



Department for
Communities and
Local Government

Business critical models in the Department for Communities and Local Government

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October 2014

ISBN: 978-1-4098-4354-2

Business critical models in DCLG

Following the problems with the Intercity West Coast franchise process, Sir Nicholas Macpherson undertook a review of the quality assurance of government analytical models (<https://www.gov.uk/government/publications/review-of-quality-assurance-of-government-models>). Following the recommendations of this review, and to aid transparency and risk management, we are publishing this list of business critical models in DCLG.

As with the Macpherson review, we have classified models as 'business critical' to the department if, now or in the future, it would have significant impact in at least one of the following ways.

- a) Reputational impact – are decisions likely to carry risk for the department or ministers? (impact leading to sustained scrutiny which would significantly impede the effective development, operation or justification of government policies/ leading to embarrassment which would detract from the effective development, operation or justification of government policies)
- b) Economic/financial impact – are decisions likely to carry risk of high cost to the department?
- c) Legal impact – will decisions have serious repercussions or set precedent (major precedent with significant impact on future management of the public sector and its operations)?

This list of business critical models is up to date as of May 2014, and updates the list provided as an annex to the original Macpherson review (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206948/review_of_govt_models_annex_d_table_of_returns.pdf).

List of business critical models in DCLG – as of May 2014

| Model name and type | Description |
|---|---|
| Build to Rent Portfolio Modelling [Financial Evaluation] | The model estimates the financial risk of Build to Rent funds both at a portfolio level and at an individual project level. In the fund's round 2 initial due diligence stage the model has been used to flag any concern on the financial risk associated with particular projects. |
| Business Rates Retention [Allocation] | The model calculates the impact on local authority income of the Business Rates Retention scheme using data from estimated and outturn Non-Domestic Rates returns. |
| Business Rates Retention [Policy Simulation] | The model simulates the impact on local authority income of the Local Government Rate Retention scheme over the period 2013-14 to 2019-20. |
| Council Tax Support Allocations [Allocation] | The model distributes funding for Council Tax Support, which replaces Council Tax Benefit for 2013-14 (provided by the Office for Budget Responsibility) between local authorities, using published data of authorities' previous expenditure and Council Tax levels (on a pro-rata basis). |
| Help to Buy: Equity Loans [Financial Evaluation] | Forecasting of equity loan spend and receipts profiles to inform policy development and Value for Money analysis. A version of the model is now held by the Homes and Communities Agency, and used for financial forecasts. |
| Household Projections [Forecasting] | The model projects the estimated number of households in England for the next 25 years. |
| Housing Guarantees [Policy Simulation] | The model is used to analyse the risks and financial implications of the proposed housing guarantee scheme. |
| Large Sites Model [Financial Evaluation] | The model analyses potential risks and mitigations to receipts on loans from the Large Sites fund from 2015/16. |
| Limit Rent Model [Allocation] | To determine the limit rent (the maximum Department for Work and Pensions will pay out in housing benefit) for local authority housing stock. |

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| <p>Local Government Finance Settlement [Allocation]</p> | <p>The model performs the calculations as set out in the Local Government Finance Report for the relevant year. From 2006-07 to 2012-13 this meant calculating Formula Grant. From 2013-14 onwards it will calculate (i) tariffs and top-ups (ii) Revenue Support Grant (iii) the safety net level. It is supported by the outputs of a number of other models including, for example, the Council Tax Base projection model.</p> |
| <p>Help to Buy: NewBuy Guarantee Modelling [Financial Evaluation]</p> | <p>To analyse the risks and financial implications of Help to Buy: NewBuy mortgage guarantees.</p> |
| <p>Public Sector Land Model [Policy Simulation]</p> | <p>This is a policy appraisal model to analyse potential costs and benefits of investing in and disposing of surplus public sector land via the Homes and Communities Agency.</p> |
| <p>Spending Power Calculation [Allocation]</p> | <p>This model calculates spending power for use in presenting the Local Government Finance Settlement and for allocating Efficiency Support Grant.</p> |
| <p>Rent Policy Model [Forecasting]</p> | <p>To evaluate the effect of different rent policy scenarios on the rents local authorities can charge and the income they will receive.</p> |