have salaried employees – Valuation Tribunal England, Building Regulations Advisory Committee, UK Holocaust Memorial Ltd. The remaining bodies listed on page 4 had not published their 2020-21 annual reports and accounts when this publication was finalised, and we have therefore not included information about them in this figure.
- Staff numbers reflect the average number of full-time equivalent permanent staff, employment costs include social security and pension costs.

Source: 2020-21 Annual Reports and Accounts for each organisation. (The Architects Registration Board annual report and accounts is for the 2020 calendar year)















































Civil Service Annual People Survey

The annual Civil Service People Survey looks at civil servants' attitudes to, and experience of, working in government departments. The results of the most recent survey were published in May 2021. Fieldwork for the 2020 survey opened on 1 October 2020 and was closed on 3 November 2020.

The biggest changes since 2019 are in the 'My manager' and 'Leadership and change' themes. The proportion of positive responses has increased by five and six percentage points respectively. The proportion of positive responses has fallen by two percentage points in the theme 'Learning and development'. However, the result of 59 percentage points is still higher than the civil service median.

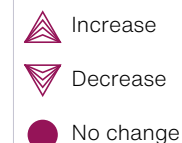
Comparing the Department with other civil service organisations, the Department's civil servants are more positive in the employee engagement index and eight of the remaining nine themes.

For the theme of 'Organisational objective and purpose' the Department's result has not improved on the 2019 result and is two percentage points lower than the civil service median.

Theme	Result in 2020 (%)	Result in 2019 (%)	Change (Percentage points)	Civil service median in 2020 (%)
 Employee engagement index	 67	 65	 2	 66
 My work	 81	 78	 3	 80
 Organisational objective and purpose	 83	 83	 0	 85
 My manager	 78	 73	 5	 74
 My team	 89	 86	 3	 84
 Learning and development	 59	 61	 -2	 56
 Inclusion and fair treatment	 85	 82	 3	 82
 Resources and workload	 76	 74	 2	 75
 Pay and benefits	 41	 39	 2	 40
 Leadership and managing change	 64	 58	 6	 58
Response rate	94	97	-3	80

Notes

- All reported differences are statistically significant at a 95% confidence level, according to Cabinet Office analysis.
- Figures are rounded. This explains apparent discrepancies in the percentage point change and difference figures.
- The employee engagement index methodology is available in the Cabinet Office's technical guide to the survey.
- For all other themes, we provide the proportion of respondents giving an "agree" or "strongly agree" response to questions on these subjects.



Source: See full survey results, Civil Service People Survey: 2020 results, available at: www.gov.uk/government/publications/civil-service-people-survey-2020-results

Major programmes and key developments

This section of the overview mainly refers to the routine business of the Department. The Department's response to COVID-19 is covered on page 8. We have highlighted programmes and developments as they relate to the key themes of the Department's four priority outcomes for 2021-22. On this page we cover the themes of levelling up and housing.

1 Levelling up



- the £4.8 billion **Levelling Up Fund** to support town centres including high street regeneration, local transport projects and cultural and heritage assets;
- £220 million **UK Community Renewal Fund** to pilot approaches for areas to tackle local challenges through skills, business and employment support. The pilots will support the development of the **UK Shared Prosperity Fund** launching in 2022, which will replace investment from the EU structural funds. The Community Renewal Fund will operate across Great Britain with the Department making the final decision on funding bids, with advice from devolved administrations;
- £1.3 billion of **Towns Deal** committed in year with 53 towns agreeing terms by July 2021; and
- the Department would create a **second headquarters in Wolverhampton** with at least 500 Department group roles set to be based across the West Midlands by 2025.

2 Housing



- the **Help to Buy** scheme supported 39,000 households to buy a new build home between April and December 2020;
- the £400 million **Brownfield Fund** was allocated to seven mayoral combined authorities to support 26,000 new homes;
- £7.1 billion secured at the 2020 Spending Review for the **National Home Building Fund** – supporting 860,000 homes over the lifetime of the projects funded;
- the Department is responsible for keeping the **Grenfell Tower** site safe and secure until a decision is reached about its future and the community has determined a fitting memorial to honour those who lost their lives. In May the government said it would make a decision on the future of the tower in the summer of 2021;
- the Department launched a consultation on the future of the **New Homes Bonus**;
- the **Planning for the Future white paper** was published in August 2020, outlining reforms to make the planning system simpler, including new permitted development rights for both building upwards, and demolishing and rebuilding as residential;
- a **Future Homes Standard** was launched to ensure new homes are built with 75% lower CO₂ emissions from 2025; and
- the draft **Building Safety Bill** was published, including measures to overhaul regulations, creating a new Building Safety Regulator and construction products regulation.

Major programmes and key developments continued

This section of the overview mainly refers to the routine business of the Department. The Department's response to COVID-19 is covered on page 8. We have highlighted programmes and developments as they relate to the key themes of the Department's four priority outcomes for 2021-22. On this page we cover the themes of ending rough sleeping and ensuring a sustainable and resilient local government sector.



3 Ending rough sleeping

- an accelerated delivery of the £381 million **Rough Sleeping Programme** announced at Budget 2020, to help protect rough sleepers during the COVID-19 pandemic. Added a further £52 million to bring forward 6,000 new move-on homes. By January 2021, the Department and local authorities had supported more than 37,000 people into emergency or longer-term accommodation; and
- a commitment of £263 million to local authorities to **support people who are homeless or at risk of losing their homes.**



4 Ensuring a sustainable and resilient local government sector

- supported local authorities with **unmanageable financial pressures** by providing capitalisation directions¹ for seven councils² for 2020-21 of up to £149.5 million. Agreed, in principle, exceptional support of an additional £137.5 million for 2021-22 for these seven plus a further two local authorities,³ subject to external assurance reviews;
- continued to **invite proposals for unitarisation**. In July 2021 the Department announced **County Devolution Deals**, offering increased powers over transport, skills and economic support. It also approved plans to create **new unitary councils** for North Yorkshire and Somerset, with two unitary authorities created for Cumbria;
- **worked with local authorities who suffered cyber-attacks** and secured £16 million in the 2020 Spending Review to support modernisation of local authorities' cyber security systems; and
- the Department published its initial response to the **Redmond Review on local authority financial reporting** in December 2020, announcing a further £15 million to support increased audit fees and market stability. In May 2021 the Department announced leadership of the local audit system would move to the Audit, Reporting and Governance Authority, which is due to replace the Financial Reporting Council in 2023.

1 Capitalisation is the means by which the government, exceptionally, permits local authorities to either borrow or use capital receipts to support revenue spending.

2 Bexley London Borough Council, Eastbourne Borough Council, Luton Borough Council, Peterborough City Council, Wirral Metropolitan Borough Council, Croydon London Borough Council, Nottingham City Council.

3 Slough Borough Council, Copeland Borough Council.

Homes England

Homes England was established in 2018 and is the largest non-departmental public body sponsored by the Department. Homes England helps deliver one of the Department's priorities by helping to create a housing market that offers suitable homes for all needs across the country.

Despite the pandemic in 2020-21 Homes England helped 56,000 households buy their own home, enabled 35,000 new homes to be built and unlocked land⁴ that will support the delivery of 170,000 homes.

For the 2020-21 reporting cycle, four key performance measures were agreed with the Department. In addition, Homes England also assesses its performance against two key forward-looking performance indicators.

However, in the first quarter of 2020-21, performance of Homes England was disrupted by the onset of the COVID-19 pandemic and lockdown. During this period, there was a partial shutdown of the construction sector, and the housing market was closed. As a result, Homes England 'reset' its performance expectations in Quarter 1 of 2020-21.

	Actuals 2020-21	Original 2020-21 target	Variance to original target	Q1 Revised target	Variance to revised target
			%		%
KPI1 – Completions ⁵ supported by Homes England	35,183	53,540	-34	37,771	-7
KPI2 – total completed new homes directly supported by Homes England which are additional to the market	23,047	36,500	-37	25,514	-10
KPI6 – Affordable completions supported by Homes England	24,245	40,760	-41	27,692	-12
KPI7 – Households supported into homeownership	64,793	66,180	-2	45,137	44
PI1 Starts on site ⁶	37,224	34,510	8	27,668	35
PI10 and 11 Unlocked Housing Capacity	170,276	242,060	-30	199,430	-15

⁴ For example, by providing enabling infrastructure or upfront financial support.

⁵ A dwelling is regarded as complete when it becomes ready for occupation or when a completion certificate is issued.

⁶ 'Starts on site' refers to the number of permanent dwellings started.

Key schemes

Help to Buy. Since its launch in 2013 the Help to Buy equity loan scheme has helped 328,493 households into home ownership. In 2020-21 the Help to Buy programme provided more than £4 billion in equity loans. By March 2021 a total of 70,617 households (21%) had repaid their loan. Homes England received £3,634.6 million from these repayments, when the original cost of the loan was £3,322.1 million. The difference of £312.5 million is due to the increase in the value of homes between the time the loan was issued and repaid.

Grants. Homes England's largest grant programme is the Affordable Housing Grant programme. This aims to increase the supply of new affordable and shared ownership homes in England. In 2020-21 Homes England provided grants of £1,182 million (2019-20 – £1,398 million) to registered providers of social housing, local authorities, and other public and private sector partners.

Internal audit report

The overall assurance provided for 2020-21 was a 'Limited' opinion. This means that there are significant weaknesses in the frameworks of governance, risk management and control such that it could be or could become inadequate and ineffective. The Homes England Board recognises the Limited Assurance opinion, which reflects weaknesses in some of the arrangements for risk management and the system of internal control across the agency. These areas for improvement are subject to approved improvement plans for 2021-22.

Section Three

Findings from recent National Audit Office work



The Department for Levelling Up, Housing & Communities (the Department) had overall responsibility for overseeing and delivering the shielding programme to support clinically extremely vulnerable people during the COVID-19 pandemic



The Department and the local government sector had a major role in supporting homeless people during the COVID-19 pandemic



The COVID-19 pandemic added to financial pressures on the local government sector



The COVID-19 pandemic further exposed structural problems in the local government audit market



Long-term challenges remain in reforming adult social care



Local authorities will have an important part to play in net zero

The Department for Levelling Up, Housing & Communities (the Department) had overall responsibility for overseeing and delivering the shielding programme to support clinically extremely vulnerable people during the COVID-19 pandemic

The government's shielding programme aimed to provide support to clinically extremely vulnerable (CEV) people it advised to shield during the pandemic.

The programme provided CEV people with support accessing food, medicine and basic care. The Department had overall responsibility for overseeing and delivering the programme across several departments.

Our February 2021 report on *Protecting and supporting the clinically extremely vulnerable during lockdown* found that the government decided to use a centrally directed model of support rather than a wholly local approach.

It did so due to concerns about local food supplies and a lack of time to assess the capacity of local authorities to deliver.

The Department's initial engagement with local authorities was more directive rather than consultative.

The Department recognised that it needed to improve engagement with local authorities, and the programme moved to a more collaborative approach through a stakeholder engagement programme and regular updates.






Stakeholders across the programme noted that early working was energetic but not well joined-up.

This improved markedly once the Department implemented the Cabinet Office suggestion to appoint an external senior responsible owner to lead the programme.

Our report concluded the programme, pulled together at pace in the absence of detailed contingency plans, provided impressive initial support to many people. However, it recommended that the Department should set out how it can engage more effectively with local authorities and establish their capacity and capability to support shielding-type exercises in future pandemics or civil emergencies.

Costs of shielding programme to 1 August 2020

The costs of the programme totalled £308 million

Element of programme	Lead department	Cost (£m)
 Food box deliveries and emergency bulk food supply	Department for Environment, Food & Rural Affairs	200.2
 Basic care and other support	Local authorities	54.4
 Medicine delivery service	NHS England & NHS Improvement	34.3
 Shielding contact centre	Department for Work & Pensions	18.4
 Programme management support	Department for Levelling Up, Housing & Communities	0.7
Total		308.0

Notes

- Costs are exclusive of VAT where known.
- We have excluded the costs of the NHS Volunteer Responders as it is not possible to disaggregate the costs relating to clinically extremely vulnerable (CEV) people.
- The medicines delivery service is led by NHS England & NHS Improvement but funded by the Department of Health & Social Care.
- Costs for the shielding contact centre include programme management payments to KPMG and £17.5 million cost of the Serco contract.

Source: National Audit Office analysis of documents from the Ministry of Housing, Communities & Local Government (as was), Department for Environment, Food & Rural Affairs, NHS England & NHS Improvement, and Department for Work & Pensions

The Department and the local government sector had a major role in supporting homeless people during the COVID-19 pandemic

During the early stages of the COVID-19 pandemic, the government launched its 'Everyone In' campaign, asking local authorities to offer accommodation immediately to all rough sleepers and those at risk of being on the streets, due to the health risks posed.

In practice, this included non-UK nationals ordinarily not entitled to public support. The Department had no pre-existing plan for protecting the rough sleeping population in the event of a pandemic.

Our January 2021 *Investigation into the housing of rough sleepers during the COVID-19 pandemic* said that 'Everyone In' should be regarded as a considerable achievement.

The rehousing of rough sleepers in the early stages of COVID-19 demonstrates what can be done when central government, local authorities and voluntary organisations work together to respond to an urgent priority. Local authorities worked closely with the voluntary sector to place individuals in the most appropriate self-contained accommodation, with many taken into hotels that were closed to the public during lockdown.

By the end of November 2020 more than 33,000 people had been helped to find accommodation, including 23,000 moved into settled accommodation.

Nevertheless, a large number remain in emergency accommodation with no recourse to public funds, and the government needs to establish what action it will take with this population.

The programme for the first time provided data on the potential scale of the population in England that either sleeps rough or is at risk of doing so.

Local authorities accommodated almost eight times more people than were reported as sleeping rough in the Department's data at the time. The Department needs to build on this knowledge to understand fully the needs of this population.

Key rough sleeping funding streams announced from May 2020

Local authorities had £375 million available in existing homelessness funding for 2020-21. A further £312.5 million was announced from May 2020

Date announced	Amount allocated for 2020-21	Details of funding stream
	(£m)	
24 May 2020	161	Part of four-year funding stream announced in the budget, brought forward for 2020-21 to provide 3,300 new homes by 31 March 2021.
18 July and 17 September 2020	91.5	Part of £105 million allocated to local authorities to provide interim accommodation.
24 June 2020	23	Support for tackling substance abuse.
13 October 2020	12	£10 million Cold Weather Fund, and £2 million for faith and community groups.
5 November 2020	15	Protect Programme for winter 2020.
8 January 2021	10	Extra COVID-19 protection for rough sleepers.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government (as was) announcements

The COVID-19 pandemic added to financial pressures on the local government sector

The COVID-19 pandemic has placed significant pressure on local authorities' finances, which in many cases were already under strain.

Local authorities worked to protect local communities and businesses, while continuing to deliver existing services. By December 2020, local authorities were forecasting combined cost and income pressures of £9.7 billion for 2020-21.

Our March 2021 report into *Local government finance in the pandemic* found that steps taken by the government, led by the Department, supported local authorities and averted system-wide failure at a very challenging time.

The government provided measures worth £9.1 billion to offset spending pressures. However, there is variation in outcomes across local authorities, and we estimated 30% of authorities will see gaps between spending pressures and additional funding equivalent to 5% or more of their revenue expenditure.

Over time, the Department improved its approach to allocating un-ringfenced funding, but authorities did not get funding certainty.

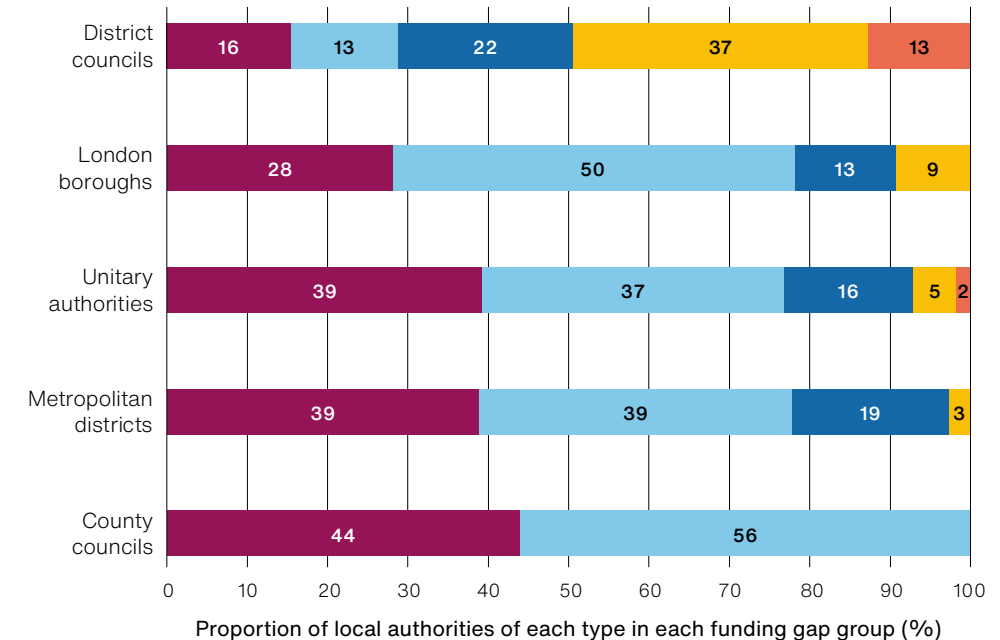
The uncertainty around how long funding tranches were supposed to last, and whether there would be further ones, did not support good financial planning. The 2021-22 local government finance settlement was only designed to provide time-limited certainty.

Authorities' finances have been scarred by the pandemic and will not simply return to business as usual once the pandemic ends.

We recommended the Department and HM Treasury produce a long-term financial plan for the sector that considers steps required to support recovery from scarring and restart the process of local government finance reform. Our report also showed a clear desire in the sector for other departments to deepen their understanding of local authorities both now and in the future.

Reported total funding gaps from COVID-19-related pressures as a share of revenue spending for English local authorities in 2020-21

District councils have the greatest reported total funding gaps as a proportion of their spending



- Not under-funded
- Up to 2.49% of revenue expenditure
- 2.5%-4.99% of revenue expenditure
- 5%-9.99% of revenue expenditure
- 10% or more of revenue expenditure

Notes

- 1 This includes estimates for all councils in England except City of London and Isles of Scilly. We impute data for missing authorities.
- 2 Revenue expenditure is an adjusted version of authorities' 2019-20 revenue expenditure.
- 3 Totals may not sum to 100 due to rounding.
- 4 For presentational purposes data are rounded to whole numbers. Where these figures are used elsewhere in the report they are shown to one decimal point.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government (as was) data

The COVID-19 pandemic further exposed structural problems in the local government audit market

Our March 2021 report into the *Timeliness of local auditor reporting on local government in England* found the COVID-19 pandemic put further pressure on the local audit process.

Practical challenges to producing accounts and undertaking audit work included the need for remote working and the impact of the second national lockdown. Auditors also had to pay particular attention to the financial position of councils given the financial implications of the pandemic.

The pandemic also exacerbated underlying weaknesses in the local audit system.

Long-standing problems include insufficient staff with relevant skills and experience, the relevant lack of attractiveness of the audit of local authorities compared with other opportunities and increased requirements and expectations from the Financial Reporting Council (FRC).

The timeliness of audit opinions has deteriorated further.

Only 57% of local government bodies' 2018-19 audits were completed by the deadline of 31 July 2019. Despite the easing of the deadline because of COVID-19, less than half (45%) of 2019-20 audits were completed by the extended deadline of 30 November 2020. As reported by Public Sector Audit Appointments at the target date of 30 September 2021 only 9% of local government bodies' 2020-21 audits had been completed. Prior to 2018-19, delivery by the deadline had been consistently high.

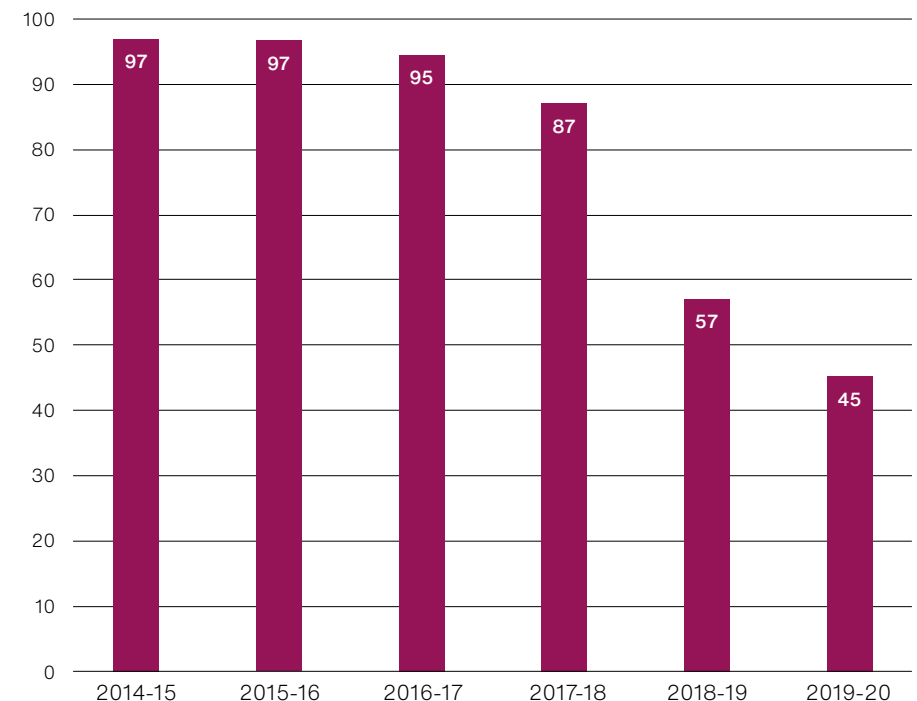
The Redmond Review of the local audit landscape reported in September 2020.

The Review set out serious concerns and recommended major changes to the organisation and regulation of local audit. The Department committed to strengthening the local audit system but rejected the central recommendation to establish a new independent regulator. It subsequently announced that the Audit Reporting and Governance Authority, due to replace the FRC in 2023, will oversee the system.

The proportion of local government bodies publishing accounts including an audit opinion by the statutory accounts publication deadline

Since 2015, there has been a marked decline in local government bodies publishing accounts including an audit opinion by the statutory deadline

Proportion of opinions issued by the accounts publication deadline (%)



■ Completion rate

Note

1 This represents the proportion of audits that were completed by the statutory deadline. The number of bodies subject to audit under the Code of Audit Practice decreased from 509 in 2014-15 to 487 in 2019-20.

Source: National Audit Office analysis of Public Sector Audit Appointments Ltd published data

Long-term challenges remain in reforming adult social care

Local authorities spent a net £16.5 billion on adult social care in 2019-20, but demographic trends suggest a greater demand for care in future.

While local authorities are responsible for commissioning care, and the Department of Health & Social Care is responsible for setting national policy and the legal framework, the Department for Levelling Up, Housing & Communities oversees the distribution of funding to local government.

High-quality care is critical to the well-being of some of the most vulnerable adults in society, and COVID-19 has focused attention on social care as never before.

It has highlighted existing problems with care and emphasised significant gaps in the government's understanding of the market. However, we have seen substantial efforts from those across the sector to deliver these essential services in such challenging circumstances. The Department of Health & Social Care has recently taken steps to increase the capacity of its teams; address data gaps, with local government and care providers; and strengthen system accountability and assurance.

Our March 2021 report on *The adult social care market in England* found levels of unpaid care remain high, too many adults have unmet needs and investment in accommodation and workforce remain constrained.

Future reforms will need to tackle these issues through a whole-system, cross-government approach.

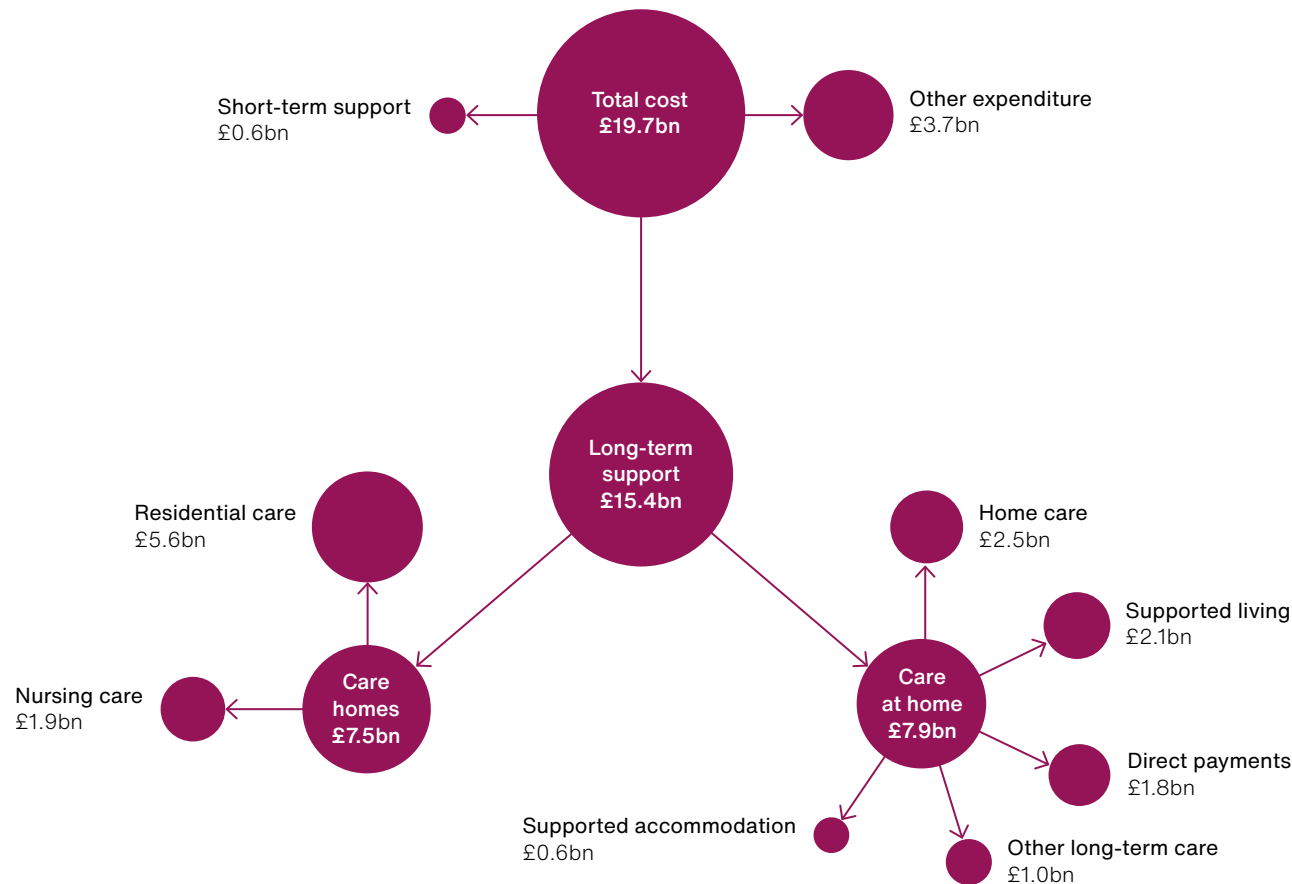
We recommended that the Department of Health & Social Care should, as a priority, set out a cross-government, long-term, funded vision for care, working with the Department for Levelling Up, Housing & Communities and the local government sector.

In September 2021, the government announced its Build Back Better plan for health and social care, which pledged an additional £5.4 billion over the next three years for health and social care that includes National Insurance contributions. The government has committed to bringing forward a white paper on adult social care reform by the end of the year.

Long-term challenges remain in reforming adult social care continued

Costs by type of short- and long-term support arranged by local authorities during 2019-20

The majority of local authority care expenditure is on long-term support



Notes

- 1 The £19.7 billion total cost includes £16.5 billion of local authority expenditure (funded from council tax, business rates and government grants) and the remainder from user contributions. Excludes capital costs.
- 2 Long-term support can encompass any ongoing service or support provided to help maintain someone's quality of life, allocated based on eligibility criteria/policies.
- 3 Residential homes offer care and support in a residential setting throughout the day and night. Nursing homes offer the same type of care as residential homes but with care from qualified nurses.
- 4 Home care provides support with personal care and/or domestic tasks in the person's own home. Direct payments are payments either via a bank account or prepaid cards, for adults to buy their own care and support, often by employing personal assistants. Supported living comprises schemes that support younger adults to live independently in their own homes. Supported accommodation includes long-term placements in adult placement schemes, hostels and unstaffed or partially staffed homes. Other long-term care includes day care and meals services.
- 5 Short-term support is typically intensive periods of support aimed at regaining skills, confidence and independence lost as a result of illness, injury or disability, normally provided in someone's own home. Support should be time-limited and provided free of charge by local authorities for up to six weeks, ending with a formal assessment or review to determine what support will follow.
- 6 Other expenditure refers to other costs, such as the costs of commissioning services.
- 7 Some data may not sum due to rounding.

Source: National Audit Office analysis of Adult Social Care Activity and Finance Report, England 2019-20

Local authorities will have an important part to play in net zero

Our July 2021 report on *Local government and net zero in England* found that while the exact scale and nature of local authorities' roles and responsibilities in reaching the UK's national net zero target are to be decided, it is already clear that they have an important part to play.

This is due to the sector's powers and responsibilities for waste, local transport and social housing, and through their influence in local communities.

Government departments have supported local authority work related to net zero through targeted support and funding, although there are serious weaknesses in this approach.

Problems with central government's approach to working with local authorities on decarbonisation stem from a lack of clarity over local authorities' overall roles, piecemeal funding and diffuse accountabilities. This hampers local authorities' ability to plan effectively for the long term, build skills and capacity and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

We estimate 91% of authorities have adopted at least one commitment to decarbonise their own activities or their local area.

There is little consistency in how local authorities report on net zero, making it difficult to get an overall picture of what local authorities have so far achieved. Given the pace of change required, it will be important for all bodies to learn from what works so they can make progress at the pace and scale required.

The Department has set out its intention to reform the National Planning Policy Framework, which local authorities with planning responsibilities have to follow.

The aim of the reforms is to simplify and speed up the planning system, with the ambition of "supporting the delivery of homes that local people need and creating more beautiful and greener communities". It has not yet set out how it will ensure these changes align with the net zero target, beyond a proposed ambition to set a Future Homes Standard for 2025.

Funding remains a critical issue.

Neither the Department nor HM Treasury have assessed the totality of funding that central government provides to local government that is linked with net zero. Our analysis shows that dedicated grant funding for local authority work on net zero increased significantly in 2020-21 but remains fragmented. A fragmented funding landscape dominated by competitive funds brings the risk that money does not go to where the need or opportunity is greatest, and it can make it difficult for authorities to plan for the long term.

The Department, along with the Department for Business, Energy & Industrial Strategy and other departments, recognises challenges exist and all are taking steps to improve their approach.

The Department for Business, Energy & Industrial Strategy is considering our recommendations. Its progress has understandably been slowed by COVID-19, but there is now great urgency to develop a more coherent approach.