

# Department for Communities and Local Government's business plan

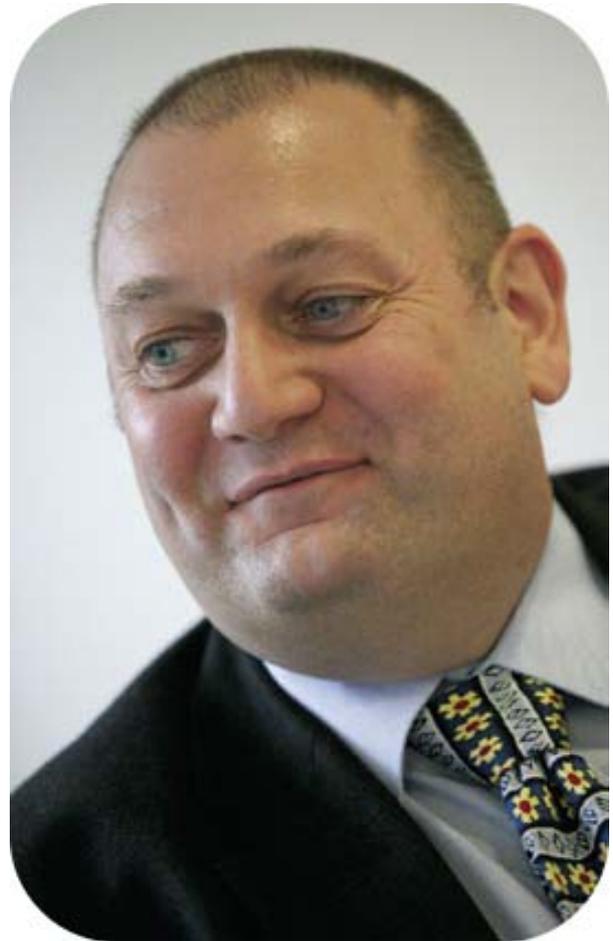
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## About the author

**Robin Tebbutt** is HQN's Executive Director (Finance). He joined HQN from Enfield Homes, where he was Director of Finance and Resources, and contributed to a two-star inspection within ten months of going live. A CIPFA member, he has 19 years' experience in HRA finance. As a managing consultant, he gained extensive experience of working on HRA and ALMO business plans, ALMO new-build projects, self-financing assessments, option appraisals, stock transfers and various associated matters, as well as working with DCLG (and predecessors) on several projects. He was the senior HRA finance advisor to two London Boroughs, and worked for three separate councils for a total of 17 years prior to becoming a consultant. Robin has been a board member of an ALMO since 2005, and chairs its finance and audit committee and DLO panel.



## Introduction

This briefing on the Department for Communities and Local Government (DCLG) business plan supplements the initial briefing issued on the day the plan was released, which concentrated on the timetable for HRA reform contained within the plan. It summarises the business plan, and offers commentary where sufficient detail exists to make this possible.

The government issued business plans for all of its departments with much fanfare on 8 November. The prime minister was quoted as saying:

“Instead of bureaucratic accountability to the government machine, these business plans bring in a new system of democratic accountability – accountability to the people. So reform will be driven not by the short-term political calculations of the government, but by the consistent, long-term pressure of what people want and choose in their public services – and that is the horizon shift we need. But more importantly the business plans will bring about a power shift by changing what government does. For a long time, government’s default position has been to solve problems by hoarding more power to the centre – passing laws, creating regulations, setting up taskforces. The result is that Britain is now one of the most centralised countries in the developed world.”

Because of commitments to reduce targets, the plans instead have ‘milestones’. There are to be monthly updates posted on the departments’ websites, and this should certainly make it easier to track progress on key issues in future.

The DCLG plan is a draft document at present, as the comments on the later sections of the document such as ‘common areas of spend’, ‘transparency’ and ‘input indicators’ demonstrate. Whilst it might be regarded as premature to have published the plans at this stage, the ‘structural reform plan’ gives a useful insight into the policy agenda and timetable being pursued, and this briefing focuses largely on this fully developed section of the plan.

## Highlights

The major items of interest in the DCLG’s plan are:

- The timetable for HRA reform – covered by the earlier briefing
- Confirmation of a major policy paper to be issued in November 2010.

*"Because of commitments to reduce targets, the plans instead have 'milestones'"*

The policy paper is to cover 'reform of social housing including affordable rent, tenure reform, social housing allocations, mobility, homelessness, overcrowding and council house finance'. The government has already signalled its approach on many of these areas, and in some others, the business plan provides further detail.

### ***Key themes***

The major part of the business plan document is the 'structural reform plan', which is set out under the following headings:

- Decentralise power as far as possible
- Reinvigorate local accountability, democracy and participation
- Increase transparency by letting people see how their money is spent
- Meet people's housing aspirations
- Put communities in charge of planning.

We look at the detail beneath these headings in the next section.

## DCLG business plan – the detail

We have highlighted here the key matters which will be of most interest to a social housing audience, including some of the measures to be applied to councils, and by extension to council landlords (and in some cases ALMO).

### 1 *Decentralise power as far as possible*

#### 1.1 *Provide greater freedoms and flexibilities to local government*

The phasing out of ring-fenced grants to councils is stated to be completed.

The freezing of Council Tax for one year is to be completed in April 2011.

The department plans to deliver proposals for long-term change to how councils are funded, including local retention of business rates, and 'retaining fairness' by July 2011, and to develop and introduce proposals for local retention of business rates, tax increment financing and anything else identified by the review by April 2012. The local retention of business rates will need to be accompanied by a mechanism to equalise income between those councils who receive the largest amounts (particularly in inner London) and those who receive the smallest. Such a mechanism existed before non-domestic rates were effectively nationalised by the last Conservative government.

The department will support the Department for Work and Pensions in the localisation of Council Tax benefit, 'providing the necessary protection to the most vulnerable consistent with wider local government finance reform'. The milestone date for this is April 2013.

#### 1.2 *Create directly elected mayors to enable the largest 12 cities in England to have mayors from 2012, subject to confirmatory referendums and full scrutiny by elected councillors*

The enthusiasm of national politicians of all parties for elected mayors has rarely been matched by that of the electorate. It is intended to hold referendums in England's 12 largest cities (their identity is not specified). The proposals will include the transfer of additional powers.

Cities outside the largest 12 will be able to hold referendums if they 'choose to participate'. It is not explained whether the decision to hold a voluntary referendum will be that of the

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councils concerned, or whether a petition signed by a given number or proportion of electors will be required.

Detailed proposals are to be developed by December 2011.

### *1.3 Remove reporting burdens on local government from central departments*

The abolition of the Comprehensive Area Assessment and reduction in inspection are cited as completed tasks. Exceptional areas where central government needs to have an oversight role are to be identified by the end of November 2010. A single, reduced list of the data requirements on local government, and a process for managing the requirements are to be developed by April 2012.

### *1.4 Shift power over funding away from the centre and establish community budgets for public service delivery, working with other government departments and with places*

There has been considerable discussion about the potential for savings to be achieved when public sector budgets for a given locality are pooled. However, the government intends only to 'create the conditions for all places to pool and align locally controlled public budgets, and review centrally-funded support for public sector improvement'. This is to be done by April 2011.

The department will also implement community budgets in 16 places by the April 2011 'as part of a national effort to tackle problem families'. A review of community budgets will take place by March 2013, and subject to the review, national implementation will take place in April 2013.

### *1.5 Make better use of existing public buildings, land and capital investment in public building projects*

An assessment of the supply of capital and assets, and potential demand, will be completed by March 2011. The department will work with 11 pathfinders to identify and tackle barriers by the same date.

## **2 Reinvigorate local accountability, democracy and participation**

### *2.1 Reinvigorate local accountability, democracy and participation*

This refers to the Localism Bill which is due to be published and introduced by the end of November 2010. The list of measures to be included is:

***"The abolition of the Comprehensive Area Assessment and reduction in inspection are cited as completed tasks"***

- a Give councils a general power of competence
- b Give residents the power to instigate local referendums on any local issue
- c Give residents the power to veto excessive Council Tax increases
- d Give local businesses the power to veto supplementary business rates
- e Increase transparency and local democratic accountability over decisions on local government senior pay
- f Scrap bin taxes
- g Abolish the standards board regime
- h Allow councils to return to the committee system should they wish to
- i Give communities the right to save local facilities threatened with closure
- j Give communities the right to bid to take over local state-run services.

Secondary legislation is to be prepared and issued as necessary, by April 2012. By the same milestone, the department will develop a programme to help communities understand their new rights.

*2.2 Empower local authorities and businesses to come together and form new Local Enterprise Partnerships, providing support to accelerate their establishment, working with the Department for Business, Innovation and Skills*

*2.3 Put in place a Regional Growth Fund to encourage private sector enterprise and support to help places currently reliant on the public sector to make the transition to sustainable private sector-led growth, working with HM Treasury and the Department for Business, Innovation and Skills*

A range of activities to promote economic regeneration is described under these headings, with milestones ranging up to April 2013.

*2.4 Work with the Department for Business, Innovation and Skills to arrange the closure of the Regional Development Agencies and related transition process*

The necessary legislation is to be included in the Localism Bill, and the business and commitments of the agencies are to be wound up by April 2012.

*2.5 Abolish the Government Office for London (GOL)*

*2.6 Abolish the remaining Government Offices*

These are to be achieved by April 2011 and August 2011 respectively.

*2.7 Stop the proposed restructuring of local government in Norfolk, Suffolk and Devon*

This is included in the Local Government Bill, already published.

*2.8 Disband the Audit Commission and refocus local audit on helping local people to hold councils and local public bodies to account for local spending decisions*

This is to be achieved by December 2012. A new local audit regime will include audits being regulated by a statutory framework, with oversight by the profession and the National Audit Office. Options for moving its in-house practice into the private sector, including through mutualisation, are to be considered.

No reference is made to the Audit Commission's inspection function, unless the view is taken that it may be included in the in-house practice to be externalised. A low priority for inspection would be in line with the statements made about inspection at 1.3 of this document, and more widely.

*2.9 Make local authorities accountable for health and safety decisions and offering citizens a route for redress where events have been cancelled by a local authority*

The department has developed and introduced legislation requiring that 'officials who ban events on health and safety grounds should put their reasons in writing'. The intention is that the 'ombudsman may award a settlement' where it is not possible to reinstate an event. Councils must conduct a review of 'all refusals on the grounds of health and safety'.

**"A new local audit regime will include audits being regulated by a statutory framework"**

*2.10 Stop councils unnecessarily using surveillance powers, banning local authority use of powers unless signed off by a magistrate, and work with the Home Office in its review of counter-terrorism and security legislation*

This is stated to be completed.

*2.11 Decide on proposals submitted under the Sustainable Communities Act, so that local authorities take forward ideas from communities on how to improve their area*

The government will decide on proposals already submitted, and will, by January 2011, set a date by which they will invite new ideas.

*2.12 Working with the Home Office and the Cabinet Office, develop a cross-government approach on integration and tackling all forms of extremism*

This will be completed by May 2011.

### **3 *Increase transparency by letting people see how their money is being spent***

*3.1 Work with the Cabinet Office and other government departments to publish local data held by central government*

*3.2 Release datasets held by Communities and Local Government to make councils and other bodies more accountable*

There are various milestones towards these aims, the latest being April 2012.

*3.3 Help local authorities publish, in an open and standardised format, (a) items of spending, contracts and tenders above £500 and (b) job titles and salaries for senior council officers*

A code of practice on council transparency, to require publication, will be in place by the end of November 2010, with publication from January 2011. The department will work with the Cabinet Office to ensure that councils are included in any further measures on transparency. We assume that ALMOs will be covered by the code.

The housing minister, Grant Shapps, has made it clear that he expects housing associations to publish similar information.

*3.4 Encourage citizens, developers, public and private sector organisations to access and use local data and information*

Various measures are planned during 2011 to achieve this objective.

*3.5 Amend the Code of Recommended Practice on local authority publicity to stop unfair competition by local authority publications*

A revised Publicity Code is to be laid before Parliament in January 2011.

**4 Meet people's housing aspirations**

*4.1 Publish a policy paper setting out the government's plans for reform of social housing, including affordable rent, tenure reform, social housing allocations, mobility, homelessness, overcrowding and council house finance*

The paper was published on 22 November 2010, and a separate briefing has been prepared on this <http://www.hqnetwork.co.uk/briefings>

*4.2 Introduce an 'affordable rent' scheme, which will contribute towards up to 150,000 new affordable homes for the Spending Review period. This will allow housing associations to provide new homes at a rent between social and local market rents and with a tenancy agreement that will be reviewed after an agreed period of time*

Details to be published with the Homes and Communities Agency (HCA) in January 2011, with implementation from April 2011. This implies slippage from the original timetable, which envisaged bids in January 2011.

*4.3 Abolish Home Information Packs*

Formally suspended, the packs' abolition is included in the Localism Bill.

*4.4 Meet people's housing aspirations through a new Community Right to Build, allowing local communities to take forward their own plans for development without the need for a planning application, and promoting 'Home on the Farm' schemes that encourage farmers to convert existing disused or underused buildings into affordable housing for their communities*

The provisions are in the Localism Bill. The department is to encourage participation by farmers.

#### *4.5 Reform the Housing Revenue Account*

A separate briefing has been produced on this subject:

<http://www.hfexpert.co.uk/financialmanagement.php>

#### *4.6 Increase mobility among social housing tenants to make social housing more flexible*

The department plans to develop an operational standard for home swap providers, to support better mutual exchange services by April 2011. The Localism Bill includes provision for direction to be given to the regulator on a mutual exchange standard. The draft direction is to be the subject of consultation between January 2011 and April 2011. The regulator would consult on the standard between November 2011 and January 2012.

In opposition, the Conservative party proposed a scheme which would allow tenants to require their landlord to sell the dwelling they live in, and buy an alternative one elsewhere in the country. This policy, which would be complex in its operation, appears to have been dropped, at least for now.

#### *4.7 Provide strong incentives for local authorities to build new homes in the form of a New Homes Bonus and reform of the Community Infrastructure Levy*

This policy is already the subject of a consultation paper, with consultation closing in December 2010. Analysis of responses and resolution of outstanding issues will take place between January 2011 and March 2011. Implementation will be by April 2012.

The New Homes Bonus is essentially a disregard of additional Council Tax earned from new homes (or empty homes brought back into use) for grant purposes for six years. Without this, a council could expect no additional income. An additional £350 for each of the six years would be awarded where the homes were affordable. Critics have suggested that the sums set aside are inadequate. Once they are extinguished, the bonus will be a call on overall resources available for Revenue Support Grant.

#### *4.8 Develop a strategy to bring more empty homes back into use, working with local authorities, housing associations and some of the property owners, neighbours and others affected*

**"The department plans to develop an operational standard for home swap providers"**

The consultation on the New Homes Bonus includes provision for bringing new homes back into use to be included in the incentive. In addition, the department is to work with the HCA to 'develop a programme for empty homes' by March 2011.

**4.9** *Ensure continuous improvements in energy efficiency of new buildings looking specifically at zero-carbon homes and non-domestic buildings*

Consultation on revisions to Part L of the 2013 Building Regulations is planned to commence in December 2011 and end in March 2012.

**4.10** *Reduce the number of arm's-length bodies by abolition and transfer of functions, including for the National Tenant Voice and Tenant Services Authority*

The National Tenant Voice to be abolished in November 2010, and the Tenant Services Authority by April 2012.

**5** *Put communities in charge of planning*

**5.1** *Radically reform the planning system to give neighbourhoods much greater ability to shape the places in which they live, based on the principles set out in the Conservative Party publication Open Source Planning*

The department will develop proposals to give councils the power to stop 'garden grabbing', to stop planning inspectors from re-writing local plans, and to empower local communities to bring forward neighbourhood plans, by November 2010.

They will work with a small number of places to develop neighbourhood plans using existing powers, by April 2012.

The Localism Bill contains the necessary primary legislation, and secondary legislation is to be prepared and introduced as necessary up to May 2012.

The publication *Open Source Planning* is available on the Conservative Party's website at:

<http://www.conservatives.com/~media/Files/Green%20Papers/planning-green-paper.ashx>

*5.2 Publish and present to Parliament a radically simplified and consolidated national planning framework covering all forms of development*

This will be done by April 2012 with ‘a strong presumption in favour of sustainable development’.

*5.3 Abolish Regional Strategies and return decision-making to local councils*

This is included in the Localism Bill.

*5.4 Replace the Infrastructure Planning Commission with an efficient and democratically accountable system that provides a fast-track process for major infrastructure projects*

This is included in the Localism Bill. A workplan on major infrastructure planning reform is to be published in December 2010.

Energy National Policy statements (working in conjunction with the Department for Energy and Climate Change) are to be designated by June 2011.

The transfer of relevant functions into the new Infrastructure Planning Unit is to be completed in April 2012.

*5.5 Maintain the Green Belt, Sites of Special Scientific Interest and other environmental protections, and create a new designation to protect green areas of particular importance to local communities*

Proposals for the new designation are to be developed by March 2011, and published in April 2012.

*Departmental expenditure*

A highly summarised table of expenditure appears in the plan (splitting total expenditure between ‘administration spending’, ‘programme spending’ and ‘capital spending’). The format of the plan requires the proportion of spending which is with the community and voluntary sector to be included, and similarly the value of contracts with small and medium-sized enterprises. In both cases the plan says ‘data to be confirmed’.

*Common areas of spend*

The plan lists indicators which it says will allow the public to judge whether the department is being run efficiently, and will

allow comparison between departments. However, no information is provided.

### *Transparency*

The document says that: “This section will set out the information that will enable users of public services to choose between providers, and taxpayers to assess the efficiency and productivity of public services, holding them more effectively to account.” However, no information is provided. The document says: “This section is published in draft until April 2011 to allow for further consultation.”

### *Information strategy*

This is largely concerned with the decision of the department, in common with its requirement for councils, to publish details of expenditure over £500.

### *Input indicators*

Two indicators are identified:

- Affordable housing grant per dwelling (subject to work to refine and test the measure with the new ‘affordable rents’ model)
- Percentage of local authority expenditure funded by central government grants, broken down by class of authority.

It is stated that: “The Department will be exploring other possible input indicators.”

### *Impact indicators*

The suggested list includes only one item not currently published, namely ‘percentage of local authority budgets delegated to local decision-making (subject to further work being done to refine and test the feasibility of this measure)’.

### *Other data*

This final section states that a full range of datasets available will be published on the department’s website. The business plan will highlight key data, in three categories:

- Data which will help people to judge the progress of structural reforms

- Data which will help people make informed choices (collected and published by local authorities)
- Other key data.