This briefing provides a snap shot of notable findings in this year’s Departmental overview:

- **Part One** describes the Department and how it spends its money
- **Part Two** sets out developments in this parliament
- **Part Three** sets out recent NAO findings on the Department
- **Part Four** describes how the Department is using financial instruments to fund some of its policies and programmes

**The Department’s priorities** have stayed relatively stable throughout the Parliament.

- **£33.8 billion**
  - The Department’s spend in pursuit of its priorities in 2013-14, mostly funding local authorities and the Homes and Communities Agency.

- **£1.4 billion**
  - The value of the Department’s recoverable investments in individual homes as at March 2014.

- **29%**
  - The reduction in the Department’s real-terms budget since 2010-11.

- **49%**
  - The Department’s employee engagement score in the Civil Service People survey, up from 43% the year before.

- **50%**
  - Of business rate income was retained directly by local authorities in the first year of the business rate retention scheme.

- **2,274**
  - Fewer full-time equivalent staff were employed on average by the Department and its arm’s-length bodies in 2013-14, compared to 2010-11.

- **£1.4 billion**
  - The Department is evolving to meet its new ways of working and some long standing challenges also remain.
The Department's priorities

1. Decentralise power as far as possible
2. Reinvigorate accountability, democracy, participation and transparency
3. Support and incentivise local growth
4. Meet people’s housing aspirations
Where the Department spent its money in 2013-14

Notes
1 All amounts are net.
2 In 2013-14, the Department recorded programme income of £3,857 million. Of this the largest amount is £3,282 million of tariff income from the business rates retention scheme, followed by £336 million from the European Regional Development Fund (reimbursing grant payments). The total remaining income of £239 million supports the Department’s net expenditure. The Department also recorded Consolidated Fund extra receipt income of £160 million from Right to Buy receipts, which it collects and pays into the Consolidated Fund. This does not form part of the overall net resource and capital budget or outturn.
3 The Department’s annual report and accounts records the local share of business rates of £10,851 million as grant expenditure. The local share is reported as rates income in local authorities’ Comprehensive Income and Expenditure Statements. Net receivable rates are noted in an ‘agent’s statement’.

Source: National Audit Office analysis of the Department for Communities and Local Government Annual Report and Accounts 2013-14, July 2014
Employee engagement 2010 to 2013

Employee engagement index

<table>
<thead>
<tr>
<th>Year</th>
<th>Civil service average</th>
<th>Department</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>56</td>
<td>48</td>
</tr>
<tr>
<td>2011</td>
<td>55</td>
<td>40</td>
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<td>2012</td>
<td>58</td>
<td>43</td>
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<tr>
<td>2013</td>
<td>58</td>
<td>49</td>
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</tbody>
</table>

Note
1 A score of 100% would represent all respondents saying they strongly agree to all 5 engagement questions.

Source: Department for Communities and Local Government Civil Service People Survey results
The Department is moving away from having, predominantly, a grant-giving role and is using new and innovative ways to fund its programmes, including the increase in use of ‘financial instruments’

As at the end of March 2013-14, the majority of the Department’s financial assets (by value) were ‘available for sale’ assets. £1.4 billion of these were investments in individual homes.

<table>
<thead>
<tr>
<th>Type of asset</th>
<th>Value at March 2014 (£m)</th>
<th>Value at March 2013 (£m)</th>
<th>Change since 2012-13 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Help to Buy</td>
<td>834.7</td>
<td>–</td>
<td>n/a (New in 2013-14)</td>
</tr>
<tr>
<td>Other investments in individual homes</td>
<td>532.5</td>
<td>507.3</td>
<td>+ 5</td>
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<tr>
<td>Other types of investment</td>
<td>186.7</td>
<td>159.6</td>
<td>+ 17</td>
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<tr>
<td>Total</td>
<td>1,553.9</td>
<td>666.9</td>
<td>+ 133</td>
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Notes
1. These values have not been adjusted for inflation.
2. The difference between the value of £834.7 million and the £858 million of expenditure reflects the net change in the value of the investment.
3. ‘Other investments in individual homes’ includes FirstBuy, HomeBuy Direct, and the First Time Buyers’ Initiative.
4. ‘Other types of investment’ mainly represents the Department’s share of the future profitability of land under development.

Source: National Audit Office analysis of the Homes and Communities Agency’s Annual Report and Financial Statements 2013-14, June 2014
Department’s spending: budget and outturn

£ billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Budget</th>
<th>Actual</th>
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<tr>
<td>2010-11</td>
<td>40.1</td>
<td>27.1</td>
<td>34.3</td>
<td>29.4</td>
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<td>24.3</td>
<td>34.3</td>
<td>16.8</td>
<td>33.2</td>
<td>13.1</td>
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<td>2011-12</td>
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<td>0.6</td>
<td>3.9</td>
<td>5.8</td>
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<td>2013-14</td>
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<td>2014-15</td>
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<td>2015-16</td>
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Note
1. Amounts stated are in 2013-14 terms, adjusted for inflation using GDP deflators produced by HM Treasury in June 2014.

Source: National Audit Office analysis of the Department’s Annual Reports and Accounts 2013-14, July 2014.
Business Rate Retention

A significant change in how the Department funds local authorities this year was the business rates retention scheme, which the Department introduced in April 2013.

Under this scheme local authorities keep a portion of the business rates they collect (currently 50%) as an incentive to promote local business rate growth.

Local authorities kept £10.8 billion in business rates in 2013-14. Under the previous scheme, national non-domestic rates, local authorities paid all their business rates to central government which then redistributed them to local government using a needs-based formula.

The Department reports the income kept by local authorities in its own accounts (as AME).

Although it does not directly control the total amount kept, it controls whether and how the scheme works.

Ministers have said the business rate system will be reset in 2020.
Reduction in the Departmental group’s average full-time equivalent (FTE) staff since 2009-10

Average FTE staff

![Bar chart showing the reduction in the Departmental group’s average full-time equivalent (FTE) staff since 2009-10.]

Notes
1. Executive Agency is the Planning Inspectorate – all other arm’s-length bodies are ‘designated bodies’.
2. The Department did not include ‘designated bodies’ (otherwise known as arm’s-length bodies) in its Departmental group for 2009-10. The largest of these bodies is the Homes and Communities Agency which employed 981 people in 2009-10.
3. The number of people employed by the Departmental group is higher than the number of full-time equivalents as some staff work part-time.
4. The figures are an average for each year taken from the Department’s audited accounts.

Source: National Audit Office analysis of the Department for Communities and Local Government’s Annual Report and Accounts
# Findings from NAO reports in this Parliament

## Finding

NAO reports found more positive examples of implementation, compared to reports that covered policies and programmes implemented in the previous parliament.

## Examples of reports that covered these issues:

- The Help to Buy equity loans scheme
- Council Tax support
- Financial viability of the social housing sector: introducing the Affordable Homes Programme

## The Department faces ongoing challenges in:

- **Forecasting** the impact of its programmes before implementation; and
- **Monitoring and Evaluating** the impact of policies and programmes after implementation.

- The Help to Buy equity loans scheme
- Funding and structures for local economic growth
- The New Homes Bonus
- The Mortgage Rescue Scheme
- Financial audit work

## The shift from grant-giving to investments has created new information and management challenges that will require recruitment and retention of specialist skills. The Department has begun to do this.

- Financial audit, data systems assurance
- The Help to Buy equity loans scheme