







Departmental Overview, October 2018

# Ministry of Housing, Communities and Local Government

# Ministry of Housing, Communities & Local Government

This overview summarises the work of the Ministry of Housing, Communities & Local Government including what it does, how much it spends, recent and planned changes, and what to look out for across its main business areas and services.

## Overview

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## About the Department

The Ministry of Housing, Communities & Local Government (the Department) aims to “help create great places to live and work right across the country and to back communities to come together and thrive.”

The Department has seven strategic objectives:

01

Deliver the homes the country needs

02

Make the vision of a place you call home a reality

03

Deliver a sustainable future for local government, strengthening its connection with the communities it serves

04

Create socially and economically stronger and more confident communities

05

Secure effective support for those affected by the Grenfell Tower disaster, delivering the changes this tragedy demands and ensuring people are safe and feel safe within their homes

06

Support a smooth exit from the European Union

07

Maintain the Ministry of Housing, Communities & Local Government as a great place to work

The Department works with 11 agencies and public bodies:

### Executive agencies

- Planning Inspectorate
- Queen Elizabeth II Conference Centre

### Executive non-departmental public bodies

- Ebbsfleet Development Corporation
- Homes England
- Housing Ombudsman
- Leasehold Advisory Service
- Valuation Tribunal Service

### Advisory non-departmental public body

- Building Regulations Advisory Committee

### Tribunal non-departmental public body

- Valuation Tribunal for England

### Public corporation

- Architects Registration Board

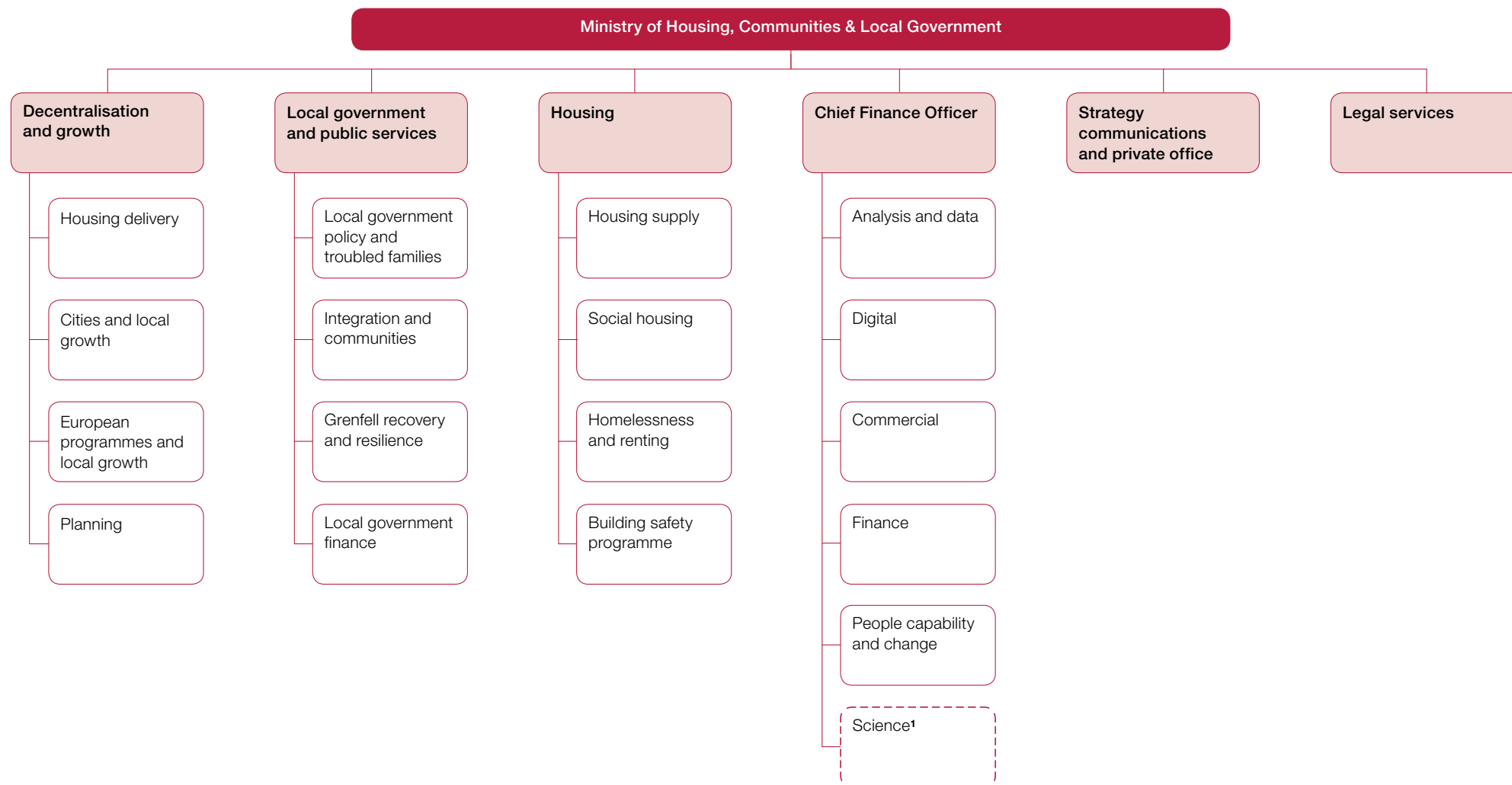
### Other

- Local Government and Social Care Ombudsman

**OVERVIEW**

# How the Department is structured

In January 2018 the Department changed its name from the Department for Communities & Local Government to the Ministry of Housing, Communities & Local Government. The organisational chart below provides an overview of the top-level structure of the Department.


**Note**

1 To be established.

Source: Ministry of Housing, Communities & Local Government

# Where the Department spends its money

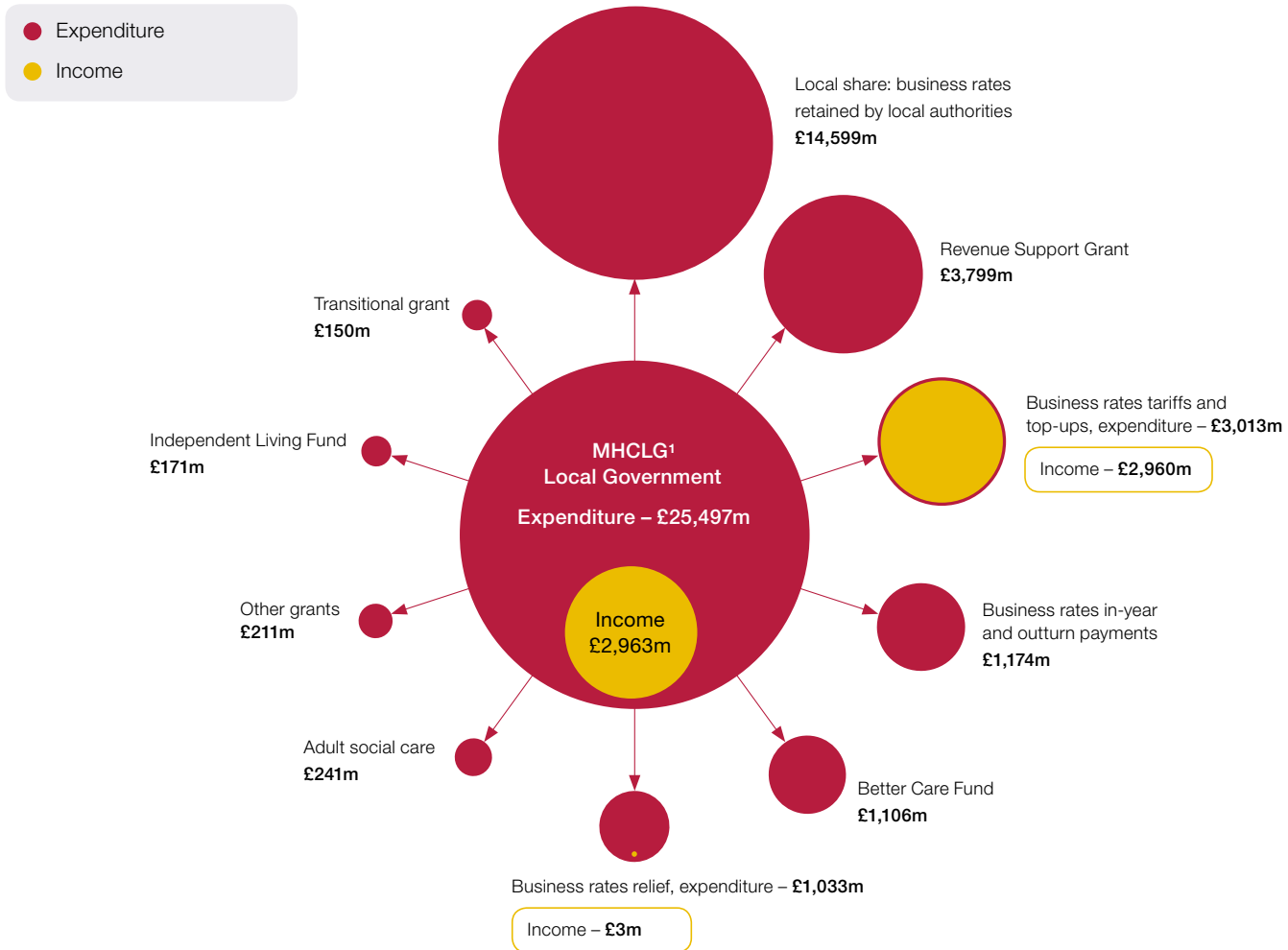
In 2017-18 the Department, its agencies and arm's-length bodies had a budget of £32.5 billion net expenditure (that is, expenditure less income), which can be split between expenditure on 'local government funding' and on 'communities'.

This diagram represents departmental expenditure on 'local government funding' – money paid by the Department to local authorities, the majority of which can be spent on any service. The Department administers this funding on behalf of central government.

In 2017-18 the largest area of spending was on business rates retained by local authorities. Under business rates retention local authorities retain at least 50% of the rates collectable as the 'local share'. The Department records all business rates as income collectable in respect of a tax in its accounts. Local authorities' local share is then deducted from the Department's accounts as an allowable expense.

## Local government expenditure 2017-18

The largest area of spend was on business rates retained by local authorities



**Notes**

- 1 This bubble represents a budget called Local Government DEL and the portion of the Department's AME budget related to local government funding.
- 2 Figures in diagram may not sum due to rounding.
- 3 MHCLG = Ministry of Housing, Communities & Local Government.

Source: Ministry of Housing, Communities & Local Government, *Annual Report and Accounts 2017-18*

# Where the Department spends its money

This diagram represents departmental expenditure on 'communities' – money the department spends on its own schemes and programmes (this also includes money paid to local authorities).

The Department has broken down its spending on 'communities' in 2017-18 into its own running costs (£407 million) and 'departmental priorities' which include:

- fixing the broken housing market (£7,081 million);
- growing local economies (£2,126 million); and
- supporting effective public services and building integrated communities (£364 million).<sup>6</sup>

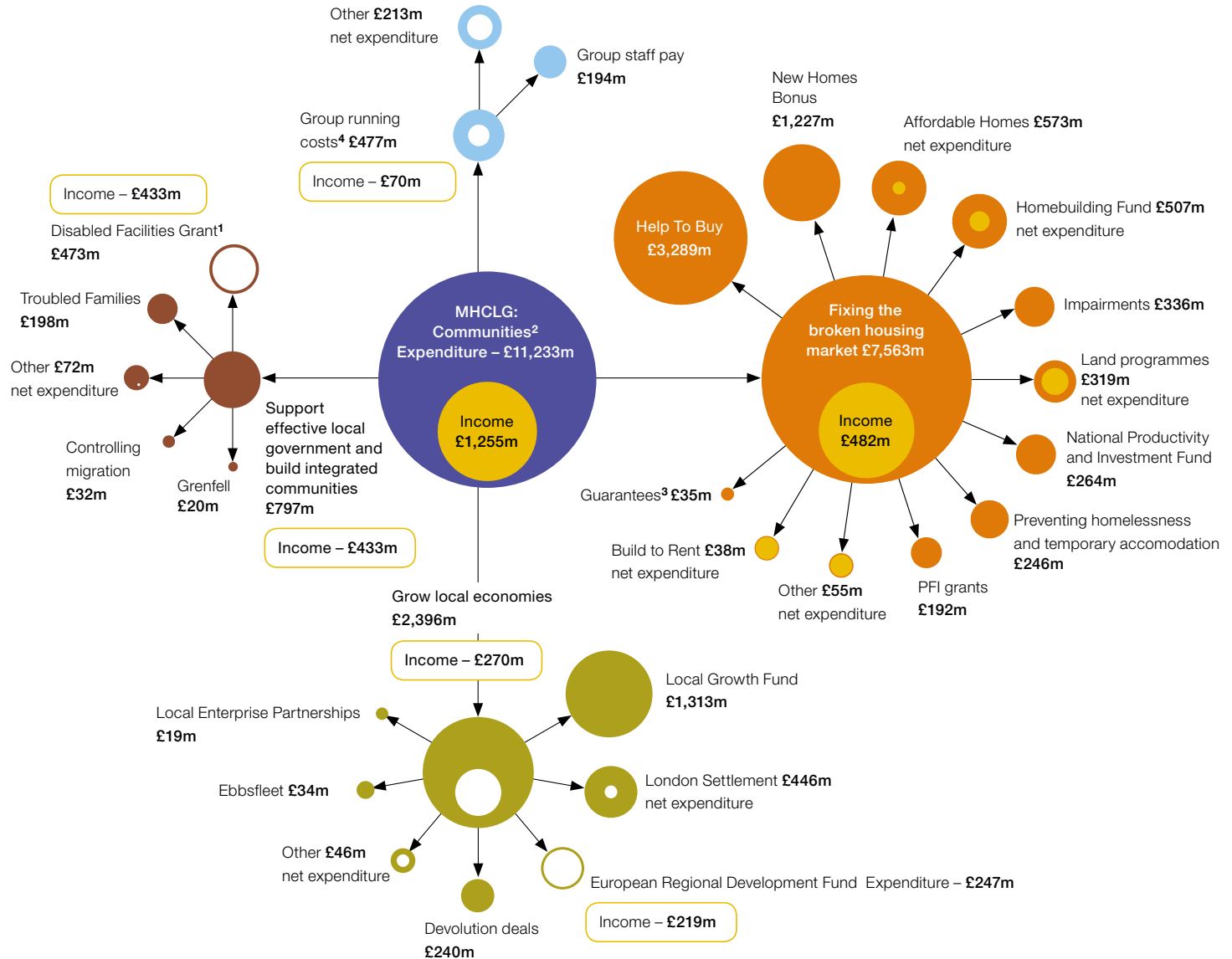
The Department's 7 strategic objectives in page 3 relate to 2018-19 and do not map across directly to the 2017-18 priority spend areas.

**Notes**

- 1 Income from the Department of Health & Social Care.
- 2 This bubble represents a budget called Communities DEL and the remaining portion of the Department's AME budget related to communities.
- 3 This expenditure represents the increase in the accounting valuation of the liability associated with the borrowing that the Department provides a guarantee for.
- 4 Running costs include administration expenditure and expenditure related to movements in pension scheme liabilities and additions and impairments of capital assets used to run the Department.
- 5 Figures in diagram may not sum due to rounding.
- 6 Spend figures are net current expenditure.
- 7 MHCLG = Ministry of Housing, Communities & Local Government.

## Communities expenditure 2017-18

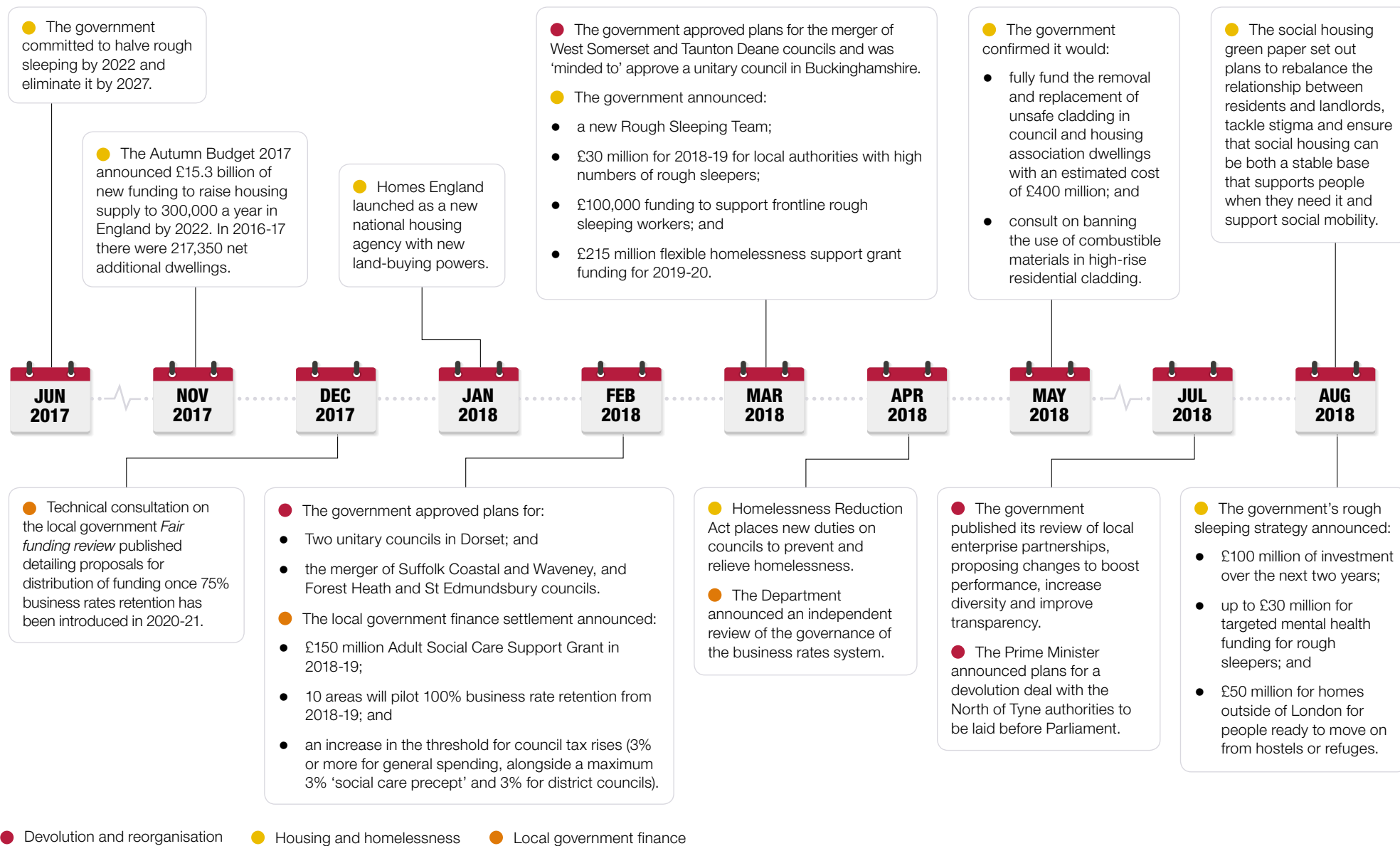
The largest area of spending was on the Department's housing schemes and programmes



Source: Ministry of Housing, Communities & Local Government, Annual Report and Accounts 2017-18

## OVERVIEW

## Major programmes and developments



Source: National Audit Office analysis of Ministry of Housing, Communities &amp; Local Government programmes



# Exiting the European Union

## The Department's objectives

The Department's single departmental plan sets out how it is supporting EU Exit by:

- managing the UK's exit from European funding programmes, in line with the UK's EU Exit objectives and negotiation plan;
- understanding and managing the implications on local government; and
- understanding and managing the implications on housing delivery objectives.



## Workstreams

In April 2018, the Department for Exiting the EU published a summary of the workstreams under way to implement EU Exit. The Department had 10 active workstreams. HM Treasury has not allocated any additional funding for these in 2018-19. Workstreams cover EU structural funds, access to public services, and implications of EU Exit on local government and housing delivery. Specific examples include: the development of the UK Shared Prosperity Fund and transition from EU Structural Funding and European Territorial Cooperation programmes; future requirements for construction products; and mutual recognition of architects' qualifications.



## UK Shared Prosperity Fund

The government has said that it will establish a UK Shared Prosperity Fund to reduce inequalities between communities across the UK once it has left the EU and no longer has access to the EU Structural Funds. The Fund aims to achieve this by strengthening the foundations of productivity as set out in the government's Industrial Strategy. The government is inviting mayoral combined authorities and local enterprise partnerships to develop local industrial strategies which it aims to have agreed with all places by early 2020. The government intends to consult on the Fund in 2018 and decisions about the Fund's operation and priorities are due to be taken as part of the 2019 Spending Review.



## Government guarantee

The government confirmed it would extend its guarantee to underwrite the UK's allocation for structural and investment fund projects under this EU Budget to 2020 in the event of a no-deal. In January 2018, HM Treasury estimated that the UK will receive €13.5 billion through EU programmes before the end of 2020 and €11.3 billion from the balance of outstanding commitments at the end of 2020 over the remaining life of those programmes.

## Implementation

The Department has recognised the need for more involvement and engagement with local government around Brexit delivery implications. In July 2018 the Department established a ministerial local government delivery board with representatives from the Local Government Association, County Councils Network, District Council Network and the Core and Key Cities Groups. In a joint communique, the Department and the Local Government Association reported that the inaugural meeting of the board heard from the Home Office on the development of the EU Citizens Settlement Scheme, discussed the white paper on the future relationship between the UK and the EU and agreed to prepare a future work programme for the Board to provide oversight of EU Exit preparedness, including the future for EU funding and the opportunities to review EU law post EU Exit.



## Closure of EU programmes

In August 2018 we published findings from our work assessing how government departments are managing the final period of EU-funded programmes and plans to replace them. We found it was too early to tell how well departments are approaching this task but we were able to make a number of observations:

- We estimate there are 26 workstreams that involve direct funding and loans from the EU. While the UK remains a contributor to the EU budget we would expect departments to monitor the flow closely back to UK projects.
- European Regional Development Fund spending delivered by the Department is ahead of profile. The Department has spent 20% of its allocation compared to 8% forecast.
- Departments are collecting financial and performance information at a local level, however; this is, as far as we are aware, only happening on a programme-by-programme basis.
- We would expect departments to take account of lessons learned from previous programmes and projects when developing the new post-EU Exit programmes.





**OVERVIEW**

# Managing public money

Overall the Department's expenditure reduced by 15% from £33.3 billion in 2013-14 to £28.4 billion in 2016-17 and then rose by 12% to £31.7 billion in 2017-18, with further increases planned for 2018-19 and 2019-20. Two of the main drivers of increased spending are:

## Housing

Increased capital expenditure arising from the £15 billion of new financial support for housing over the next five years announced in the Autumn Budget 2017 including:

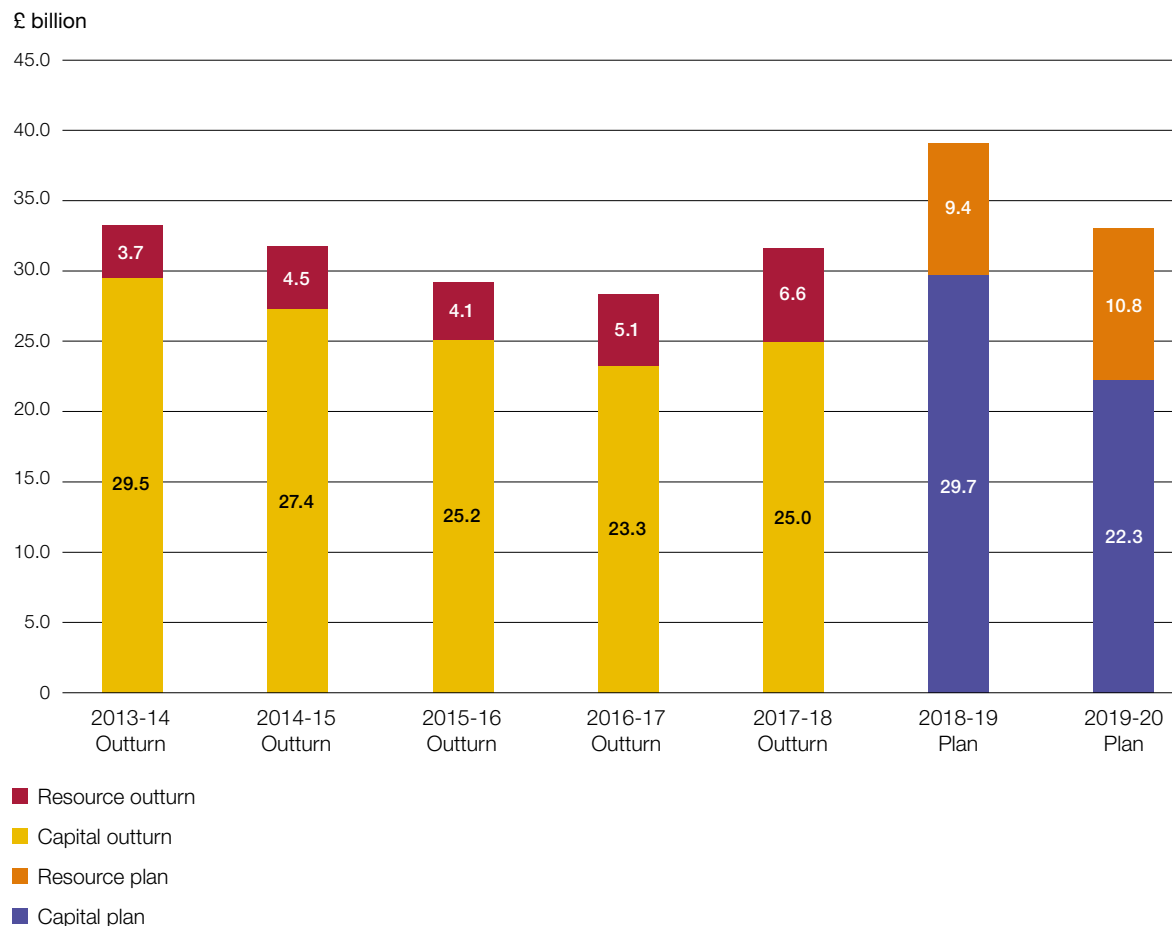
- additional funding for Help to Buy equity loan of £10 billion across the spending review period – £2.4 billion in 2018-19;
- additional £1.5 billion in loan and equity funding as part of the Home Building Fund to support small businesses – £308 million in 2018-19; and
- £400 million of loan and equity funding to deliver new affordable homes in high-demand areas – £50 million in 2018-19.

## Business rates

The amount estimated to be retained by local authorities in 2018-19 is £21.3 billion. This is an increase over the 2017-18 estimate and reflects an expanded programme of 100% business rates pilots and growth. The 2018-19 100% business rates pilots are for one year only and pilots planned for 2019-20 are yet to be reflected in the budget for that year.

Departmental expenditure outturn 2013-14 to 2017-18 and planned expenditure 2018-19 and 2019-20

The Department's expenditure fell between 2013-14 and 2016-17 before increasing again in 2017-18



Source: Ministry of Housing, Communities & Local Government, *Annual Report and Accounts 2017-18*



### Business rates overpayment

During 2017-18, an error in the methodology used to calculate amounts due to local authorities participating in business rate retention pilots led to the Department making an overpayment of £36 million.

The Secretary of State made a Ministerial Direction not to reclaim the overpayment because the “scale and the timing of a repayment” was likely to have a “significant negative impact” on the affected local authorities’ ability to deliver their objectives.

The Department has commissioned an independent review into the internal processes and procedures that underpin its oversight of business rates and related systems. The review is due to report in Autumn 2018.



### Investigation into the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership

In November 2017, we published our investigation into the governance of the Greater Cambridge Greater Peterborough Local Enterprise Partnership (GCGP LEP), following concerns raised by Stephen Barclay MP (North East Cambridgeshire). The concerns included:

- the way GCGP LEP managed conflicts of interest;
- a perceived lack of transparency about the way GCGP LEP made decisions on investment; and
- a perceived lack of clarity about GCGP LEP’s relationship with local developers and lobbying groups.

We found that the Department’s internal review did not find evidence that public funds had been misused. On 30 March 2017, the Department’s Accounting Officer decided not to approve the recommendation to fund GCGP LEP’s 2017-18 Growth Deal allocation and growth hub funding, nor the LEP’s core revenue funding, until the internal review concluded. Before releasing the funding, the Department required GCGP LEP to demonstrate that it was improving its transparency and had developed a comprehensive conflict of interest policy. It also required GCGP LEP’s board members to demonstrate that they are complying with the roles and responsibilities set out in the national framework. Finally, the Department asked the chair to respond formally to allegations of a personal conflict of interest.

Following our investigation, the Department has taken steps to improve the governance and accountability of LEPs, which are set out on page 16.

## PART ONE

# Financial sustainability

The Ministry of Housing, Communities & Local Government (the Department) and other government departments have important roles relating to the financial and service sustainability of local authorities. These include:

- providing an overview of the expected spending power of local government, the overall cost pressures, and opportunities for savings, to inform decision making;
- maintaining a framework that provides assurance about how local authorities use their resources, including who is accountable to ensure the authority manages its finances in a sustainable way; and
- ensuring that statutory services funded by the Department are sustainable.

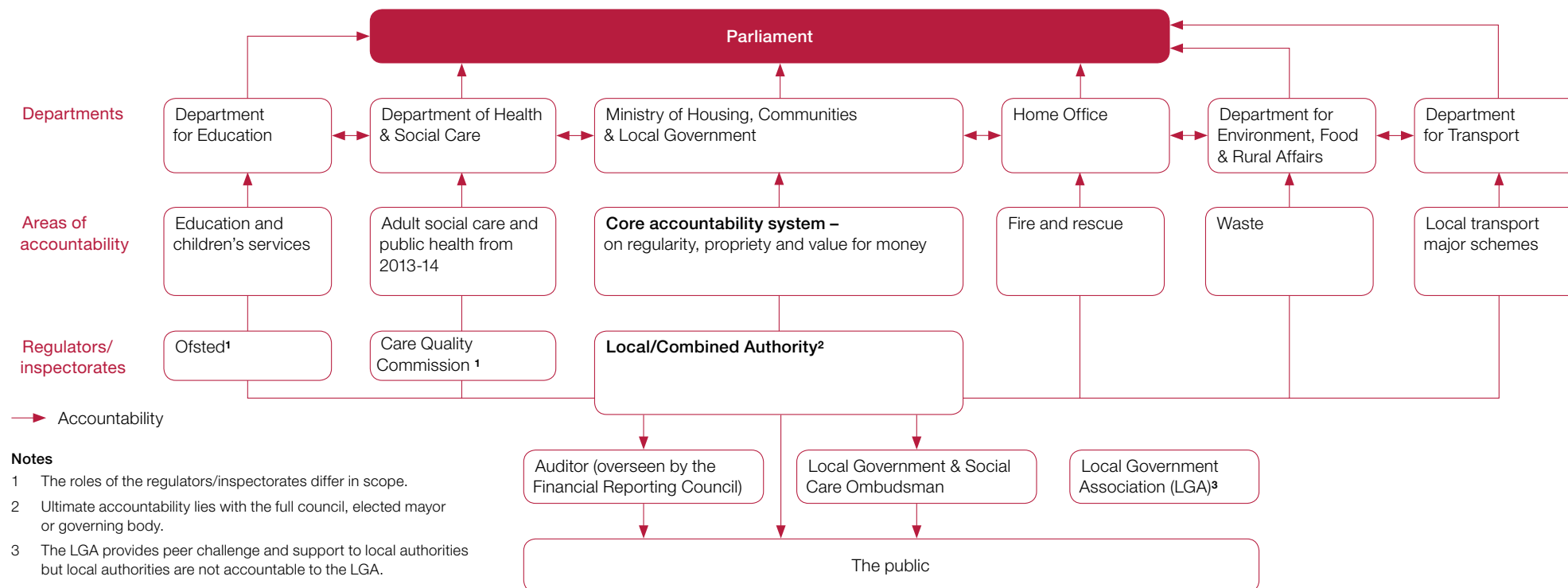
While the Department is responsible for the financial framework for local government and developing an overview of the overall service cost pressures faced by local government, responsibility for statutory services delivered by local authorities is spread across government departments. Each department is responsible for establishing its own arrangements to assure itself that services remain sustainable and that statutory

responsibilities are being met. These departments are also responsible for giving the Department information on services to support decision-making at major fiscal events.

This diagram shows how accountability flows between local authorities and the Department, as well as illustrating the other bodies involved in holding local authorities to account.

## Accountability to Parliament

The Department is responsible for the financial framework for local government and developing an overview of the overall service cost pressures



### Notes

- 1 The roles of the regulators/inspectorates differ in scope.
- 2 Ultimate accountability lies with the full council, elected mayor or governing body.
- 3 The LGA provides peer challenge and support to local authorities but local authorities are not accountable to the LGA.

Source: Ministry of Housing, Communities & Local Government

## PART ONE

# Financial sustainability

The Department measures the impact of reducing government funding on local authority income via 'spending power' (government funding<sup>1</sup> and council tax). We found that spending power fell by 28.6% in real terms from 2010-11 to 2017-18. The overall reduction by 2019-20 is forecast to be only slightly higher at 28.7%. If council tax is removed, our analysis shows that spending power funded by government fell in real terms by 49.1% from 2010-11 to 2017-18. The reduction is forecast to be 56.3% by 2019-20.

We found that  
**spending power**

fell by

**28.6%**

in real terms from 2010-11 to 2017-18.



## The Department's performance had improved since our last study



### Our report on the *Financial sustainability of local authorities 2018* found:

- the Department's work to assess local authority funding requirements for the 2015 Spending Review was an improvement from the 2013 Spending Review. The Department's advice to ministers in 2015 drew on a more comprehensive evidence base and ministers took a cross-government view on the level of funding for local government;
- the Department identified adult social care as a key area of pressure and included a new flexibility to increase council tax to pay for social care and the introduction of the Improved Better Care Fund. Since the Spending Review, the Department has continued to monitor pressures in this area alongside the Department of Health & Social Care. This has led to further funding to support social care; and

- the Department has improved its understanding of the extent to which local authorities are at risk of financial failure. There is evidence that it is systematically collecting and using data and other forms of information and developing relationships with other key departments. The Department has robust internal reporting mechanisms and engagement from the highest level of management.

## The Department must continue to strengthen its oversight and assurance mechanisms



We found conditions in the local government sector had worsened and concluded that the Department needed to do more to protect against risks to value for money:

- The government does not have a long-term funding plan for local authorities. Instead it has announced multiple short-term funding initiatives in recent years, such as the Adult Social Care Support Grant and a

second tranche of funding within the Improved Better Care Fund. The government intends to provide further information about its long-term funding plan for local authorities in the 2019 Spending Review.

- There is a lack of ongoing coordinated monitoring of the impact of funding reductions across the full range of local authority services.
- As funding continues to tighten for local authorities and pressure from social care grows, there are risks to statutory services. In certain areas where data are limited, it may not be possible to ascertain whether service levels are being maintained. In other services where there are concerns about performance, departments need to coordinate actions to influence local authorities' prioritisation rather than simply place competing demands on authorities' diminishing resources.

1 Excluding the public health grant and Better Care Fund

**Homelessness in all its forms has significantly increased in recent years**

The number of households in temporary accommodation was 79,880 in March 2018, an increase of 66% on March 2011. Analysis by Shelter has shown 55% of families (33,000) living in temporary accommodation were also working in 2017 – up 73% on 2013.<sup>1</sup> The number of homeless people in the annual autumn snapshot of rough sleeping was 4,751 in 2017, up by 15% from the previous year.

### Reducing homelessness

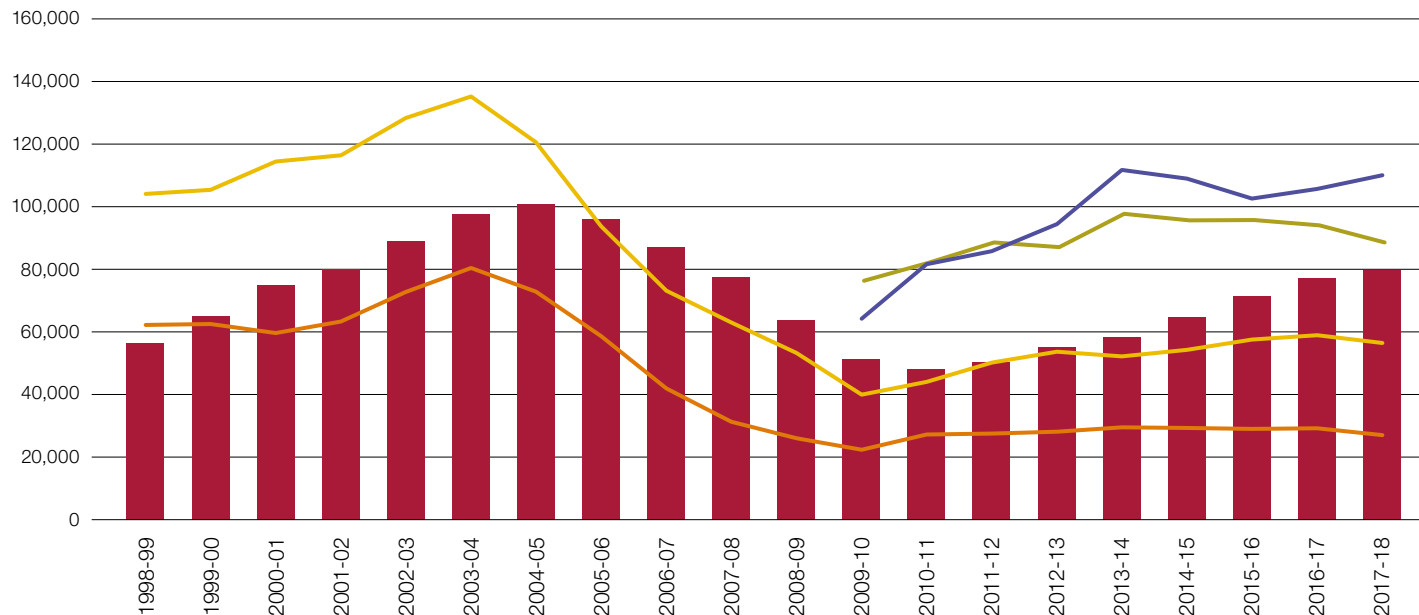
The government has established a Rough Sleeping and Homelessness Reduction Taskforce and Rough Sleeping Advisory Panel, which have focused on the government's commitment to eliminate rough sleeping by 2027. To support this commitment, in August 2018 the Ministry of Housing, Communities & Local Government (the Department) published its rough sleeping strategy, which announced:

- an additional £100 million of investment over the next two years;
- up to £30 million for targeted mental health funding for rough sleepers; and
- £50 million for homes for people ready to move on from hostels or refuge.

### Measures of homelessness 1998-99 to 2017-18

**All measures of homelessness have increased in recent years**

Number of households



- Households in temporary accommodation at the year end
- Households assessed as homeless and entitled to temporary accommodation
- Households assessed as homeless and not entitled to temporary accommodation
- Households where homelessness was prevented and were able to remain in own home
- Households where homelessness was prevented by providing assistance to obtain alternative accommodation

#### Notes

- 1 Data on prevention are not available before 2009-10.
- 2 Households in temporary accommodation are measured in March in each year. All other measures are totals for the period.
- 3 The prevention measures introduced in the Homelessness Act 2002 contributed to a reduction in the number of households assessed under the Housing Act 1996 and to the decrease in measures of homelessness in the late 2000s.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government P1E data

<sup>2</sup> Shelter, *Over half of homeless families in England are in work, shock new figures show*, July 2018, available at: [http://media.shelter.org.uk/press\\_releases/articles/over\\_half\\_of\\_homeless\\_families\\_in\\_england\\_are\\_in\\_work,\\_shock\\_new\\_figures\\_show](http://media.shelter.org.uk/press_releases/articles/over_half_of_homeless_families_in_england_are_in_work,_shock_new_figures_show)

# Housing and homelessness

**The government had not evaluated the impact of its welfare reforms on homelessness, or the impact of the mitigations that it has put in place**



In 2015-16 local authorities spent more than £1.1 billion on homelessness. More than three-quarters of this – £845 million – was spent on temporary accommodation. Three-quarters of this spending – £638 million – was funded by Housing Benefit, of which £585 million was recovered from the Department for Work & Pensions.

Our 2017 report on *Homelessness* found research by the Department for Work & Pensions in 2012 on the impact of Housing Benefit reforms on homelessness did not establish how many of these households

would have been homeless if the reforms had not been introduced. The Department for Work & Pensions had not carried out any more recent analysis, despite the introduction of a series of further welfare reforms.

In March 2018 the Department announced it would be working with the Department for Work & Pensions to jointly commission a study on the wider causes of homelessness, including households' experience of the welfare system. The Department plans to complete a feasibility assessment for this work and publish the findings and next steps in December 2018.

**Despite the increase in homelessness the Department has taken a 'light touch' approach to working with local authorities**

We found the Department was pursuing a more 'light touch' approach to engaging with local authorities than when homelessness increased in the late 1990s and early 2000s. Previously, each local authority would have had a contact point within the Department who supplied advice and guidance on tackling homelessness. Local authorities would in turn have been contacted by the Department if their measures of homelessness increased substantially. Local authorities reported that, instead of this, they now used representative bodies to access the guidance and support that the Department previously provided.

## Homelessness Reduction Act

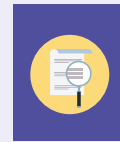
In April 2018 the Homelessness Reduction Act placed new duties on councils to prevent and relieve homelessness. The Department set up the Homelessness Advice and Support Team to work directly with local authorities to support the implementation of the act and has committed to reviewing how the act is working within two years. As part of its Rough Sleeping Strategy the Department is providing an additional £100 million of investment over the next two years and has also said it will launch a wider review of homelessness and rough sleeping legislation to report by March 2020.



### Local enterprise partnerships (LEPs)

LEPs are business-led partnerships between the private sector and local authorities that are established to drive economic growth in local areas. Since their formation in 2010 LEPs have taken on increased responsibility for significant amounts of funding. Through the Local Growth Fund, the government is committing £12 billion to local areas in England between 2015 and 2021, £9.1 billion of which was awarded through three rounds of competitive growth deals.

However, our 2016 report on *Local Enterprise Partnerships* found considerable gaps in many LEPs' assurance frameworks in areas such as approving business cases, handling disputes with their accountable bodies, and independent scrutiny arrangements and the Ministry of Housing, Communities & Local Government (the Department) had not tested the implementation of its LEP National Assurance Framework, which some LEPs did not fully comply with.



### National Audit Office investigation into the governance of Greater Cambridge Greater Peterborough Local Enterprise Partnership

Our November 2017 investigation found:

- the Department had taken a 'light touch' approach to working with LEPs because its intention was to devolve funding decisions to local areas;
- the LEP national assurance framework did not provide the level of detail required on how accountable bodies and statutory officers should fulfil their roles; and
- the Department did not have the same intervention powers for LEPs as it does for local government because LEPs are private bodies.

The Department has worked with the Chartered Institute of Public Finance and Accountancy (CIPFA) to develop principles for chief financial officers working with LEPs. This guidance was published by CIPFA in August 2018.





### Governance and transparency

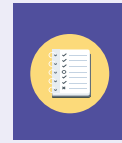
In October 2017, Mary Ney's Review of Local Enterprise Partnership Governance and Transparency recommended greater clarity in the LEP National Assurance Framework to improve the standards of stewardship of public money as well as increasing the sharing of best-practice, peer challenge and support across the sector.

The Department accepted all the recommendations of Mary Ney's review and sought to implement the majority of the recommendations through:

- new best practice guidance on LEP governance and transparency published in January 2018. The best-practice guidance includes: detailed guidance and examples on the Codes of Conduct (based on the Nolan principles); transparency in decision making; explicit whistleblowing and confidential reporting procedures; and a bespoke pro forma register of interests; and
- the LEP Annual Performance Conversation review process for 2017-18 where the Department reviewed the LEP's performance in key areas of strategy, delivery and governance.

The Department is in the process of implementing the remaining recommendations.

The Department has further developed its annual assurance process to test LEP compliance with the LEP National Assurance Framework. The Department has undertaken a series of spot checks on all LEPs; these are checks on a LEP's website and publicly available documentation to ensure compliance with the LEP National Assurance Framework and the Best Practice Guidance. In addition, the Department's LEP compliance team undertook a number of 'deep dives', which assessed the LEP's local assurance framework compliance with the National Assurance Framework and the Local Enterprise Partnership governance and transparency Best Practice Guidance.



### Government policy review

In July 2018 the government published *Strengthened Local Enterprise Partnerships*, a review of its policy towards LEPs. The review sets out how government intends to work with Local Enterprise Partnerships to strengthen their governance, leadership and capability, improve accountability and manage risk, and provide clarity on geography. The government continues to view LEPs as integral to economic growth across England, and essential to the development of local industrial strategies and the future UK Shared Prosperity Fund. The policy review included commitments to:

- provide up to £20 million between 2018-19 and 2019-20 to support implementation of the policy review and to provide the capability to develop local industrial strategies;
- support LEPs to consult widely and transparently on appointing new chairs and improve board diversity;
- bring forward proposals – by the end of September 2018 – on geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers. The government is encouraging LEPs and mayoral combined authorities to move towards coterminous boundaries where appropriate; and
- clarify Government's approach to monitoring and intervention which will be set out the revised LEP National Assurance Framework expected in Autumn 2018.

## What to look out for

01  
Financial  
sustainability

## Issues

## Fair funding review

## Future developments, risks and challenges

Transition arrangements and baseline allocations are due to be confirmed in autumn 2019 and the new needs assessment methodology implemented in April 2020.

## Business rates

The government intends to launch a further round of business rates retention pilots in 2019-20. From 2020-21 the share that councils collectively keep will be raised to 75% and the main government grants will be phased out.

The Ministry of Housing, Communities & Local Government (the Department) has commissioned an independent review into the internal processes and procedures that underpin its oversight of business rates and related systems. The review is due to report in summer 2018.

## 2019 Spending Review

The Chancellor has confirmed the government will undertake a full review of departmental funding in 2019.

02  
Housing and  
homelessness

## Social housing green paper

The Department has launched a consultation on proposals for the future of social housing which will run until November 2018.

## Empty homes

Proposals to increase the empty homes premium on council tax bills are expected to be approved for the financial years beginning in 2019, 2020 and 2021.

## Homelessness

In its *Rough Sleeping Strategy* the government confirmed that it would develop a strategy to address wider homelessness.

In December 2018, the Ministry of Housing, Communities & Local Government plans to report on its findings from its feasibility study into researching the wider causes of homelessness and rough sleeping. In addition, the Department also plans to release the first set of homelessness statistics since the implementation of the Homelessness Reduction Act and the introduction of a new homelessness data collection system.

## Longer tenancies

The government will consult on a proposed three-year minimum tenancy term to provide renters with more security.

## Integrated communities

Five local authorities – Blackburn with Darwen, Bradford, Peterborough, Walsall, and Waltham Forest – are working with the Department to develop their own local integration strategies. The government will respond to the results of its consultation on its vision for building integrated communities.

03  
Devolution  
and reorganisation

## Devolution framework

The government intends to publish a framework to “provide clarity and consistency about what a successful devolution agreement looks like.”

## Local industrial strategies

The government is inviting mayoral combined authorities and local enterprise partnerships to develop local industrial strategies which it aims to agree with all places by early 2020. Local industrial strategies are intended to provide distinctive and long-term visions of how a place will maximise its contribution to UK productivity. The government intends to establish a UK Shared Prosperity Fund to reduce inequalities between communities across the UK once it has left the EU and no longer has access to EU Structural Funds. Decisions about the Fund’s operation and priorities are due to be taken as part of the 2019 Spending Review.