National Audit Office

DEPARTMENTAL OVERVIEW

A summary of the NAO's work on the Department for Communities and Local Government 2011-12

OCTOBER 2012

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Amyas Morse, is an Officer of the House of Commons and leads the NAO, which employs some 860 staff. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of more than £1 billion in 2011.

National Audit Office

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Introduction

Aim and scope of this briefing

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 performance since September 2011 based primarily on the Department's Accounts and National Audit Office work. 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 The Department for Communities and Local Government (the Department) leads on the government's localism and Big Society agendas, and has an important role in supporting local development and economic growth. The Department's aim is to end "the era of top-down government by giving new powers to councils, communities, neighbours and individuals". The Department has five specific priorities to:

- decentralise power as far as possible;
- meet people's housing aspirations;
- put communities in charge of planning;
- increase accountability; and
- let people see how their money is being spent.

2 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).[1]

How the Department is organised

3 The Department's Secretary of State is supported by a team of six ministers. The Secretary of State chairs the Department's board. The board's role is to advise and support ministers on five key areas: strategic clarity; commercial sense; talented people; results focus; and management information.[2]

4 The Department has become smaller: by 1 November 2012 it will have reduced its workforce by 37 per cent from a starting baseline of approximately 2,200 full-time equivalents in October 2010, adjusting for the transfer of work and staff principally following the closures of the Government Office Network and Regional Development Agencies.[3] It was reorganised, from April 2012, into three groups: Neighbourhoods, Localism, and Finance and Corporate Services, plus a cross-cutting Strategy and Performance function, and the new Troubled Families Team (**Figure 1** overleaf). These structural changes aim to enable the Department to provide stronger leadership across government on the key agenda of localism and decentralisation.

5 The Department has a number of programme boards to manage various aspects of its business. For example, the Change Programme Board oversaw the departmental restructuring programme, and the Land and Regeneration Programme Board oversaw the transfer of assets from the Regional Development Agencies to the Homes and Communities Agency. The programme boards provide a formal structure for risk management and aim to ensure effective delivery.

6 The Department's programmes are mainly delivered by third parties, including: local authorities; fire and rescue services; and non-departmental public bodies, such as the Homes and Communities Agency. In March 2011, the Department announced plans to reduce the number of its arm's-length bodies by almost two-thirds from 26 to 9, through abolition, merger or reform. It estimated that the closures will save around £231 million by 2014-15, of which £185 million will be saved from the Department's 'Communities' budget, and £46 million from its local government budget.[3] Eleven arm's-length bodies closed or transferred to other departments between March 2011 and March 2012, including the Tenant Services Authority, the Infrastructure Planning Commission and the Standards Board for England, which were closed in March 2012 following the Localism Act 2011. The 26 arm's-length bodies and how they have changed are shown in more detail at Appendix One. The Department has reported that the bodies that remain are putting in place measures to increase efficiency, including securing better value for money in procurement and reducing running costs.[3]

1 Department's corporate website: www.communities.gov.uk/corporate/about/
2 Department's corporate website: www.communities.gov.uk/corporate/about/who/board/
3 Department for Communities and Local Government, *Annual Report and Accounts 2011-12,* HC 50, July 2012.

Figure 1
How the Department is structured

Source: Department for Communities and Local Government Annual Report and Accounts 2011-12, June 2012

Where the Department spends its money

7 In 2011-12, the Department for Communities and Local Government group spent £32.73 billion. Of this, £26.56 billion was used to support local government through core revenue funding (**Figure 2** on page 8). Most of the remaining budget was used to fund non-departmental public bodies. The largest of these, the Homes and Communities Agency, received a total of £2.2 billion in 2011-12 from resource and capital spending, to support a range of programmes, including the National Affordable Homes Programme (£1,169 million), the Affordable Homes Programme (£236 million), Decent Homes (£194 million) and Kick Start (£70 million).[4]

Recent developments

8 The Department set out its achievements in the Annual Report and Accounts 2011-12 against its five coalition priorities. During 2011-12, the Department:

- saw the enactment, in November 2011, of the Localism Act, which is designed to give new freedom and flexibilities to local authorities and communities;
- continued its review of local government resourcing,[5] which included the launch of 16 Community Budgets in April 2011 designed to give local authorities new freedoms to pool resources to support families with complex needs; and the abolition of the Housing Revenue Account subsidy system and launch of a self-financing system to give councils more flexibility to manage their own resources, with the aim of driving long-term efficiencies;

4 Homes and Communities Agency, *Annual Report and Financial Statements 2011-12*, June 2012.
5 Department's corporate website: www.communities.gov.uk/statements/corporate/localgovernmentfinance

- took on responsibility for the Troubled Families Team, transferred from the Department for Education in November 2011, to support the government's objective of turning around the lives of 120,000 families through the Troubled Families initiative;

- worked to encourage housing development by publishing a Housing Strategy in October 2011 with the intention of supporting greater investment in the private rented sector, and encouraging large-scale investment; and attempting to simplify local planning with the introduction of the National Planning Policy Framework in March 2012; and worked with the Homes and Communities Agency towards its revised target of delivering 170,000 new affordable homes with £2.2 billion between 2010-11 and 2014-15 under the Affordable Homes Programme. Under the Programme housing providers can charge higher rents for affordable housing than previously (up to 80 per cent of market rates), to fund a greater proportion of homes themselves.

9 At the same time, the Department has reduced its planned programme spending as part of the wider austerity measures. The Department's budget will be reduced in real terms by 33 per cent on resources and 74 per cent on capital by 2014-15 (compared with 2010-11), including the transfer of over £6.7 billion of the former departmental budget to local government funding.[6]

Capability and leadership

10 In 2006, the Cabinet Office launched a programme of Capability Reviews to assess departments' leadership, strategy and delivery – to improve departmental readiness for future challenges and to enable departments to act on long-term key development areas. Departments are required to conduct and publish self-assessments and resultant action plans against standard criteria set out in the Cabinet Office model of capability, which was updated in July 2009.[7] Departments must rate their capability against ten criteria under three themes:

- **Leadership criteria** – 'set direction'; 'ignite passion, pace and drive'; and 'develop people'.

- **Strategy criteria** – 'set strategy and focus on outcomes'; 'base choices on evidence and customer insight'; and 'collaborate and build common purpose'.

- **Delivery criteria** – 'innovate and improve delivery'; 'plan, resource and prioritise'; 'develop clear roles, responsibilities and delivery models'; and 'manage performance and value for money'.

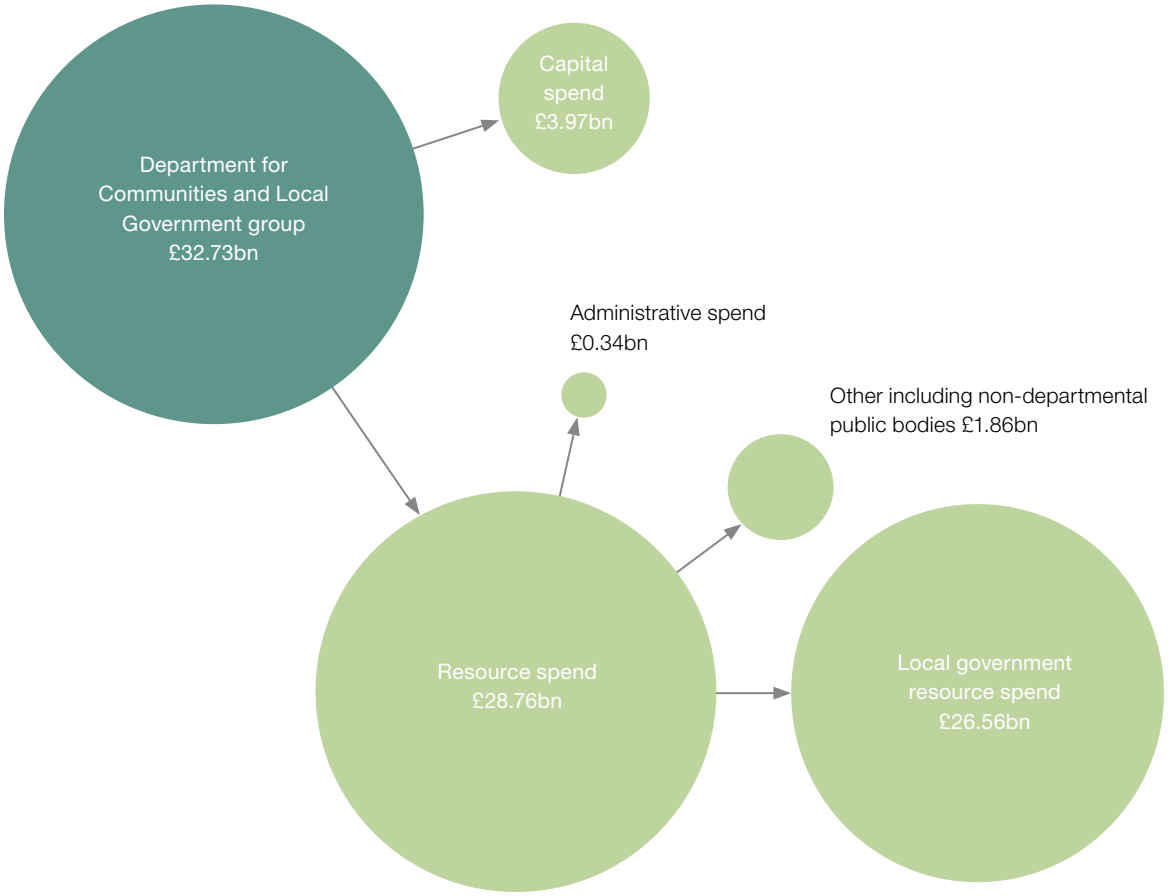
11 The Department conducted a capability self-assessment and published its Capability Action Plan in March 2012.[8] The self-assessment identified leadership as a particular area of development. The Department's full assessment of capability is set out in **Figure 3** on page 9.

12 The Department identified 'developing people' and 'improving staff engagement' as areas which needed immediate attention. Its Action Plan highlighted several activities which they hope will drive improvement in these areas, such as introducing a new 'Exceptional Performance Scheme' to recognise and reward people who have exceeded normal expectations for their role or grade.[8]

6 Department for Communities and Local Government, *Annual Report and Accounts 2011-12*, HC 50, July 2012.
7 www.civilservice.gov.uk/about/improving/capability/background
8 Civil Service Capability Reviews, Department for Communities and Local Government, *Capability Action Plan*, March 2012.

Figure 2

Where the Department spent its money in 2011-12



NOTES

1 These figures may vary from other documents (for example the Department's business plan), reflecting the different criteria used to generate the information and the timing of their production.

2 Local government spend only includes core spending from the Department.

3 The Department is the parent of the departmental group. The 2011-12 Accounts are the first consolidated accounts produced for the Department for Communities and Local Government group. Therefore we could not prepare this figure on the same basis as Figure 1 in the Department's 2011 short guide.

Source: Department for Communities and Local Government Annual Report and Accounts 2011-12, HC 50, July 2012

Figure 3
Assessment of capability, March 2012

Leadership	Assessment
Set direction	
Ignite passion, pace and drive	
Develop people	

Strategy	Assessment
Set strategy and focus on outcomes	
Base choices on evidence and customer insight	
Collaborate and build common purpose	

Delivery	Assessment
Innovate and improve delivery	
Plan, resource and prioritise	
Develop clear roles, responsibilities and delivery models	
Manage performance and value for money	

Source: Department for Communities and Local Government Capability Action Plan, March 2012

13 The Civil Service People Survey aims to provide consistent and robust metrics to help government understand the key drivers of engagement, so that it can build upon strengths and tackle weaknesses across the civil service. The survey of civil servants across all participating organisations includes a range of questions across nine themes which seek to measure their experiences at work. We present here the results of the third annual people survey for the Department for Communities and Local Government – undertaken in October 2011 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 4** overleaf). The results of 17 major departments are in Appendix Two.

14 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 the organisation. In 2011, the Department for Communities and Local Government, excluding its agencies, achieved an engagement index of 40 per cent, 15 percentage points below the civil service average.

15 The results from the 2011 survey represent a decline in the Department's engagement index compared to 2010, when its engagement index of 48 per cent was eight percentage points lower than the civil service average.[9]

9 National Audit Office, Departmental Overview, *A summary of the NAO's work on the Department for Communities and Local Government 2010-11*, September 2011.

Figure 4
2011 Civil Service People Survey: Department for Communities and Local Government (excluding agencies)

Theme	Theme score (% positive)[1]	Difference from 2010 survey	Difference from civil service average 2011[2]
Leadership and managing change			
I feel that the Department as a whole is managed well	23	-3	-17
Senior civil servants in the Department are sufficiently visible	35	-6	-11
I believe the actions of senior civil servants are consistent with the Department's values	24	-4	-15
I believe the executive team has a clear vision for the future of the Department	22	+3	-17
Overall, I have confidence in the decisions made by the Department's senior civil servants	21	-2	-15
I feel that change is managed well in the Department	20	-1	-7
When changes are made in the Department they are usually for the better	10	-3	-13
The Department keeps me informed about matters that affect me	50	-2	-5
I have the opportunity to contribute my views before decisions are made that affect me	28	-1	-8
I think it is safe to challenge the way things are done in the Department	25	-7	-13
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	57	-6	-27
I have a clear understanding of the Department's objectives	53	-6	-26
I understand how my work contributes to the Department's objectives	61	-6	-20

NOTES

1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.

2 The 2011 benchmark is the median per cent positive across all organisations that participated in the 2011 Civil Service People Survey.

Source: Department for Communities and Local Government People Survey Results, Autumn 2011

Part Two

Financial management

16 The ability of departments to control costs and drive out waste requires professional financial management and reporting. In particular, departments need to be better at linking costs to services and benchmarking performance to determine whether costs are justified and value for money can be improved. Organisations also need to move their risk management arrangements from a process-led approach to one which supports the efficient and effective delivery of services. Improvements in these areas of management will help public bodies to deliver cost-effective services as they make difficult financial decisions over the coming years.

17 Departments are required to publish Governance Statements with their Annual Report and Accounts, which describe their arrangements for corporate governance, risk management, and oversight of locally delivered responsibilities. Governance Statements replace Statements on Internal Control which were published in previous years. They are designed to include additional discussion of how governance in the Department works, in line with the Corporate Governance Code.[10]

Financial out-turn for 2011-12 and comparison with budget

18 The 2011-12 financial year saw the introduction of 'Clear Line of Sight' which aligns budgets, estimates and accounts. As a result, the Department consolidated 12 arm's-length bodies into its Group Accounts for the first time and saw a significant rise in the value and nature of its assets, which increased from £1.18 billion to £3.32 billion and now include investments in companies, private sector loans, investments in housing developments and inventories.

19 In 2011-12, the Department recorded a total underspend of £611 million, or 2 per cent, of its budget which comprised a mixture of overspends and underspends on individual budgets.[11] The largest underspends recorded were £217 million relating to housing debt for local authority stock transfers, and £123 million for the Regional Growth Fund exchange for capital. Out-turn against each of the new limits set out in the budget is shown in **Figure 5** overleaf. Additional information on performance against budget can be found in the Department's Annual Report and Accounts, 2011-12.

Progress on cost reduction

20 Departments remain under pressure to reduce costs. The scale of cost reduction required means that departments need to look beyond immediate short-term savings, and think more radically about how to take cost out of the business and how to sustain this in the longer term.

21 As illustrated by Figure 2, the Department's spend is dominated by grants to local authorities. Its own budgets are used to fund its arm's-length bodies, provide other grants, and support its back-office functions. This means the Department delivers very little itself, and largely controls costs by simply reducing the levels of grants paid out. Under the spending review, the Department has the biggest reduction in funding of any Department – 51 per cent in real terms over the period.

22 In our report *Cost reduction in central government: summary of progress*,[12] published in February 2012, we examined the cost reductions achieved by 12 departments. We found that departments successfully cut spending by £7.9 billion (2.3 per cent) in 2010-11 compared to 2009-10, but further cuts are needed in most departments over the next four years. We concluded that fundamental changes are needed in government to achieve sustainable reductions on the scale required – departments will achieve long-term value for money only if they identify and implement new ways of delivering their objectives, with a permanently lower cost base.

23 The Department for Communities and Local Government is one of the 12 departments we examined as part of the cost reduction study. We found that there are significant variations in programme spending reductions between individual departments. The Department, however, saw a 15 per cent real term reduction in its administrative spending from 2009-10 to 2010-11.[12]

10 *Corporate governance in central government departments: Code of good practice 2011, July 2011* www.hm-treasury.gov.uk/psr_governance_corporate.htm
11 Department for Communities and Local Government, *Annual Report and Accounts 2011-12*, HC 50, July 2012.
12 National Audit Office, *Cost reduction in central government: summary of progress*, February 2012.

Figure 5
Analysis of financial out-turn against budget, 2011-12

	Budget (£bn)	Out-turn (£bn)	Out-turn compared with budget saving/(excess) (£bn)
Departmental Expenditure Limit (DEL) – Resource	28.60	28.38	0.22 (1%)
Departmental Expenditure Limit (DEL) – Capital	3.86	3.81	0.04 (1%)
Spending in Annually Managed Expenditure (AME) – Resource	0.51	0.38	0.13 (25%)
Spending in Annually Managed Expenditure (AME) – Capital	0.37	0.15	0.22 (59%)
Non-budget expenditure	–	–	–
Total	**33.34**	**32.73**	**0.61 (2%)**
Administration costs (included above)	0.38	0.34	0.04 (10%)
Net cash requirement	33.36	31.44	1.93 (6%)

Source: Department for Communities and Local Government, Annual Report and Accounts, 2011-12, June 2012

24 The Department reported additional key cost savings in 2011-12.[13] It reported that it had:

- restructured efficiently and fairly, reducing its workforce by 37 per cent against the 2010-11 starting baseline; and
- completed the abolition of the Government Offices for the Regions, saving £190 million.

NAO reports on financial management

25 In our report on the *Regional Growth Fund* (the Fund),[14] we identified that the Department had an optimistic spending profile, with some £475 million expected to be spent in the first year. In December 2011, the Fund was facing a potential underspend of some £366 million. The Fund has no end-of-year flexibility, meaning that money cannot be transferred between years, and any underspend against the budget could potentially be taken back by HM Treasury and lost to the Fund. Departments and the Regional Growth Fund's Secretariat worked with HM Treasury on ways to manage this position and minimise the potential effects on the Fund, including distributing some of the Fund via endowments managed through some of the programmes supported in the second bidding round.[15] The Secretariat reports that the Fund was underspent by £10 million in 2011-12.

26 The Committee of Public Accounts, in its report on the Regional Growth Fund,[16] was concerned over the progress of the programme. Of £1.4 billion set aside for the fund, only £60 million has been spent on frontline projects over the first two years of the fund and only 5,200 jobs could be claimed as having been created or safeguarded in that period. The Committee also highlighted that most of the money paid to the fund had been parked in intermediary bodies over which government had limited control.

27 We reported on financial management at the Department in July 2009. Since this date there have been significant changes to the leadership and governance of the organisation. We have not yet returned to follow-up on the original report as the Department has only recently emerged from this restructuring.

13 Department for Communities and Local Government, *Annual Report and Accounts 2011-12*, HC 50, July 2012.
14 Comptroller and Auditor General, *The Regional Growth Fund*, Session 2012-13, HC 17, National Audit Office, 11 May 2012.
15 Department for Communities and Local Government, *Annual Report and Accounts 2011-12*, HC 50, July 2012.
16 Committee of Public Accounts, *The Regional Growth Fund,* Fifth Report of Session 2012-13, HC 104, September 2012.

NAO financial audit findings

28 As noted previously, the 2011-12 Accounts were the first consolidated accounts produced by the Department for Communities and Local Government group, in line with the HM Treasury led 'Clear Line of Sight' project.[17] The Department closed the accounts by the HM Treasury deadline of 30 June 2012, and it was one of only three departments to achieve this.

29 In each of the last seven years, we have given an unqualified audit opinion on the Department's accounts. Overall, we consider the quality, effectiveness and transparency of financial reporting and accounting in the group accounts to be adequate. The audit did not identify any significant issues with regard to regularity, propriety or losses. We did, however, identify two instances in the reporting period where procedures for laying financial minutes before Parliament were not followed correctly. As a result Parliament, and the Committee of Public Accounts on its behalf, was not given the opportunity to decide if it wished to enter into guarantees proposed by the Department before they became legally binding. There were no further significant control issues to report.

Issues raised in Governance Statements

30 We work with the Department and its sponsored bodies to improve the quality and transparency of published Governance Statements. We aim to ensure that the processes by which Statements are produced are robust and that the Statements comply with HM Treasury guidance.

31 The Governance Statement in the Department's accounts describes the governance arrangements that have operated during the financial year. It covers the departmental group. It also gives examples of how the governance, control and risk management framework has helped to deliver policies and programmes, such as restructuring the Department and the review of arm's-length bodies.

32 In addition to noting the failure to follow proper procedure in respect of financial minutes, the Department reported the following significant internal control issues in its Governance Statement:

- opportunities were identified to strengthen information technology (IT) governance, and to review IT resourcing levels in relation to overall demand and the requirements for specialist skills/roles; and
- management arrangements are to be strengthened to improve governance, risk management and control in relation to the Department's disaster recovery provision.

33 The Department published its Accountability System Statement in March 2012. The Statement sets out current funding systems, legislation and guidance which form the system at present, and it signposts changes which are expected to be made during the year. The Statement covers the core accountability system for local authorities, which is concerned with issues such as their financial management and democratic accountability.[18]

34 In August 2010, the government announced its intention to disband the Audit Commission and outlined a future audit framework retaining the current scope of audit, with local bodies appointing their own external auditors. The government has invited the NAO to prepare the Code of Audit Practice and supporting guidance to local authority auditors. The Code sets out, at a high level, the work that local auditors are required to carry out. The NAO has agreed, in principle, to take on this role. Legislation is required to wind-up the Commission and pass on functions to successor bodies. The government published its draft Local Audit Bill in July 2012, and has stated that it expects the Audit Commission to be abolished by 2015. Ahead of this, the Audit Commission has outsourced the work of its Audit Practice to private sector audit firms. Starting in 2012-13, these contracts are for five years (with the possibility of extension) so the earliest that local authorities can expect to appoint their own auditors is for 2017-18.

17 Where possible the Department's *Annual Report and Accounts 2011-12* show restated figures for 2010-11 and 2009-10 for comparison.

18 Department for Communities and Local Government, *Accounting Officer Accountability System Statement for Local Government*, March 2012, www.communities.gov.uk/documents/localgovernment/pdf/2110027.pdf

Part Three

Reported performance

35 Government needs robust, timely information on its activities, costs, progress against its objectives, and the cost-effectiveness of its activities. It also needs to be able to interpret that information by reference to trends, benchmarks and other comparisons, to identify problems and opportunities. Departments need reliable information on which to design and deliver services and monitor quality, be confident about their productivity, and drive continuous improvement.

36 The government aims to make more information available to the public to help improve accountability and deliver economic benefits. Our study reviewing early progress of this transparency agenda[19] concluded that while the government has significantly increased the amount and type of public sector information released, it would not maximise the net benefits of transparency without an evaluative framework for measuring the success and value for money of its transparency initiatives.

37 Our report on transparency found that the Department expects local communities and individuals to "hold local public service bodies to account for their use of resources". Alongside the potential benefits from transparency, the Department faces risks of fraud with increased transparency around contracts, payment details and the release of itemised spending transaction data. For example, our report found that fraudsters can draw on such information to attempt to redirect payments made to legitimate suppliers. Councils detected fraud of this type amounting to £7 million in 2010-11, highlighting the need for effective financial controls and anti-fraud measures.[19] Figures for detected fraud in 2011-12 are not yet available. It is the Department's view that fraud of this type is caused by a lack of anti-fraud measures, rather than the transparency agenda, and it has been working with local government to improve these measures.

Reporting performance: annual reports and business plans

38 Each government department reports its performance against the priorities and objectives set out in its business plan. A transparency section of the plan includes indicators selected by the Department to reflect its key priorities and demonstrate the cost and effectiveness of the public services for which it is responsible. These indicators fall broadly into three categories:

- input indicators: a subset of the data gathered by the Department on the resources used in delivering services;
- impact indicators: designed to help the public judge whether departmental policies are having the desired effect; and
- efficiency indicators: setting out the cost of common operational areas to allow the public to compare the Department's operations to other organisations.

39 A structural reform section of the business plan provides a detailed list of actions and milestones designed to show the steps the Department is taking to implement the government's reform agenda.

40 Departmental progress against indicators is published regularly in a Quarterly Data Summary, a standardised tool for reporting selected performance metrics for each government department in a way that facilitates comparison across departments. As well as the indicators described above, the Quarterly Data Summary includes information on overall departmental budgets and workforce statistics, and a wider selection of indicators on common areas of spend such as estates, procurement and ICT. An annual version of this information has been formally laid in Parliament in each department's 2011-12 Annual Reports and Accounts.

19 Comptroller and Auditor General, *Implementing Transparency*, Session 2010–12, HC 1833, National Audit Office, 18 April 2012.

41 The Cabinet Office has reported that the accuracy of the data for all departments needs to dramatically improve and that there may not be common definitions and data collection processes between departments.[20] These caveats mean that data on common areas of spend cannot currently be used to compare performance between departments and may be of limited use to judge individual departmental performance in its own right. Recognising the need to improve use of information across government, the Cabinet Office set out in the Civil Service Reform Plan its intention for departments to provide "good, comparable, accurate and reliable" management information. In addition, improving the quality of data is one of the key priorities within the departmental Open Data Strategies, published in June 2012. The Cabinet Office expects that, with improvements in data quality and timeliness, the public will be able to judge the performance of each department in a meaningful and coherent manner.

42 The Department has reported that its 196 structural reform actions to meet its priorities are mostly on track, with 166 of the actions (85 per cent) completed to time in 2011-12. Of the 30 remaining actions, only one – consulting on proposals to simplify information required to support planning applications – was behind schedule. Progress against structural reform actions has improved since 2010-11, when a total of 17 actions were overdue at the end of the year.[21] In addition, the Department reported on eight impact indicators (shown in **Figure 6** overleaf) which included several measures of the delivery of new housing and affordable housing, and the number of planning applications granted.

43 As we reported in 2011, the Department has introduced several new initiatives intended to increase the supply of housing and affordable housing. The first New Homes Bonus payments of £19 million were made to local authorities in 2011-12 for the development of approximately 13,500 new dwellings, an average of £1,400 per dwelling. Allocations of funding of £236 million were also made under the Department's Affordable Homes Programme, which was designed to support the development of some 80,000 affordable homes across England by 2014-15.[22] In 2011-12, building was started on 104,970 affordable homes, and completed on 117,870, compared to 112,060 and 111,250 respectively in 2010-11.[23]

Testing the reliability of performance data across government

44 We have begun a three-year programme to examine the data systems underpinning the departmental business plan indicators and other key management information. In August 2012, we published the results of our examination of a sample of the Department for Communities and Local Government's indicators and operational data systems used to report performance for the Department. This involved a detailed review of the processes and controls governing: the selection, collection, processing and analysis of data; the match between the Department's stated objectives and the indicators it has chosen; and the reporting of results.

45 We found that the Department's indicators were all individually relevant to its business plan. **Figure 7** on page 17 shows the Department's impact indicators on housing flows are generally well-established and known weaknesses are being addressed. However, because the business plan indicators were not designed to cover all the Department's work, the balance of indicators did not reflect the level of expenditure within each of the Department's key business areas. We also found that the Department could provide clearer links to contextual information to help users interpret business plan indicators clearly.[24]

46 In some cases, the Department could do more to understand the risks associated with data providers' systems. Where data is collected from local authorities, the Department could tighten its procedures by requiring senior-level officers from the authorities to sign off data submitted to the Department, testifying that a minimum level of Department-specified quality checks had been completed on the submitted data. This would provide the Department with increased assurance that local authority data providers have applied appropriate checks.[24]

20 www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary
21 Department for Communities and Local Government, *Annual Report and Accounts 2011-12*, HC 50, July 2012.
22 www.homesandcommunities.co.uk/sites/default/files/aboutus/hca_annual_report_2012.pdf
23 Department for Communities and Local Government, *Annual Report and Accounts 2011-12*, HC 50, July 2012.
24 National Audit Office, *Department for Communities and Local Government, Information Assurance Summary Reports*, August 2012.

Figure 6
Impact indicators and structural reform actions, 2011-12

Impact indicators	2011-12	2010-11
1 Total number of housing starts and completions, seasonally adjusted (as a leading indicator of net additions)		
Starts: total for year	104,970	112,060
Completions: total for year	117,870	111,250
2 Number of net additions to the housing stock	N/A	121,200
3 Number of affordable housing starts and completions delivered through the Homes and Communities Agency		
Starts: total for year	15,698	49,363
Completions: total for year	51,665	55,860
4 Energy efficiency of new build housing (average Standard Assessment Procedure energy rating score)		
Weighted annual mean of published quarterly average scores	79.6	81.3
5 Households in temporary accommodation, seasonally adjusted		
Total for year	50,510	48,310
6 Fire-related casualties		
1 April to 30 June	3.8	3.6
1 July to 30 September	3.6	3.5
1 October to 31 December	N/A	4.2
1 January to 31 March	N/A	3.7
Average for year	N/A	3.7
7 Decentralisation of central government funding through percentage of non-ringfenced grants	N/A	92.2%
8 The number of planning applications granted as a percentage of all applications for major and minor schemes		
1 April to 30 June	83.6%	82.6%
1 July to 30 September	83.6%	82.5%
1 October to 31 December	83.8%	83.3%
1 January to 31 March	N/A	82.5%
Average for year	N/A	83.6%

Structural reform actions	2011-12	2010-11
Total number of actions completed during the year	**166**	**81**
Total number of actions overdue at the end of the year	**1**	**17**
Number of overdue actions that are attributable to external factors	0	0
Total number of actions ongoing	**30**	**46**

Source: Department for Communities and Local Government, Annual Report and Accounts, 2011-12, June 2012

Figure 7
Our assessment of the Department's performance data, August 2011

Score	Meaning	Indicators we reviewed that received this score
4	The data system is fit for purpose and cost-effectively run	**No indicators**
3	The data system is adequate but some improvements could be made	**Three business plan indicators** Total number of housing starts and completions Affordable housing starts and completions through the Homes and Communities Agency Households in temporary accommodation
2	The data system has some weaknesses which the Department is addressing	**One business plan indicator** Number of net additions to the housing stock
1	The data system has weaknesses which the Department must address	**One business plan indicator and seven workforce and estates indicators** Energy efficiency of new build housing Total office estate Total cost of office estate Estate cost per full-time equivalent Estate cost per square metre Payroll staff Average staff costs Contingent labour
0	No system has been established to measure performance against the indicator	**No indicators**

Source: National Audit Office, Department for Communities and Local Government, Information Assurance Summary Reports, August 2012

The future of information management

47 Departments released updated versions of their business plans in May 2012 which included changes to their priorities and indicators. One of the Department's key priorities has changed. "Increasing transparency by letting people see how their money is being spent" was a coalition priority in 2011, and it was subsequently revised in 2012 to "supporting and incentivising local sustainable growth by giving local leaders the tools to drive local sustainable growth through local enterprise partnerships, enterprise zones, city deals and elected mayors".[25] Departments have aligned the input and impact indicators with their government's priorities, so that the public can better understand how they are meant to be used for accountability. The changes are a step towards the alignment of costs and results which would allow for assessment of value for money but they will not improve the data systems underlying published indicators, or the reliability of subsequent data.

Issues identified in NAO reports

48 Our reports over the past year have highlighted issues in the way the Department uses information to design, appraise and monitor its programmes and projects.

Use of information in project and programme design

49 Our report on the *Affordable Homes Programme*[26] demonstrated that the Department successfully selected a design for the Programme that was "projected to maximise benefits and the number of homes delivered within the constraints of the £1.8 billion capital funding available".

Use of information in bid appraisal

50 Our reports found a mixed picture in the way the Department analyses data to assess whether its programmes were delivering the intended benefits cost-effectively. Overall, our studies on the *Affordable Homes Programme*[26] and the *Regional Growth Fund*[27] found that the projects selected should deliver more outputs cost-effectively for the taxpayer than the projects not selected.

51 Our report on the *Regional Growth Fund*[27] found that projects were selected based on an appraisal process which was in-line with established good practice. However, a significant number of projects selected in the Fund's first two rounds performed relatively poorly on criteria such as the amount of additional employment supported and the ratio of economic benefits to public costs. A significant proportion of the Regional Growth Fund was allocated to projects that offered relatively few jobs for the public money invested.

52 Our report on the *Affordable Homes Programme*[26] found that the Department should do more to demonstrate the cost-effectiveness of individual bids for funding. The final decision-making process followed by the Homes and Communities Agency "took into account a range of factors but not in any set weighting, so we could not repeat its work to test it". As with our report on the *Regional Growth Fund*,[27] we recommended that, during the bid appraisal process, more use should be made of benchmarks from similar previous programmes to test the value for money of offers.

25 Department for Communities and Local Government, Business Plan 2011-12.
26 Comptroller and Auditor General, *Financial viability of the social housing sector: introducing the Affordable Homes Programme*, Session 2012-13, HC 465, National Audit Office, 4 July 2012.
27 Comptroller and Auditor General, *The Regional Growth Fund*, Session 2012-13, HC 17, National Audit Office, 11 May 2012.

Use of information for monitoring projects and programmes

53 While we found that the delivery of the *Affordable Homes Programme*[28] has been successful to date, risks to meeting Programme aims remain. The Homes and Communities Agency recognises that, with around half the expected homes planned for the final year, meeting the March 2015 deadline is a key risk. We recommended that the Homes and Communities Agency continues to monitor progress towards the target, and the impact the Programme has on the financial viability of the housing sector.

Communication with local authorities

54 Sharing information and communication between local and central government is inherently challenging owing to differences in scale, function, and accountability to elected representatives. Our report *Central government's communication and engagement with local government*[29] recognised that both sides apply considerable energy and goodwill to the interface, with the Department taking the lead on decentralisation. While our report concluded that central government could do more to improve communication, we also highlighted a range of activities and initiatives carried out by the Department that are viewed positively. For example, well-designed communications, such as the Department's newsletters, provide helpful signposts to local authority officers.

55 Our report[29] highlighted that failing to consult with delivery partners at an early stage when developing local services brings "a high risk of waste and optimism bias that can result in programme failure". However, there is no consistent approach across government to drawing on local authorities' experiences from the start. We recommended that departments should fulfil their commitments on engagement and consultation with local authorities by, for example, providing clear, accessible policy intentions, milestones and other important facts which should be updated throughout the development and implementation of major policies.

28 Comptroller and Auditor General, *Financial viability of the social housing sector: introducing the Affordable Homes Programme*, Session 2012-13, HC 465, National Audit Office, 4 July 2012.

29 Comptroller and Auditor General, *Central government's communication and engagement with local government*, Session 2012-13, HC 187, National Audit Office, 13 June 2012.

Appendix One

The Department's arm's-length bodies at 1 April 2012 and future plans

Executive agencies	
Planning Inspectorate	Infrastructure Planning Commission abolished and Major Infrastructure Planning Unit created in Planning Inspectorate.
Trading funds	
Fire Service College	To be transferred to the private sector.
Ordnance Survey	To continue its role but was transferred in July 2011 via a Machinery of Government Transfer Order to the Department for Business, Innovation and Skills.
Queen Elizabeth II Conference Centre	A pre-market engagement exercise was undertaken in summer 2012.
Executive non-departmental public bodies	
Community Development Foundation	Public body status removed; to be supported as a social enterprise.
Firebuy	Ceased trading in July 2011.
Homes and Communities Agency	No change
Independent Housing Ombudsman Ltd	No change
Infrastructure Planning Commission	Body abolished and functions transferred to the Planning Inspectorate.
London Thames Gateway Development Corporation	To be abolished and functions transferred to local government or other London bodies.
Standards Board for England	Body abolished.
The Leasehold Advisory Service	Currently working to develop a more commercial business model.
The Office for Tenants and Social Landlords (also known as Tenant Services Authority)	Body abolished and functions transferred to the Homes and Communities Agency.
Thurrock Thames Gateway Development Corporation	To be abolished and functions transferred to local government.
Valuation Tribunal Service	Transfer of functions to the Ministry of Justice under consideration.
West Northamptonshire Development Corporation	Proposed to abolish body and transfer functions to local government.

Advisory bodies	
Advisory Panel for the Local Innovation Awards Scheme (formerly Advisory Panel for the Beacon Scheme)	Body and function abolished.
Advisory Panel on Standards for the Planning Inspectorate	Body abolished.
Building Regulations Advisory Committee	No change
National Housing and Planning Advice Unit	Body and function abolished.
Public corporations	
Architects Registration Board	No change
Audit Commission for Local Authorities and the National Health Service in England	Proposed to abolish body.
Tribunals	
Rent Assessment Panels/ Residential Property Tribunal Service	Jurisdiction transferred to the Land, Property and Housing Chamber in the First-tier Tribunal and functions transferred to the Ministry of Justice.
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)	No change

Appendix Two

Results of the Civil Service People Survey 2011

Question scores (% strongly agree or agree, or % yes)	Civil service overall
Leadership and managing change	
I feel that the Department as a whole is managed well	40
Senior civil servants in the Department are sufficiently visible	46
I believe the actions of senior civil servants are consistent with the Department's values	39
I believe that the departmental board has a clear vision for the future of the Department	39
Overall, I have confidence in the decisions made by the Department's senior civil servants	36
I feel that change is managed well in the Department	27
When changes are made in the Department they are usually for the better	23
The Department keeps me informed about matters that affect me	55
I have the opportunity to contribute my views before decisions are made that affect me	36
I think it is safe to challenge the way things are done in the Department	38
Organisational objectives and purpose	
I have a clear understanding of the Department's purpose	84
I have a clear understanding of the Department's objectives	79
I understand how my work contributes to the Department's objectives	81

Source: Civil Service People Survey 2011, www.civilservice.gov.uk/about/improving/employee-engagement-in-the-civil-service/people-survey-2011

Department for Business, Innovation and Skills (excluding agencies)	Cabinet Office (excluding agencies)	Department for Communities and Local Government (excluding agencies)	Department for Culture, Media and Sport (excluding agencies)	Ministry of Defence (excluding agencies)	Department for Education	Department of Energy and Climate Change	Department for Environment, Food and Rural Affairs (excluding agencies)	Foreign and Commonwealth Office (excluding agencies)	Department of Health (excluding agencies)	HM Revenue & Customs	HM Treasury (excluding agencies)	Home Office (excluding agencies)	Department for International Development	Ministry of Justice (excluding agencies)	Department for Transport (excluding agencies)	Department for Work and Pensions
31	38	23	37	20	49	41	31	54	33	18	55	44	60	43	45	23
46	49	35	47	27	53	62	44	56	53	31	67	50	68	47	59	21
34	40	24	39	27	46	48	34	52	41	25	52	44	57	42	46	21
29	33	22	31	20	43	30	21	51	28	22	39	33	60	39	36	20
28	38	21	32	17	43	43	27	47	33	17	53	41	53	38	42	16
24	27	20	33	12	32	31	21	40	19	15	42	24	40	31	31	19
17	22	10	20	9	21	26	16	34	12	13	33	22	29	26	21	14
59	55	50	60	41	58	64	56	60	53	39	65	62	68	56	64	39
32	37	28	47	19	37	36	38	39	37	18	47	38	47	36	39	18
33	41	25	42	31	39	41	40	43	33	27	55	39	43	36	45	27
77	73	57	73	80	85	90	75	82	69	73	88	85	94	78	79	73
70	66	53	67	72	81	85	70	79	63	70	78	80	93	72	74	71
75	71	61	73	76	82	88	76	83	72	73	81	82	90	76	76	73

Appendix Three

Reports by the NAO on the Department since 2009-10

Reports presented to Parliament

Publication date	Report title	HC number	Parliamentary session
4 July 2012	Financial viability of the social housing sector: introducing the Affordable Homes Programme	HC 465	2012-13
13 June 2012	Central government's communication and engagement with local government	HC 187	2012-13
11 May 2012	The Regional Growth Fund	HC 17	2012-13
1 July 2011	The failure of the FiReControl project	HC 1272	2010–2012
25 May 2011	The Mortgage Rescue Scheme	HC 1030	2010–2012
18 February 2011	Managing the impact of changes in the value of the euro on EU funds	HC 759	2010-11
December 2010	Briefing for the Communities and Local Government Committee	www.nao.org.uk/publications/1011/clg_committee.aspx	
23 July 2010	Reducing the cost of procuring Fire and Rescue Service vehicles and specialist equipment	HC 285	2010-11
25 June 2010	PFI in Housing	HC 71	2010-11
June 2010	Short guide: The NAO's work on the Department for Communities and Local Government	www.nao.org.uk/publications/1011/short_guide_dclg.aspx	
30 March 2010	Regenerating the English Regions: Regional Development Agencies' support to physical regeneration projects	HC 214	2009-10
9 February 2010	Memorandum for the House of Commons Communities and Local Government Select Committee: FiReControl project	www.nao.org.uk/publications/0910/firecontrol_project.aspx	
21 January 2010	The Decent Homes Programme	HC 212	2009-10
17 December 2009	Regenerating the English Coalfields	HC 84	2009-10
12 October 2009	Briefing for The House of Commons Communities and Local Government Committee: Performance of the Department for Communities and Local Government 2008-09	www.nao.org.uk/publications/0809/briefing_clg.aspx	

Other published reports

May–June 2010	Independent Supplementary Reviews of the Regional Development Agencies	www.nao.org.uk/publications/1011/rda_reviews.aspx

Appendix Four

Recent cross-government NAO reports of relevance to the Department

Publication date	Report title	HC number	Parliamentary session
18 April 2012	Implementing transparency	HC 1833	2010–2012
15 March 2012	Managing early departures in central government	HC 1795	2010–2012
2 February 2012	Cost reduction in central government: summary of progress	HC 1788	2010–2012
20 July 2011	Formula funding of local public services	HC 1090	2010–2012
5 May 2011	Department for Transport: Local Authority Major Capital Schemes	www.nao.org.uk/publications/1012/local_authority_major_capital.aspx	
14 July 2010	Taking the Measure of Government Performance	HC 284	2010-11
18 March 2010	Reorganising central government	HC 452	2009-10
December 2009	Briefing for the House of Commons Regulatory Reform Committee: Reducing bureaucracy for public sector frontline staff	www.nao.org.uk/publications/0910/reducing_bureaucracy.aspx	

Appendix Five

Other sources of relevant information

Reports from the Committee of Public Accounts since 2009

Publication date	Report title	HC number
4 September 2012	Fifth Report of Session 2012-13 The Regional Growth Fund	HC 104
27 April 2012	Eightieth Report of Session 2010–12 Cost reduction in central government: summary of progress	HC 1845
20 September 2011	Fiftieth Report of Session 2010–12 The failure of the FiReControl project	HC 1397
18 January 2011	Fourteenth Report of Session 2010-11 PFI in Housing and Hospitals	HC 631
18 March 2010	Twenty-first Report of Session 2009-10 The Decent Homes Programme	HC 350
10 March 2010	Sixteenth Report of Session 2009-10 Regenerating the English Coalfields	HC 247
2 July 2009	Thirty-third Report of Session 2008-09 Planning for Homes: Speeding up planning applications for major housing developments in England	HC 236
12 March 2009	Tenth Report of Session 2008-09 New Dimension – Enhancing the Fire and Rescue Services' capacity to respond to terrorist and other large-scale incidents	HC 249
3 March 2009	Fifth Report of Session 2008-09 Programmes to reduce household energy consumption	HC 228

Recent reports from the Audit Commission

5 April 2012	Payment by results for local services
17 November 2011	Tough Times – Councils' responses to a challenging financial climate
10 March 2011	Housing Market Renewal: programme review 2010

Recent reports from central government

December 2009	HM Government, Benchmarking the Back Office: Central Government

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:

Helen Booth
Director
020 7798 7758
helen.booth@nao.gsi.gov.uk

Angela Hands
Director
020 7798 7851
angela.hands@nao.gsi.gov.uk

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

Ashley McDougall
Director of Parliamentary Relations
020 7798 7689
ashley.mcdougall@nao.gsi.gov.uk

Twitter: @NAOorguk

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