EXECUTIVE SUMMARY

- The Department for Levelling Up, Housing and Communities (DLUHC) has responsibility for a number of functions that are currently performed inefficiently and represent poor value for taxpayer money;
- DLUHC should set strategy and draft legislation whilst devolving initiatives and action to the regions and local authorities;
- The core department should need no more than 500 civil servants whose role should include disbursing the funding and then evaluating the funded schemes to disseminate the more successful to other regions and local authorities;
- Various arm's length bodies should be closed, privatised or merged with other bodies;
- If government then considers DLUHC too small to justify a seat in Cabinet, its Union role should be strengthened by merging the Offices of the Secretaries of State for Scotland, Wales and Northern Ireland into DLUHC, now perhaps called the "Department for the Union", and doubling the size of the core department;
- Taken together, if all the recommendations within this paper were implemented, this would amount to a saving of 5,030 staff (88% of the present total).

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ABOUT THIS SERIES

The UK government plans to reduce the civil service headcount by nearly 20%. We believe that deeper savings—bringing lower costs and greater efficiency—are easily possible. Whitehall has grown far more than 20% in the last seven years alone and we have found most departments to be a confused clutter of overlapping functions and agencies. This series aims to cut through that clutter to suggest nimbler, lighter structures.

Whitehall departments have two functions: to manage policy and to provide services. We believe that services (such as passport provision) should be provided by executive agencies, without being swamped by the core department staff. We also believe that the cores could work, more effectively, with a fraction of their staff.

Deep staff reductions can be managed through natural turnover, early retirement, pausing non-essential recruitment and other methods. The result would be a slimmer, more focused civil service, better services for users and substantial savings for taxpayers.

OVERVIEW 3

It seems like an Alice in Wonderland world of make-believe. "Talent is spread equally across our country...Levelling up...means people everywhere living longer and more fulfilling lives, and benefitting from sustained rises in living standards and well-being," says the 332-page February 2022 Levelling Up White Paper. Freeports in the North are the key to levelling up, it argues. Devolution is another: "A new framework will extend, deepen and simplify local devolution in England," (p.xix) even though for 70 years the Department has centralised housing and planning decisions and told local authorities what to do.

The National Audit Office (NAO) was sceptical: "The government's policies to stimulate local economic growth are not consistently based on evidence of what interventions are likely to be most effective, increasing the risk that billions of pounds awarded to local bodies will not deliver the intended benefits." And "DLUHC has also yet to make any progress on its commitment to an overarching local growth framework, with common metrics for evaluating local growth initiatives."

In other words, DLUHC says decision-making will be devolved but goes on making the decisions itself without bothering to find out what works before extending the decisions nationwide. Ministers seek the political glory of spending announcements with little concern for measurement or value for money. And expenditure can be announced many times but only happen once.

If the Government really intends to hand the initiative for levelling up to the regions, then DLUHC should limit itself to encouragement and funding. But if that were really the policy, would we need DLUHC at all? A small steering group of, say, a dozen Cabinet Office staff could supervise the allocations for local authorities, whilst other regional organisations and review levelling up proposals from the regions, financing the best of them, and travelling around the country to evaluate the performance of local authorities and levelling up schemes.

¹ HM Government, 'Levelling Up the United Kingdom: Executive Summary', February 2022: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1095544/Executive_Summary.pdf

² National Audit Office, 'Supporting local economic growth', February 2022: https://www.nao.org.uk/press-releases/supporting-local-economic-recovery/

The staffing of MHCLG, DLUHC's predecessor, and its costs are set out below per Annex A of its 2020/21 annual report³ and DLUHC per Annex B of its 2021/22 report⁴:

| ARMS' LENGTH BODY | FTE Headcount 2020/21 | FTE Headcount 2021/22 | Соѕт (£000) 2020/21 | Соѕт (£000) 2021/22 |
|---|-----------------------------|-----------------------------|---------------------------|---------------------------|
| Core Department | 2,456 | 2,919 | 157,090 | 198,441 |
| Commission for Local Administration in England | 185 | 188 | 11,713 | 9,121 |
| Homes England | 1,259 | 1,427 | 100,528 | 72,618 |
| Leasehold Advisory Services | 26 | 26 | 1,190 | 1,249 |
| Planning Inspectorate | 759 | 760 | 48,436 | 45,424 |
| Regulator of Social Housing | 169 | 187 | 14,879 | 12,003 |
| The Housing Ombudsman | 67 | 130 | 6,745 | 6,693 |
| Valuation Tribunal Service | 61 | 59 | 3,904 | 2,567 |
| Department | 4,982 | 5,696 | 344,485 | 348,116 |

In this paper, we consider the Arm's Length Bodies (ALBs) in descending headcount order before reviewing the contribution of the core department and conclude with recommendations.

ARM'S LENGTH BODIES

HOMES ENGLAND

The Homes England 2021/22 annual report⁵ notes that the stock and quality of homes have increased; but, with levelling up becoming the new mantra, the focus has shifted from helping individuals to become home-owners, to "working with" local authorities and private enterprise to regenerate tired districts and create new housing estates. However, the regions that most need new housing, such as London, are precisely those that least need levelling up. A national body dedicated to more homes or improving current stocks irrespective of their contribution to levelling up is unhelpful. Homes England should therefore be terminated, and local authorities and other regional fund-holders asked to consider housing within their portfolio of proposals.

³ MHCLG, 'Annual Report and Accounts 2020-21', July 2021: https://assets.publishing.service.gov. uk/government/uploads/system/uploads/attachment_data/file/1014214/MHCLG_ARA_2020-21.pdf

⁴ DLUHC, 'Annual Report and Accounts 2021-22', July 2022: https://assets.publishing.service. gov.uk/government/uploads/system/uploads/attachment_data/file/1092261/Annual_Report_and_Accounts_2021-22.pdf

⁵ Homes England, 'Annual Report and Financial Statements 2021/22', July 2022: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1092351/Homes England Annual Report and Financial Statements 2021-22.pdf

PLANNING INSPECTORATE

According to the Inspectorate's 2019/20 Annual Report,⁶ the targets set by Ministers for its primary function, namely planning appeals, are to determine 80% of written representations and 80% of hearings within 14 weeks. In 2018/19, they achieved those goals only 58.8% and 23.6% of the time respectively. The following year they achieved 50% and 20% respectively (p.131). In 2019/20, only 55% of users were satisfied with the appeal process.

Performance on Rights of Way, Wildlife and Countryside matters is even worse than the performance figures above. The targets are 80% in all three cases and achievements were 42.1%, 33.3% and 48.8% respectively. None of these issues should fall under the jurisdiction of the Planning Inspectorate in the first place.

One recent appeal concerned rights of way over a farmer's land in Norfolk. A few parishioners used footpaths with indeterminate rights of way, mostly for dog walking. Previous generations of farmers were not bothered and nor were their animals, but the new owner wanted everyone barred. What might have been sorted out at a village hall meeting escalated, and the parish, district and county councils all found in favour of the walkers. The Planning Inspectorate accepted the appeal in 2018 and after seemingly endless communications, eventually came to a decision in mid 2022.

Why should a major national body involve itself in such a trivial matter at all? Appeals should only be allowed one administrative level up. That is, matters that should be determined by parish councils should have the right of appeal to district/unitary councils but no further, and district council matters only to county councils.

The Planning Inspectorate is preoccupied by the number and type of decisions they take and the length of time doing so. Its March 2022 statistics provide no data on the proportion of appeals that supported or overturned the Local Planning Authority (LPA) decisions. In other words, the Inspectorate provides no evidence of their usefulness. In March 2021, the Inspectorate responded to challenges on this issue by reporting that between October 2018 and end-December 2020, LPA decisions were overturned on 24%, 41% and 46% of the appeals for written representations, hearings, and inquiries respectively. The relatively low outcomes for written representations are presumably due to appellants being less optimistic and therefore less willing to pay the costs of representation.

⁶ Planning Inspectorate, 'Annual Report and Accounts 2019/20', September 2020: https://assets. publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916690/annual_report_2019_2020_Final_published.pdf

⁷ Planning Inspectorate, 'Planning Inspectorate statistical release 17 March 2022': https://www.gov.uk/government/statistics/planning-inspectorate-statistical-release-17-march-2022

⁸ Planning Inspectorate, 'The role of the Inspector and how many appeals are allowed', March 2021: https://www.gov.uk/government/news/the-role-of-the-inspector-and-how-many-appeals-are-allowed

The last (2020) White Paper⁹ stated: "Planning decisions are discretionary rather than rules-based: nearly all decisions to grant consent are undertaken on a case-by-case basis, rather than determined by clear rules for what can and cannot be done." It went on to say that this uncertainty was a major reason for higher costs and delays in development. It is why inspectors so often overrule local planners. The solution is simple: clarify the rules and abolish the Planning Inspectorate.

COMMISSION FOR LOCAL ADMINISTRATION IN ENGLAND, THE HOUSING OMBUDSMAN SERVICE, AND THE SOCIAL HOUSING REGULATOR

Commission. The Commission is the ombudsman for complaints about local authority decisions. Its location in DLUHC is because that is the department most responsible for local authorities. But that distances the other departments who are responsible for relevant topics from the feedback they should need. For example, according to the 2019/20 annual report, 10 16% of complaints concerned adult social care (DHSC) and 19% concerned children and education (DoE). Only 10% concerned the main function of DLUHC.

Ombudsman. On top of this, DLUHC also has the Housing Ombudsman Service (HOS). Headcount numbers are increasing rapidly due to the "new operating model" that resulted from the 2020 Social Housing White Paper. According to DLUHC's 2021/22 Annual Report, the headcount was 130 costing £6.7 million—up from 94 staff in 2020/21¹³. The 2022/25 Corporate Plan mentions no staff numbers at all. The good news, from the taxpayer's point of view, is that landlords are charged for the HOS which in 2020/21 made a surplus of £1.6 million. The HOS seem to receive an extraordinarily high, and increasing, number of complaints; 12,505 in the year to 31st March 2022. In the light of all this, this paper expects the HOS staff now to number about 160 and the private sector, which pays for it all, should have charge of it.

⁹ MHCLG, 'Planning for the Future White Paper', August 2020: https://assets.publishing.service. gov.uk/government/uploads/system/uploads/attachment_data/file/958420/MHCLG-Planning-Consultation.pdf

¹⁰ Commission for Local Administration in England, 'Annual Report & Accounts 2019-20', December 2020: 'https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945697/Annual_Report_2019-20.pdf

¹¹ MHCLG, 'The charter for social housing residents: social housing white paper', November 2020: https://www.gov.uk/government/publications/the-charter-for-social-housing-residents-social-housing-white-paper/the-charter-for-social-housing-residents-social-housing-white-paper

¹² DLUHC, 'Annual Report and Accounts 2021-22', July 2022 (p.182): https://assets.publishing. service.gov.uk/government/uploads/system/uploads/attachment_data/file/1092261/Annual_Report_and_Accounts_2021-22.pdf

¹³ The Housing Ombudsman, 'Annual Report and Accounts 2020-21', November 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1037803/E02674708_Housing_Ombudsman_ARA_2020-21_HC_816_Accessible.pdf

¹⁴ Housing Ombudsman Service, 'Corporate Plan 2022-25', March 2022: https://www.housing-ombudsman.org.uk/wp-content/uploads/2022/03/Corporate-Plan-2022-25-Published-March-2022-2.pdf

¹⁵ Housing Ombudsman Service, 'Insight reports': https://www.housing-ombudsman.org.uk/usefultools/insight-reports/

Regulator. Then there is the Social Housing Regulator (SHR), which is intended to protect the interests of occupants. It had 169 staff in 2020/21, costing £14.9 million. Economic regulators were invented to reproduce the protection against monopoly power that consumers have in a free market, though it is now clear that regulatory agencies commonly get 'captured' by the industries they regulate. Given that social housing is to some extent a competitive market, assisted in that by local authorities and housing associations, it is hard to understand the need for this regulator. If occupants, or would-be occupants, have complaints, they can appeal to the ombudsman.

Recommendations. Before 1993, the UK had no ombudsmen at all. By 2021, there were 30 'Ombudsman Members' of the Ombudsman Association across the UK, Ireland, British Overseas Territories and Crown Dependencies (17 of which are in the UK) and another 19 'Complaint Handler' members. 18 Complaints are important feedback to top management. In the case of the government, each cabinet minister should have one ombudsman reporting to him or her (*not* the permanent secretary), charged with highlighting significant mistreatment of taxpayers. DLUHC, with two ombudsmen and a regulator, appears to be overindulged. Both the Commission and the Social Housing Regulator should be abolished representing a saving of 364 staff¹⁹ and the HOS privatised, saving 160 staff.

OTHER BODIES

The only remaining ALBs are the Leasehold Advisory and Valuation Tribunal Services. The former no longer appears to produce an annual report (though as an executive non-departmental body, it should). It seems to do what it is charged with at a modest price and should be left alone. Another option would be to merge it with the Citizens Advice Bureau.

The Valuation Tribunal Service (VTS) is also a DLUHC executive non-departmental body. It supports the Valuation Tribunal England (VTE), which is part of the judiciary and deals with appeals against local authority assessed bands for business (non-domestic) rates and council tax as well as completion and penalty notices for failure to provide requested information.²⁰ As for other tribunals, the two bodies should be merged and be part of the judiciary, not government.

¹⁶ Regulator of Social Housing, 'Annual Report and Accounts 2020-21', November 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033873/RSH_ARA_20-21_HC_812_Accessible.pdf

¹⁷ GW Regulatory Studies Center, 'A Brief History of Regulation and Deregulation', March 2018: https://regulatorystudies.columbian.gwu.edu/brief-history-regulation-and-deregulation

¹⁸ Ombudsman Association, 'Annual Report and Accounts 2021': https://www.ombudsmanassociation.org/sites/default/files/2021-09/OA_Annual_Report_2020-2021.pdf

¹⁹ Using DLUHC 2021/22 annual report figures.

²⁰ Valuation Tribunal Service, 'VTS Annual Report and Accounts 2020-2021', January 2022: https://valuationtribunal.gov.uk/app/uploads/2022/03/VTS-Annual-Report-Accounts-2020-21.pdf

"The department established four priority outcomes," it reports; and "During the year, we added a fifth outcome to reflect the Department's new responsibility for the Union and Constitution" (p.7).²¹ These responsibilities are:

- "1. Raise productivity and empower places so everyone can benefit from levelling up.
- 2. More, better quality, safer, greener and more affordable homes.
- 3. End rough sleeping through more effective prevention and crisis intervention services, and reduce homelessness by enabling local authorities to fully meet their statutory duties.
- 4. A sustainable and resilient local government sector that delivers priority services and empowers communities.
- 5. Ensure the benefits of the Union are clear, visible and understood by all citizens; and reforming the constitution and sustaining our democracy."

To achieve all that, the Department has "Strategic Enablers...to strengthen our corporate centre and functional performance to enable the delivery of our strategic priorities. This includes a continued focus on ensuring we have skilled, diverse and high-performing people, who are supported and trusted by empowering and inclusive leaders."

Apart from some valuable legislation to reduce evictions, most of the actions in pursuit of these priorities amount to handing over the money to local authorities to do them. For example the Covid response table (p.13) shows £10.7 billion used in that way. But the distinction between doing the work and picking up the bill is fundamental: where DLUHC is simply picking up the bill, it (or the Treasury) is entitled to the credit for that but not for the hard graft. Let us look at the performance against the outcomes:

- 1. Raise productivity and empower places so everyone can benefit from levelling up. This is an absurd objective: the whole idea of levelling up is to benefit some, not all. And how does DLUHC propose to raise productivity nationwide? It appointed a "Director General now in post to drive delivery of our levelling up missions and a new Spatial Data Unit Director to lead geo spatial data and analysis." And Levelling Up Directors will be appointed. But at least a lot of grants were made to regions and there was some empowerment of places, i.e. devolution.
- 2. More, better quality, safer, greener and more affordable homes. DLUHC itself does not build homes and the overall totals remain much the same. Its main

²¹ DLUHC, 'Annual Report and Accounts 2021-22', July 2022: https://assets.publishing.service. gov.uk/government/uploads/system/uploads/attachment_data/file/1092261/Annual_Report_and_Accounts 2021-22.pdf

contribution was in setting standards but there seems to have been little policing of them. The annual report does not mention the failure to deliver the revised Planning White Paper.

- 3. End rough sleeping through more effective prevention and crisis intervention services, and reduce homelessness by enabling local authorities to fully meet their statutory duties. Funding local authorities is DLUHC's key role.
- 4. A sustainable and resilient local government sector that delivers priority services and empowers communities. This is basically also about funding and, as the National Audit Office November 2021 report²² makes clear, that is a nightmare. The proportion of central funding has declined while Whitehall demands more say in how it is spent.
- 5. Ensure the benefits of the Union are clear, visible and understood by all citizens; and reforming the constitution and sustaining our democracy. Performance here is especially puzzling. One of the reported achievements was that DLUHC "continued to work collaboratively with the devolved governments across a wide range of areas. The Intergovernmental Relations Annual Report highlights that there were over 440 intergovernmental ministerial meetings alone in 2021." (Annual Report, p.37) None of the achievements mention the Secretaries of State for Scotland, Wales or Northern Ireland at all, as if they do not even exist. The only matter of substance was agreeing the location of Freeports for Scotland.

CONCLUSION

It would be churlish not to recognise the good things that DLUHC does. The original thesis of this paper, namely to reduce the Department to a small team in the Cabinet Office might be seen as taking things too far; but we can, and should, move a long way in that direction.

DLUHC should recognise that it is there to set strategy and draft legislation, but devolve initiatives and action to the regions and local authorities. They are the ones to be motivated, enthused and congratulated on levelling up. DLUHC should desist from claiming credit for the work of others when they should be applauding them. In that case, the core department should need no more than 500 civil servants whose role should include disbursing the funding and evaluating what it funds, then spreading the more successful schemes to other regions and local authorities.

Would DLUHC still deserve a place at the Cabinet table? Merged with the three Offices for Scotland (140 staff in 2021),²³ Wales (49 staff in 2022)²⁴ and Northern Ireland (328 staff in 2021),²⁵ i.e. levelling up the Union, it most certainly would. In that event, the Department for the Union would need a core department of 1,000 to include the incoming Office ALBs and two further English ALBs from the analysis above. Losing three chairs from the Cabinet table would be a bonus.

RECOMMENDATIONS

- DLUHC should limit itself to guidance and funding.
- Homes England should be abolished and local authorities and other regional fund-holders asked to consider housing within their portfolio of proposals.
- The planning rules should be clarified which would allow the great majority of decisions to be made locally, with only one level of appeal, and the Planning Inspectorate abolished. Major national decisions, such as a further runway at Gatwick, would need specially convened committees as now.
- Having two ombudsmen and a regulator, in the case of DLUHC, is excessive: one
 ombudsman is enough. Both the Commission and the Social Housing Regulator
 should be abolished representing a saving of 364 staff. The Housing Ombudsman
 Service should be turned over to the private sector which already pays for it.
- The Leasehold Advisory Service is small and useful. It might be merged with the Citizens Advice Bureau but otherwise should be left alone. No staff savings.
- The Valuation Tribunal Service is the twin of the judiciary's Valuation Tribunal Executive. The two should be amalgamated under the judiciary. No staff savings.
- DLUHC should recognise it is there to set strategy and draft legislation whilst devolving initiatives and action to the regions and local authorities. They are the ones to be motivated, enthused and congratulated on levelling up. DLUHC should desist from claiming credit for the work of others when they should be applauding them.
- The core department should need no more than 500 civil servants whose role should include disbursing the funding and then evaluating the funded schemes to disseminate the more successful to other regions and local authorities.
- The staff savings arising from the above proposals amount to 5,030 (88%) saving out of 5,696 staff.
- If government then considers DLUHC too small to justify a seat in Cabinet, its Union role should be strengthened by merging the Offices of the Secretaries of State for Scotland, Wales and Northern Ireland into DLUHC, now perhaps

²³ Office of the Secretary of State for Scotland and Office of the Advocate General for Scotland, 'Annual Report and Accounts 2020-2021', July 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002998/Office_of_the_Secretary_of_State_for_Scotland_and_Office_of_the_Advocate_General_for_Scotland_Annual_Report_and_Accounts_2020-2021.pdf

²⁴ Office of the Secretary of State for Wales (Wales Office), 'Annual Report and Accounts 2021-22', July 2022: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1092248/CCS001_CCS0322543970-001_Wales_Office_ARA_2021-22_English.pdf

²⁵ Northern Ireland Office, 'Annual Report and Accounts 2020-21', June 2021: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/998028/Northern Ireland Office Annual Report and Accounts.pdf

called the "Department for the Union", and doubling the size of the core department. Whilst only one Cabinet seat would be needed for this new department, the three Secretaries of State should retain their titles and roles.

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