The Department for Communities and Local Government's progress against the Public Accounts Committee's recommendations

The Department for Communities and Local Government is responsible for implementing most of the recommendations and conclusions accepted or partially accepted in three Treasury Minutes, encompassing Government responses to Public Accounts Committee[1] reports, published during 2010-11. These were:

- *Regenerating the English coalfields* - Treasury Minute published 15 July 2010 (Cm 7885);

- *The Decent Homes programme* - Treasury Minute published 15 July 2010 (Cm 7885); and

- *Private Finance in Housing* - Treasury Minute published 24 March 2011 (Cm 8042).

This document sets out the Committee's recommendations and conclusions; and Government responses.

[1] The Committee of Public Accounts is appointed by the House of Commons to examine *"the accounts showing the appropriation of the sums granted to Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the Committee may think fit"* (Standing Order No 148).

Regenerating the English coalfields http://www.publications.parliament.uk/pa/cm200910/cmselect/cmpubacc/247/247.pdf http://www.official-documents.gov.uk/document/cm78/7885/7885.pdf	
Recommendations	**Progress to date**
1. Thirteen years after the start of the schemes, the Department still lacks clarity as to how its initiatives can best revitalise the local communities in which it is investing. The Department should reassess the needs of coalfield areas in 2010, and articulate a clear, measurable and time-bound aim and developing an overarching strategy to achieve it. Its commitment to produce an action plan is a step in the right direction and should set out how it will better lead and co-ordinate coalfield regeneration to obtain the best value for money from the remaining £450m to be spent by its initiatives. The Department will need to assign action dates and specify how and when its progress will be measured and reported.	The Review of Coalfields Regeneration chaired by Michael Clapham reported to Ministers last autumn[2]. The Government responded to the recommendations in March 2011[3]. It accepted that while intervention in coalfield areas was still needed, the form of this intervention needs to evolve to reflect the change in economic circumstances and the Government's new approach, moving away from top down programmes. The emphasis in the next phase of regeneration will be on a community-focused, self-sustaining and locally led approach. Local authorities, or local enterprise partnerships (where established) should help provide strategic leadership for local regeneration activity.
2. The Department has failed to lead coalfield regeneration across Government. The Department should take the lead to bring together relevant Government Departments to support enterprise, employment, education and transport in coalfield communities. The Department should agree clear terms of reference and establish national aims, underpinned with clear lines of responsibility.	With the change in the Government's approach we have asked the Coalfields Regeneration Trust to develop a Partners Programme to identify the key issues to achieve more effective joint working with providers and departments, such as health and JobcentrePlus at a local level. Where there are particular barriers to achieving this, the Department will support the process by facilitating engagement with other public sector bodies and across Whitehall. The Department will provide oversight of this with the Trust, the Industrial Communities Alliance and the Homes and Communities Agency through the joint Coalfields Programme Board.
3. The Department has not sufficiently coordinated its three strands of coalfield regeneration and funding for improving local coordination is at risk. The Department should define respective responsibilities of the initiatives and how they should work together in coalfield areas. The Department should assess the additional value for money from improved local coordination	As mentioned in conclusion 2 above - the Department will work with other government departments, coalfields partners, and across the coalfields programmes, through the Coalfields Programme Board, to remove and minimise barriers to effective joint working in co-ordination at the local level.

[2] *A Review of Coalfields Regeneration* www.communities.gov.uk/publications/regeneration/reviewcoalfieldsregeneration
[3] *A Review of Coalfields Regeneration: Government Response* www.communities.gov.uk/publications/regeneration/reviewcoalfieldsgovresponse

between its initiatives and use this to inform future funding allocations	
4. The Department has failed to develop a robust assessment of the direct impact of its initiatives, including proof that the money spent has created jobs that would not have been created anyway. To demonstrate that the plans merit continued funding, the Department should establish the success of its initiatives using direct measures such as the occupancy rates on sites and the number of jobs filled by members of coalfield communities as a direct result of the initiatives. To better assess the true impact of the programme, the Department should compare the benefits achieved by site redevelopment with those former coalfield communities whose sites were excluded from the Programme and publish the lessons learnt from this evaluation.	As part of the implementation plan for the review, and the review of coalfield sites in the Homes and Communities Agency's National Coalfields Programme will consider the question of additionality. DCLG will also continue to work with partners to ensure that coalfield communities benefit and are able to make the most of new opportunities. In the response to the Public Accounts Committee report, the Department partially agreed with this recommendation. Because of the small number of sites that were excluded from the National Coalfields Programme, and the length of time that has passed since the sites closed, any benefits that might have been gained through such an evaluation would be minor, so it was agreed in our response that the Department would not pursue this particular point.
5. The Department does not have a specific programme in place to help local people benefit from jobs on its site developments. The Department should have a specific programme in place for every site to help local people access job opportunities created by construction work and incoming business. It should urgently check all its site developments and make sure that such programmes are in place. And it should incentivise the Coalfields Regeneration Trust (the Trust) and the National Coalfields Programme (the Programme) to make use of their collective networks and expertise to create job opportunities for local people.	A local approach is now central to the Homes and Communities Agency's activities to ensure wider co-ordination with wider regeneration activities, including the work of the Coalfields Regeneration Trust. Coalfield sites will continue to form part of Local Investment Planning at the request of local authorities, and Local Enterprise Partnerships. This joint working has meant that physical investment on Agency projects is increasingly linked to wider development opportunities, as well as the development of individual sites. This approach will help meet the Committee's concerns about local coalfield communities being able to access jobs.
6. The Benchmarks the Department uses to assess its spending on the contamination, housing and employment aspects of coalfield regeneration are too broad to give confidence over value for money. a) To improve the comparability of the costs of treating land, the Department should develop separate and narrower benchmarks for differing levels of contamination, and b) The Department should develop	The review of sites in the National Coalfields Programme mentioned at conclusion 8 below will also consider the points raised by the Committee on benchmarking and additionality.

more sophisticated housing and employment benchmarks that exclude the unavoidable cost of treating land to meet legal obligations, and are based solely on the incremental costs and benefits associated with the work.	
7. The Department did not act quickly enough to support enterprise in coalfield areas. By the time the £50m Coalfield Enterprise Fund to support business was proposed in 1998, the employment, skills and confidence in many coalfield areas had been lost. An urgent response was needed but the Department took until 2004 to develop and launch a £10m fund. And the Department took until 2009 to identify a mixture of public and private funding to reach the £50m mark. The Department should urgently reassess the enterprise funding needs of coalfield areas	An evaluation of the Coalfields Funds has recently been conducted for Enterprise Ventures, who manage the Funds on behalf of the Department. The Department will consider the evaluation's recommendations on the way forward. We are also creating a new small business start up fund as part of the Coalfields Regeneration Trust programme, working with the Enterprise Fund and other coalfield partners to provide small loans to business start ups in the most challenged areas.
8. The Department is not confident of achieving its target outputs for the physical aspect of coalfield regeneration by 2017 because of the current economic downturn but it has not reviewed its spending plans. The capacity of coalfield areas to absorb new building developments on former coalfield sites and create jobs is dependent on the speed of the economic recovery. The Department should re-evaluate how best to achieve its aim to revitalise coalfield areas in light of the downturn. It should reassess the immediate and long-term needs of coalfield communities in light of further job losses. The Department should reassess the balance of spending between physical regeneration on sites, physical regeneration and infrastructure elsewhere, support for training and skills development, and support for enterprise, and set itself challenging targets to maximise the contribution to employment and sustainable growth in coalfield areas.	The Homes and Communities Agency has undertaken a review of the National Coalfields Programme in order to make clear recommendations to the Department on which sites should be withdrawn from the Programme and which sites require a refreshed investment and delivery strategy.

The Decent Homes Programme http://www.publications.parliament.uk/pa/cm200910/cmselect/cmpubacc/350/350.pdf http://www.official-documents.gov.uk/document/cm78/7885/7885.pdf	
Recommendations	**Progress to date**
There is a risk that funding to complete the Decent Homes Programme will not be forthcoming, given likely pressures on future public spending. The Department should prepare a contingency plan for the Programme's completion, with options and priorities clearly identified should funding not be available. (Recommendation 2). The Department should for future programmes provide more robust estimates of the likely costs before starting. (Recommendation 4). The Department should first be clear on what costs it is letting itself in for, and then put in place arrangements that enable the costs it then incurs to be accurately identified. (Recommendation 5)	The Government is providing £2.1bn capital funding over 2011-15 to help complete the Decent Homes Programme. Of this, £1.6bn will be given to the council sector. Both Arms Length Management Organisations and retention authorities are being funded. Given the pressure on the funds available, funding is being prioritised on landlords with a significant proportion of non-decent housing (over 10 per cent). In December 2010 the Homes and Communities Agency launched a bidding round for the £1.6bn Decent Homes backlog funding for council housing stock. Councils were able to make their best case for funding based on evidence of costs and income. The Homes and Communities Agency received bids from 70 authorities for a total of £2.7bn. After a rigorous assessment process 48 authorities will receive funding at some point during 2011-15. The Homes and Communities Agency will now work with councils to ensure effective delivery, including monitoring costs.
To achieve value for money in the long term, local authorities need clear plans in place to prevent the build up of another maintenance backlog. The Department will be announcing details of its Self-Financing proposals and it is vital that it acts quickly to finalise the new funding arrangements with individual local authorities, based on reliable assessments of likely costs and revenues. (Recommendation 3)	The Spending Review 2010 confirmed that we will replace the existing Housing Revenue Account subsidy system with a devolved system – self-financing – that, after an initial re-allocation of debt, will allow councils to keep all the rent money they raise and spend it locally on their services. The Localism Bill will provide the necessary powers to repeal the existing subsidy system and introduce these reforms. Full details including updated indicative numbers by council were announced in February 2011 in 'Implementing Self-financing for council housing'. These details can be found on the department's website at www.communities.gov.uk/housing/socialhousing/ Subject to Parliamentary approval, we plan to implement self-financing from April 2012 with a draft determination to be published for consultation with local authorities.
The Department should, as part of its current evaluation of the Decent Homes programme, identify the most cost effective approaches [to carrying out works] and then disseminate good practice. (Recommendation 7)	DCLG said in response that an evaluation of research findings on the Programme would assist councils to improve their performance. The research report will be published on the Department's website shortly.
The Department should ensure that it builds in adequate arrangements for the collection of robust monitoring data from the very start. (Recommendation 8)	The Homes and Communities Agency is working with local authorities and Arms Length Management Organisations receiving funding to tackle their decent homes backlog to identify what the funding will deliver and will monitor delivery against those expectations.

Private Finance Initiatives in Housing http://www.publications.parliament.uk/pa/cm201011/cmselect/cmpubacc/631/631.pdf http://www.hm-treasury.gov.uk/d/minutes_14_18_reports_cpas_march2011.pdf	
Recommendations[4]	**Progress to date**
1. The Department should prepare and publish whole-programme evaluations which assess Private Finance Initiatives against alternative procurement routes using clear value for money criteria. The evaluations should include the merits or otherwise of including support services in the contracts.	As requested by current Ministers, and as an integral element of the Spending Review 2010, the Department is undertaking a review of the value for money of Housing Private Finance Initiative at a programme level as it now stands: that is the schemes now in procurement. The Department will draw on this analysis to inform decisions on whether or not to continue to support Housing Private Finance Initiative projects in procurement. The first phase of the value for money review was completed in March 2011. The Homes and Communities Agency has since engaged with local authorities to secure cost savings and acceptable value for money on the thirteen Housing Private Finance Initiative projects in procurement. It is currently anticipated that this second stage of the value for money exercise will be concluded by July. The Department will subsequently make available a summary of the results of its value for money assessment.
2. The Department must ensure that the actions it has been taking to address previous programme failings will result in future projects being delivered to time and within cost.	The Department, following a Major Projects Review Group assessment of the sixth round of the Housing Private Finance Initiative programme, has since reviewed how both cost estimation and procurement times could be improved. The Department has arrived at a set of provisional conclusions, will consult with the Treasury on its proposals and, if and as appropriate, will subsequently revise its Housing Private Finance Initiative guidance to reflect these findings.
3. In taking forward plans for delivering new and improved housing, the Department should ensure that the choice of procurement route, Private Finance Initiative or otherwise, is based on clear and transparent value for money criteria.	The Department's value for money review has assessed Housing Private Finance Initiatives against other housing investment routes, principally Decent Homes for refurbishment works and the National Affordable Housing Programme for new-build housing. The Department is clear that value for money must be the primary focus in the selection of the appropriate procurement option both at programme and project levels. The Department has established a rigorous business case and approvals process to assess the value for money and deliverability of its individual investment proposals. This includes business cases being appraised with regard to Treasury policy and guidance and sign-off from the Department's Investment Sub-Committee.

[4] Progress against recommendations 6 & 8 has been published separately by HMT, see extract at PFI in Housing HMT Recommendations 6 & 8.doc

4. All departments with Private Finance Initiative programmes should negotiate with major Private Finance Initiative investors and contractors to secure better deals for the taxpayer.	The Department is not a direct procurer of Private Finance Initiative projects but sponsors local authority Private Finance Initiative projects in the housing, fire and joint service centre sectors, and as such does not have the legal right to negotiate individual local authority contracts. However, as the sponsor of local authority Private Finance Initiative projects the Department does have a legitimate interest in and responsibility to the taxpayer for ensuring the value for money of operational Private Finance Initiative projects and does intend through the Homes and Communities Agency to advise local authorities on the cost elements of their Housing Private Finance Initiative projects. The Department is currently working with HM-Treasury and engaged with local authorities to take forward the recommendations contained in HM-Treasury's *Making Savings on Operational PFI Contracts Guidance* http://www.hm-treasury.gov.uk/d/iuk_making_savings.pdf
5. Monitoring and improving value for money depends on local projects having access to good quality information from across programmes. The Department should define minimum data requirements from local authorities and then take responsibility for ensuring that information collected from and distributed to local projects is complete, accurate and consistent.	The Department has developed a framework to collect and compare Housing Private Finance Initiative data from local authorities and to advise and assist local authorities to benchmark projects and improve their value for money. Following conclusion of the value for money assessment of Housing Private Finance Initiative projects in procurement, this framework and its database will then be used as the basis for collection and collation of data from local authorities with a view to advising and assisting them to improve the value for money of Housing Private Finance Initiative operational projects over the duration of the contracts.
7. Central departments need to have adequate resources to: collect data and carry out programme evaluations; exert market leverage and identify opportunities for efficiency gains; and share good practice with the local projects and offer support to them. It would be very disappointing if the public sector as a whole lost value for money from its Private Finance Initiative contracts because the Departments were losing their capability through reducing the costs of central administration. We look to the Department for Communities and Local Government to deliver on its commitment to keep its support capacity at an appropriate level.	The Department will continue to apply the level and quality of resources needed to undertake its responsibilities effectively and operate efficiently. We re-affirm the commitment made by its Permanent Secretary to the Public Accounts Committee to keep its Private Finance Initiative support capacity at an appropriate level. However, post the Spending Review 2010 Settlement, both the Department's Housing Private Finance Initiative programme and overall resources are significantly reduced. Housing Private Finance Initiative will contribute just around 2 per cent to our Decent Homes programme, and even less towards increasing housing supply. We will have to ensure that our Private Finance Initiative support capacity is commensurate with the reduced scale of the Housing Private Finance Initiative programme.

Published by the Department for Communities and Local Government; June 2011.

ISBN: 978 1 4098 3000 9